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INTERNATIONAL CO-OPERATION

VOLUME 91 N°1 1998

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Editorial

Dear Readers,

Following the pattern of recent years, the papers in this special issue were selected from our last ICA Research Committee Conference - an Italian experience in a castle on top of a hill at Bertinoro, outside Bologna. The main theme of that conference was "the co-operative advantage in a civil economy" - an important theme that kept us talking long into the warm evenings. Our Italian hosts with their excellent facilities made it truly memorable. I think the participants did justice to our welcome, and I hope the many post-graduate students on their highly innovative course on co-operatives and non-profit organisations enjoyed it as much as we did. The organisation was excellent, and I would particularly like to thank Sabina Schmidt, Claudio Travaglini, and Gianluca Fiorentini, from Dept of Economics, University of Bologna, the Italian Society of Co-op Studies, L. Luzatti, for their sponsorship, and of course the efficient administrative support of Alina Pawlowska of ICA secretariat, as well as Yohanan Stryjan, from Europe's newest university Stockholm Soedertoern University College.



The aim of this special research conference issue of the Review of International Co-operation, with the support of Mary Treacy, Communications Director of the ICA, is to make more widely known the research findings of our conference participants who came from more than 17 countries from all corners of the globe (Brazil, Argentina, Japan, Australia, Russia, Canada, USA and Europe). Since there were over 30 papers, choosing 10 has not been easy; a number of good ones have had to be left out because our space is limited. I've tried to make a selection in order to get a reasonable spread of papers across the globe, across sectors and across issues. I have also tried to pick papers which address important and general issues. I hope you find that the ten papers chosen reflect range and variety, and relevance to current issues. As the papers were selected partly to show the variety of co-operative research being undertaken globally, I have put them together in a particular order, though there are many other ways this could have been done. The first two papers are quite different but have a link in demonstrating the important role co-ops play in channelling self help and community oriented activity. The next three examine one of the major issues facing co-operatives - globalisation and changing market conditions, their impact on co-ops, and how they can develop strategies for survival and growth. Then fol-

lows a paper in a similar vein of strategy, but this time concerned with the all important area of designing co-operative systems for innovation.

These are followed by two analyses of the challenge of new markets where co-ops ought to have considerable "natural" advantages - in the provision of contracted out "public" goods and services, such as welfare services, which are preoccupying many countries with ageing populations. The final two papers are concerned in different ways with co-operative values; the first primarily with how to sustain and reproduce them through daily co-operative action; and the second with how to appreciate and make the most of them as a competitive advantage. In fact we chose "Co-operative advantage in a Civil Economy" as the theme for our '97 conference because we wanted to emphasise that co-operative values can be good business, and co-operative business can be good for a more socially responsible and ethical economic development. As a set of papers I trust they stimulate your consideration of these issues.

The first paper, by Rafael Chaves, reports on part of a major study of the social economy in Spain. His analysis of the worker co-operative sector shows a number of interesting things. Firstly it is a very dynamic sector, second only to Italy in Europe, which is quite an achievement given the difficult economic conditions and high levels of unemployment in Spain. Indeed there often appears to be a correlation between the formation rate of co-ops and the level of unemployment, another example of co-operatives being an important instrument of self-help. The large scale economic restructuring has led to opportunities for co-ops providing goods and services with a trend towards the service sector. These co-ops have often been small in size. Similar restructuring in the public sector (including contracting out) and increasing demand has led to growth of co-ops in public and merit goods sectors such as personal and social services - a trend we have seen in many other countries. The second paper, by Akira Kurimoto, is from another country where co-operatives are highly developed, and it pursues a similar theme of self help, but this one also has a strong emphasis on community support (cf ICA 7th Principle). Co-op Kobe, a Japanese consumer co-op, played an important role in helping its community overcome the earthquake disaster in 1995. In doing so, it provided an important channel for volunteer activity, and demonstrated the value of co-operation between co-ops. These community support activities took place throughout the earthquake period from immediate catastrophe to reconstruction phases. Clearly, the community was impressed by what the co-op did during this period, but the co-op has also been strongly influenced by this experience, and as a result is pursuing a policy of "creative reconstruction" of its own business based on a new community-driven strategy.

The next three papers are concerned with how market conditions are changing and how co-ops are responding. John Launder discusses the impact of market

liberalisation and structural adjustment on co-ops in Eastern and Southern Africa. Such moves have often been hard on co-operatives, but lauded by international agencies such as the World Bank. And the demise of bureaucratic state-sponsored models of co-operatives may be welcomed, with a move towards more farmer-centred or member focused co-ops. However evidence suggests that, while there may be benefits for consumers, taxpayers (reduced state subsidies) and large traders, shortcomings in the development of efficient markets for farmers' products risk damaging agricultural development. Javier Caceres analyses globalisation and its effects on the Canadian wheat industry. He warns that globalisation, together with liberalisation and trade agreements, is changing the balance of power between national state regulatory institutions and domestic producers in favour of international corporations; for example through farmers accepting biotechnical packages (seeds, fertilisers, pesticides) from global corporations; or privatisation of grain handling co-ops leading to increasing outside ownership (although the interesting use of non-voting shares may restrict this process); or potential trade agreement challenging the monopoly marketing power of the Canadian Wheat Board. Farmers need to rethink their role in this rapidly evolving global system, possibly developing an integrated system of their own.

Karin Hakelius also advocates a more integrated system of co-operative agriculture for similar reasons of globalisation. But in addressing the situation faced by Swedish farmers she notes a different attitude of young farmers to co-ops, and so argues for a different form of co-operation. Based on her study of the New Generation Co-ops in North America, she advocates their model which is distinctive in requiring high levels of member investment, a binding contract between members and the co-op, and closed membership (to farmers with contracts). Although much of the NGC experience seems to be in niche markets, it does offer farmers a way to add value often through food processing - ie vertical integration to the next stage of the food chain.

The paper by Lou Hammond-Ketilson implicitly poses the increasingly important question "How to develop innovative capacity in co-operative systems?" The experience of CUFIS (Credit Union Financial Information Services), although ultimately unsuccessful, does have lessons for federative co-operative systems. CUFIS was set up as a subsidiary by the secondary credit union in the Saskatchewan CU system, it was expected to stimulate innovation in the whole system, in terms of products, member education, information services, and service management. Lessons from its demise point either to direct control of such key initiatives by primary societies, or to improving the process of innovation within, and the diffusion of innovation between, primary societies.

The next two papers address an area of major new opportunities for co-ops in the world today - the privatisation and contracting out of state services. Gabriele

Ullrich develops a useful analysis of forms and sectors of privatisation, before considering the pros and cons of different types of co-operative solutions (comparing consumer and worker co-ops). This co-operative solution to privatisation (also termed "socialisation") seems to offer good advantages, as John Restakis emphasises in his contribution. Drawing on interesting international experience he explores some of the policy issues involved.

The final two papers are concerned essentially with co-operative values. Kai Blomqvist, provoked by the apparent end of the "Golden Age" of Swedish Consumer Co-ops, examines what is meant by co-operative action, in the belief that if this can be sustained, the vitality of co-ops will not decline. The paper provides an unusual but refreshing examination of what it means to act as a co-operator - not just once a year at an AGM but daily on a continuing basis.

Finally Tom Webb, drawing on a considerable amount of market research on people's attitudes and values with regard to co-ops, points to a clear message: people like co-operative values and the idea of using co-ops to meet their needs. He argues that consumer co-ops have unique competitive advantages in their close relationship with their customer/members and in their values of trust, community support, fairness, etc. Provided co-ops actually do what they say about themselves, isn't it time they did more to market a pride in their co-operative nature? I'm sure you will agree that's a good note on which to finish this research special issue! While the Bertinoro/Bologna Conference was our major event in 1997, we have two important activities in 1998. The Research Committee's next international conference will be held in Cork, Ireland, May 13-17 - the theme is Values and Adding Value in a Global Context. Also, we are holding a conference on 'Women, Entrepreneurship and Co-ops' on October 12/13, 1998, in Paris to coincide with the ICA Regional meeting. We welcome all new participants, and hope that we can continue to maintain high quality research activities which make a contribution to the development of the co-op movement globally.

As Chair of the Research Committee, I have benefitted from the hard work and support of the other committee members: Yohanan Stryjan of Stockholm Soedertoern University College; Lou Hammond-Ketilson of Saskatchewan Co-operative Centre; and Akira Kurimoto, Japan Society of Co-op Studies. I'd like to thank them for their support in past activities and for their work in developing future plans to strengthen our global organisation and activities.

Finally, as all papers were shortened by their authors, I would like to thank them for their research and for writing both papers! I would also like to thank Mary Treacy, ICA Communications Director, and Laura Wilcox and Alina Pawlowska for editing the papers and putting this Special Issue together.

Roger Spear

President's Message

Dear Co-operative Friends:

It is a pleasure for me to follow in the footsteps of my predecessors in contributing some thoughts to this first edition of the Review of International Co-operation for the new year.

Some of you may recall that, when I spoke to the General Assembly after my election as ICA President last September, I described my feelings as a combination of gratitude, fear, and hope. Little has changed since then.

I am very grateful for the many messages of support, the countless invitations to visit, and the innumerable suggestions for action which I have received from co-operators around the world since my election. The ICA's web site has facilitated this communication, and it helps me to feel that Brazil is not so far away from the rest of the world in this new era of instant communications.

I remain worried, of course, about my own capacity and that of our co-operative institutions to deal with the many problems facing our world. It seems to me that unemployment, and particularly the problem of youth unemployment, is the single greatest threat to global stability, prosperity, and peace. At a recent ICA Board meeting my colleague Etienne Pflimlin informed us about the efforts of Credit Mutuel to create several hundred new jobs for young people every year in France. This shows what existing co-operatives, as well as new co-operatives in the production and service sectors, can and must accomplish.

In spite of all the problems which we all face, I remain hopeful and optimistic about the capacity and the future of the co-operative movement. When we look at Asia, we can see that the co-operatives have suffered much less than other institutions during the recent economic crisis for the simple reason that they have for the most part concentrated on their members' interests and avoided the speculation and reckless borrowing which has characterised their competitors.



In Europe the co-operatives are generally maintaining and even increasing their important market shares, often by going back to co-operative basics. In this regard I must pay tribute to my predecessor, Graham Melmoth, who has recently introduced a whole series of reforms in the CWS, Europe's largest consumer co-operative, which bode well for its future.

In many countries of the Americas region there is a new spirit of co-operative enthusiasm and growth. My colleagues on the ICA Board were impressed to see more than 1,000 delegates participating so actively in the ICA Americas' regional conference in Mexico last November. I am encouraged to see that our strong members in Canada and the United States continue to increase both their business and their development links with co-operatives in Latin America.

I also remain optimistic that co-operatives in Africa will continue to help their members cope with the great economic and social problems facing that continent. ICA remains committed to this process, and has even stationed its Director of Development in Africa in order to give first-hand support to co-operatives in the region.

Finally, I am pleased that my first presidential message in the ICA Review coincides with the publication of selected papers from last year's meeting of the ICA's Research Committee. This group, acting with secretarial support from ICA but otherwise completely through its members' own resources, is contributing in a very important way to the development of new ideas which co-operatives must study and consider. I am particularly glad that the Research Committee's theme in 1998 will be added value for membership, preparing the way for a substantive discussion on this crucial link between co-operative success and member benefit at the ICA's 1999 General Assembly and Congress.

1998 will be a busy year for co-operatives around the world, as it will be for ICA. I look forward to visiting as many ICA members as possible this year, and in particular to participating in the Regional Assemblies which will be held later this year.

Roberto Rodrigues

Two Decades of Improvement of Spanish Worker Co-ops

by Rafael Chaves*

Introduction

It is in the Mediterranean countries of Europe, particularly Italy, Spain and France, where they have a long history, that worker co-operatives are most widespread. Spain is nowadays, without doubt, after Italy, the European country with the greatest number of this type of co-op and co-op workers. Furthermore, other enterprises called *Sociedades laborales* ("Labour companies"), are considered by politicians and academics to be worker-owned firms, like worker co-ops. In these "Labour companies" more than 51% of the shares must belong to the workers and no one shareholder may possess more than 25% of the shares. Worker firms total 19,610 enterprises and employ 217,360 workers¹.

Ciriec-España, in collaboration with the Federations of Valencian Co-operatives and the Regional Government of Valencia (Spain)¹, has recently carried



out a vast research project to analyse the Social Economy of this region, especially worker firms and agricultural co-operatives. This work focuses on some results obtained in the worker co-ops area. Firstly, a brief historical background is presented. Secondly, three aspects of these co-ops are analysed: 1) their demographic evolution, 2) their contribution to job creation and 3) their sector evolution. Finally, the article concludes with a reflection on the possible explanatory factors of this evolution.

A Co-operative Movement with a Long History

The first experiences of worker co-ops in Spain, previously known as industrial and/or production co-operatives, date from the middle of the last cen-

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tury. In spite of their long history, their highest growth has coincided with periods of democracy and of crisis.

These periods are, on the one hand, the Second Republic (1931-1939) and the recent period after the Constitution of 1978, when regulations favourable to co-operatives have been implemented and, on the other, the Spanish Civil War (1936-39) and the economic crisis of the late seventies and early eighties. In contrast, the periods of restrictions and/or dictatorship (such as the Franco régime of 1939-1975) reduced the co-operative phenomenon to a minimum.

Since the mid-seventies, Spanish worker co-operatives have shown strong growth. During the 1975-79 period an average of 411 worker co-ops were created annually in Spain, while in 1980-84 this number almost quadrupled, reaching an average of 1,503. A Ministry of Labour estimate for 1983 (Monzón, 1989) gave a figure of 6,651 active worker co-ops with 130,315 members. The sector distribution of the worker co-operatives created during that period, with a majority presence of the secondary sector (industry and building) and medium-sized businesses (10 to 25 workers), was a sign of the industrial crisis the Spanish economy was suffering. Forty-three per cent of worker co-operatives constituted between 1983 and 1984 were industrial while 20% were in the building industry.

During the second half of the eighties the Spanish economy experienced an expansive cycle with a reduction of the general level of unemployment. Addi-

tionally, the "Labour companies" Act was passed in 1986. This introduced a new form of worker-owned firm that proved popular in the following years, whereas worker co-ops grow slowly in this period.

The nineties are a new growth period for the Spanish co-operative movement. In 1995 there were about 14,197 worker co-operatives employing 164,352 people. This new co-operative expansion coincides with a context of economic recession (1991-1993) and subsequent recovery in economic activity and with growing unemployment and lack of job security.

Geographically, about two thirds of the Spanish worker co-op movement, in terms of the number both of companies and of workers, are concentrated in four regions (Andalusia, Catalonia, the Basque Country and Valencia). The Basque Country is where the famous co-operative group Mondragon Co-operative Corporation is located.

According to the data collected by Monzón and Morales (1996), the Region of Valencia is where co-operative employment has grown most in absolute terms during the nineties. This article focuses on these Valencian co-ops.

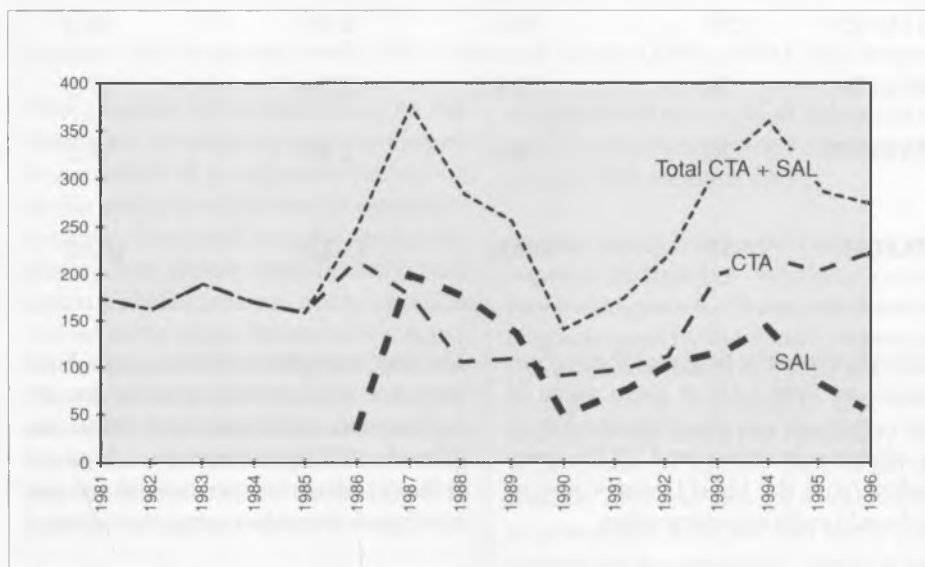
Demographic Evolution of the Worker Co-op

For the past decade there has been a marked trend towards a decrease in the average size of the newly constituted worker co-ops. The initial number of founding members has de-

creased from 8.5 in 1990 to 5.5 in 1995 and 4.6 in 1996. This evolution has been favoured by certain legal and fiscal factors, particularly: 1) only by setting up worker-owned firms (worker co-ops and "Labour companies"; Act

n° 20 of 1992) can workers capitalise the payment of unemployment benefit as a lump sum; 2) the 1990 Act concerning the tax system for Co-operatives; 3) the new 1995 Valencian co-ops Act that allows worker co-ops to be created with only 4 members.

Illustration 1: Worker co-ops (CTA) and Labour companies (SAL) constituted in the Valencia region (1981 - 1996)



Currently (1995), the 982 economically active worker co-operatives of the Valencia region are largely young companies. 53.4% of them were set up during the five-year period 1991-1995 and 77.3% in the last ten years.

The oldest worker co-ops, founded in or before 1980, constitute 6.4% of the total. The two most veteran worker co-operatives were created in 1931. The older worker co-operatives, created up to 1985, now make up 22.7% of these

co-ops but 36.6% of all the co-operative employment. This means that they are of relatively greater size, in employment terms, than the younger worker co-operatives.

Finally, the Valencian worker co-ops are, barring exceptions, small and medium-sized companies, with fewer than 250 workers. The average is 13.47 workers per firm. They are largely micro-enterprises (1 to 10 workers): these represent 62.1% of the total.

Table n° 1. Distribution of Valencian worker co-ops by size (number of workers) (1995)

workers	W.Coops	% W.Coops	Employment	% Employment
1 to 5	281	28.6	1,279	9.7
6 to 10	329	33.5	2,440	18.5
11 to 25	295	30.0	4,807	36.3
26 to 50	58	5.9	2,294	17.3
51 to 500	20	2.0	2,409	18.2
TOTAL	983	100.0	13,229	100.0

With respect to the origin of these companies, in 1995 half of them were of "new creation", 25.3% originated from a company in crisis and 23.8% proceeded from the legal transformation of already existing companies.

Worker Co-ops: create more and better jobs

Additionally, during the 1990-95 period, 18.600 jobs were destroyed in the Valencian economy, the proportion of jobs without security to total jobs grew from 32% to 44%, and 90% of new labour contracts provided no job security.

In the same period, labour firms (worker co-ops and labour companies) increased their levels of employment by 5,000, and the new jobs are largely steady (as members of these societies).

The major sectors where co-ops have been net employment creators are: social services and education; trade, hotel and catering and repairs; advanced tertiary industries (services to companies); and manufacturing industries.

From furniture to social services (the process of tertiarization of the Valencian worker co-operatives)

The Valencian worker co-ops currently work largely in the tertiary sector, where 481 worker co-ops employ 7,314 people. This situation contrasts with that of the early and mid eighties.

Two studies (Monzón, 1989; Albors and Palacián, 1989) revealed the largely industrial character of these co-operatives in the last decade, although a movement toward the Service industries was already detectable.

Table n° 2. Sector evolution of Valencian worker co-operatives

	1980	1988	1995
Agriculture	0%	3%	4%
Building	24%	18%	17%
Industry	56%	43%	31%
Services	20%	36%	48%
TOTAL	100%	100%	100%

Sources: 1980: Monzón (1989); 1988: Albors y Palacián (1989); 1995: Ciriec-España.

This process of tertiarization, to the detriment of industry, has developed in a context of progressive reduction of the initial size of new co-operative projects. The weight of the service industry has grown significantly, *pari passu* with the internal diversification of this sector, since the end of the eighties and especially during the nineties. The very way in which most of the initiatives in these subsectors were set up, the *ex novo* or new creation modality, has facilitated sector diversification among Valencian worker co-ops.

In some service industries that are considered to be new and emerging activities, such as the provision of personal services (home-care services, child care, social and employment integration of young people), cultural and leisure industries, services to improve living conditions in urban areas, services related to the environment and services to companies, we find successful co-ops. This is the case of some assistance and social services co-ops which have experienced strong growth over the current decade. They currently represent more than 10% of co-operative

employment and 3.5% of Valencian co-ops. Two of these co-ops now employ around 500 workers each.

In the trade, hotel and catering and repairs industries, workers co-ops have also grown. These activities are characterised by their local or proximity market orientation, by the relevance of distance as a barrier in cost terms and by their need for flexibility and adjustment to supply individual demands. All these require a small-sized organisation. Last but not least, these industries are typically labour-intensive, new-technology-intensive and small capital businesses.

There are 3,862 people working in industry. Manufacturing industries, that is, the textile and clothing, leather, shoe, wood and furniture industries, are the biggest employers. Less important in relative employment terms are metal - machinery (2.8%) and other industries (5.7%). The latter includes two industries with a long co-operative tradition, glass and graphic arts, the first of which comprises some of the largest Valencian worker co-operatives.

Table n° 3. Distribution of Valencian worker co-ops by industry (1995)

Industry	W.Coops	% W.Coops	Employment	% Employment
Agriculture	36	3.7	251	1.9
Building	164	16.7	1,800	13.6
Manufacturing industries ⁽¹⁾	164	16.7	2,738	20.7
Metal - machinery	60	6.1	370	2.8
Other industries ⁽²⁾	77	7.8	754	5.7
Trade, tech. services, repairs	145	17.2	1,600	12.1
Hotel and catering trades	56	3.3	503	3.8
Services to companies	69	6.1	820	6.2
Education	76	7.8	1,362	10.3
Other service industries ⁽³⁾	135	14.6	3,029	22.9
TOTAL	982	100.0	13,227	100.0

Notes:

⁽¹⁾ Includes: textile - clothing, leather - shoe and wood - furniture.

⁽²⁾ Includes: glass, graphic arts, toys and other industries.

⁽³⁾ Includes: assistance and social services, the transport industry and other services

The Valencian data show that worker co-ops appear preferentially in those industries where the assets of the workers are more highly valued, specifically their skills and know-how or simply their manual work, and less in industries which are intensive on initial investment, technology and large facilities and projects.

Spanish Worker Co-ops

Some general transformations, such as the restructuring of the role and performance management of the public sector, the increasing impact of new technologies, the rise of economic globalisation, the deregulation and re-regulation in favour of the market, and

the changing values and life-style of the population, have had a direct impact on economic structures, territories and society, activating new feedback processes.

In order to adapt themselves to this new context, firms have activated intra and inter-company organisational and technical changes and generated industry restructuring processes in pursuit of greater economic flexibility and performance and more efficient risk management.

One of these processes is the rise in contracting out certain economic functions of the company: services occa-

sionally used by the company (consultancy, technical assistance and other specialised advice), services with little relation to the principal activity (cleaning, canteen, etc.), productive activities with very irregular demand (in the building and transport industries, for example) and the most volatile or variable part of the principal activity of the firm.

The need for flexibility, higher costs due to increased risks, volatile demand and uncertainty have been partially externalised to other economic units (firms) and to the labour factor. The latter has taken place thanks to the illegal economy and the new economic regulations of the eighties that have introduced numerous flexible forms of labour contract.

Two consequences can be identified. Firstly, the increased tertiarization of the economy, from the point of view of services to companies. Secondly, the growth of small and very small industries at the expense of those of medium and large size. This context offers opportunities for worker co-ops.

In the field of the Spanish public economy, because of the deficit and backwardness of the social infrastructure (residences, home-care social services, etc.) and the growing demand for new services (leisure, culture, etc.), which are considered merit goods and have to be provided (funding) by the public sector, social pressure has caused the Government to improve their provision, generally through the local and regional governments (Sajardo, 1998).

The trend in the supply of these services by the public sector is to manage them in a manner that is not strictly public, favouring social involvement, cost reduction and flexibility of supply (as opposed to bureaucracy).

The public sector maintains its financial, regulatory and controlling functions and, partially, the production and planning functions of these services, while contracting these two last functions out, totally or partially, to private organizations. These services provide new fields for the growth of worker co-ops and multisector co-ops (e.g. Spanish social co-operatives) (Sajardo, 1998; Borzaga and Santuari, 1997).

The economic crisis and the high and persistent level of unemployment in Spain, together with and/or conditioned by additional factors, constitute the principal cause for the creation of this kind of co-operative. Ideological motives, such as the wish of a group of people to carry through a democratic industrial project, are in a minority compared to economic and employment motives.

The setting-up of worker co-ops is particularly sensitive to labour and cooperative regulations and to co-operative support mechanisms (Spear & Thomas, 1997), both public and cooperative. In effect, a high level of worker co-operative creation can be observed in countries with low social protection levels (especially unemployment compensation) and in those with regulations that are favourable towards co-operative societies, as in the case of Spain. The latter, public regulation, can be implemented in many forms.

Among the procedures used are certain fiscal advantages and subsidies for this type of company, positive discrimination criteria in Public Sector contracts for the supply of goods and services, and member employment procedures that benefit these firms as opposed to others. A case in point is the Spanish lump-sum capitalisation of unemployment benefits in order to join

a labour company. Co-operative support structures created by the co-ops, such as the FVECTA Federation and the Caixa Popular credit co-op, and the setting up of co-operative groups such as GECV (Grup Empresarial Cooperatiu Valencia) and REDEES (Red de empresas de economía social), have improved the worker co-operative movement in the region of Valencia.

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Footnotes

¹ The region of Valencia is located in the east of Spain. It represents approximately 10% of the socio-economic indicators of this country (population, P.I.B., etc.), although it is noted for its exporting capacity, manufacturing industries, tourism and certain agricultural products (oranges, other fruits and vegetables). It has its own regional government, like other regions such as the Basque Country or Catalonia.

² This work has been aided by the ANDA research project, financed by the European Union in the framework of the ADAPT initiative and by the Conselleria de Treball i Afers Socials of the Generalitat Valenciana (Valencian regional government)

ⁱ See Monzon and Morales, 1996.

ⁱⁱ Tomas-Carpi,J.A. and Monzon,J.L., (dir) (1997)

Co-operative Contribution to Rebuilding a Community:

The Case of Co-op Kobe

Akira Kurimoto*

Introduction

This paper considers how co-operatives can contribute to the rebuilding of communities in the light of the ICA's 7th Principle "Concern for Community", which deals with the need for associations to meet members' needs through enterprises. In this way, they are primarily concerned with membership but can also work towards the development of the communities in which they operate. This means they have some common goals and interaction with other civic organisations and local governments while, at the same time, operating some business activities as a part of the local economy. They should nourish the supportive relationship with communities through daily contact as this could help both to deal with the situation in the case of an emergency. Such an emergency occurred when the Great Earthquake hit the Kobe area in January 1995 and this event has shown the deep-rooted ties established between the co-op and the community.

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The enormous experiences of Co-op Kobe have been collected and published in a booklet entitled "Co-operative Spirit: Energy for Tomorrow", which contains testimonies by individual members/employees concerning the Great Earthquake, and which has attracted great interest from co-operators and researchers across the country. The co-operative institutes in Kobe, Kyoto, Nagoya and Tokyo have undertaken an extensive study of the experiences in order to learn from them. They are interested in a wide range of subjects, such as possible changes in consumer behaviour after the quake, the reform of the co-op's management structure, differences in the activities of members, and so on.

In continuation I wish to describe the contribution made by the co-operative

movement in the rebuilding of communities after the Kobe earthquake and to summarise the findings of research undertaken after the event.

Earthquake Hits Co-op



City collapsed by earthquake.

On January 17 1995, the destructive power of an unprecedented major earthquake struck the Kobe region and brought countless tragedies to its population. More than 6,000 residents were killed while 416,000 families lost their homes and had to be accommodated in temporary shelters which were set up in public premises, schools and parks. All the necessary facilities (water, electricity, gas, etc.) were severely damaged and it was several months before they were re-instated. The transport systems were paralysed by the destruction of roads, railways and ports, causing serious traffic jams and hampering rescue operations. The telephone lines were congested for several days making transmission of information from hand to hand the only means of communication.

Being located in the most heavily damaged area, Co-op Kobe suffered losses totalling 50 billion yen. Numerous buildings collapsed, including 17 stores. The five-storey head office building, equipped with the centralized computer system, was burnt to

the ground. Some of the damaged buildings have already been restored, while others are still makeshift. Head office operations continue to be scattered throughout a number of offices. Eleven employees died during the quake and a large number of personnel lost family members and homes. Thus, Co-op Kobe experienced unprecedented financial and human losses which could have been a fatal blow to its existence.

Resumed Operations

Co-op Kobe took action immediately after the catastrophe. The Board and Management made the decision to decentralization of procedures to allow for local initiatives, and they urged the workforce to resume operations to serve the residents as soon as possible.



Collapsed Co-op Living Centre

Even though many of the managers and staff members were disaster victims themselves, they managed to reach stores and joint buying depots on foot or by bicycle in order to supply food and basic commodities. Where stores were damaged and there was danger of collapse, the products were taken outside and temporary stalls were set up. The available products were sold at the round figure price as cash registers could not be used. In some mini co-ops (convenience stores),

the part-time workers living nearby opened the stores by themselves in order to supply goods. By January 21, 146 out of 155 stores were operating. It was widely commented that such a quick response by the Co-op helped contribute to the stabilization of the disaster-struck area as consumers, mostly members, were patient enough to queue for a long time and to share the scarce products. This showed great confidence in the Co-op.

Co-op employees also started delivering merchandise to the co-op's HAN groups in the disaster area. Firstly they verified if members were safe and living in the same place. Although the available items were limited to the urgent necessities, the delivery of products and the personal contact were appreciated by members. Due to their knowledge of the area and to driving in smaller vehicles they were also effective in delivering the products to the temporary shelters.

The physical distribution was the most serious problem to be solved. The central warehouse was slightly damaged but immediately resumed operations. Soon the other four premises on the outskirts of the city were added as depots to contain ordinary supplies as well as rescue products being sent from all over the country. These facilities worked around the clock to receive and dispatch products. The processing of orders between stores and suppliers had to be done manually as the computer system was down.

The co-op also supplied the basic items to be used by residents who were

accommodated in the temporary housing built by the authorities. As most of these houses were located in a remote area without easy access to retail facilities, Co-op started to deliver products and opened some temporary mini-stores there. These operations have been greatly appreciated by residents and authorities, although they are yet to become economically viable.

Members & Voluntary Activities

Before the earthquake members had been accustomed to taking part in the events organised by the Co-op members' relations officers, but, as Co-op Management decided to temporarily shelve such events, members themselves started to help each other. Groups that had been involved in social welfare activities on a continuing basis acted immediately to confirm the whereabouts of the elderly. In addition, many members went to assist the suffering people in the area. They raised rescue funds, prepared meals, visited temporary shelters, took care of children and so on. Such voluntary activities by individual members contributed significantly to aid victims. It has been said that a new quality of members' activities based on the individual initiatives was being created. At the same time, thousands of citizens, particularly youngsters, rushed to Kobe to help victims by sorting and delivering rescue supplies, nursing and counselling, cooking and cleaning, transporting furniture, collecting and disseminating information, etc.

Thus the unprecedented disaster awakened the voluntary spirit among

Japanese citizens. Co-op Kobe has created a Volunteer Centre with 8 regional branches in order to encourage voluntary activities on a day to day basis. These centres continue to support such activities as nursing at welfare centres, regular visits to the elderly, assisting temporary house residents and so on. Co-op also contributed greatly to the "Tomoshihi Volunteer Promotion Foundation", which provides financial support to the voluntary activities.

Collaboration with Local Governments

Furthermore, the tragic experience also helped to foster closer ties with various public and civil organizations. Immediately after the earthquake members from Co-op Kobe visited the emergency office of Kobe City to offer help, in accordance with the "Agreement on Securing Lifeline Supplies in Emergencies". This agreement had been established in 1980 with the aim of preventing panic which had been triggered by oil shocks in the 1970's. It had been reviewed every year since then and came into full effect 15 years later. The agreement defines a system by which co-op secures and supplies everyday necessities, upon request by authorities, in case of an emergency. Co-op supplied the municipal rescue centres and shelters with food, water and blankets. Bread produced by Co-op's food plant was transported by municipal helicopters.

Co-op also made a contribution by mobilizing its trucks to provide relief aid to all corners of the disaster-struck area. Those trucks even carried the dead bodies.

The local governments involved in the agreement before the earthquake were of the Kobe and Amagasaki cities, but this has now been expanded to include 11 cities and 3 towns. This is due to public recognition of the success in supplying daily essentials without delay at the time of the disaster. Such a move is spreading beyond Co-op Kobe and, to date, (Dec. 1997) 60 consumer co-ops have concluded similar agreements with 18 prefectures and 103 municipalities in other parts of the country.

Members' Surveys after Quake

Co-op Kobe conducted several surveys to investigate the changes in members' lifestyles and their expectations of the Co-op. In June 1995 its Consumer Co-op Research Association (CCRA) conducted a membership survey on "Changing lifestyle and mutual help after the earthquake" to which 1,500 members responded. It shows the changes in consumers' lifestyles and in their value systems. More active members had more communication and help even before the earthquake and they naturally took part in voluntary activities more widely. As to the evaluation of the Co-op, nearly 30% of the respondents expressed high appreciation while 32% said they were unable to use its services due to various reasons, such as moving away from the area or lack of transport.

In September 1996 the CCRA conducted a second survey on "Rehabilitation from refugee life and building new communities". It analysed members' attitudes to community building and concluded that the Co-op should

Chart 1. How often members took part in voluntary activities

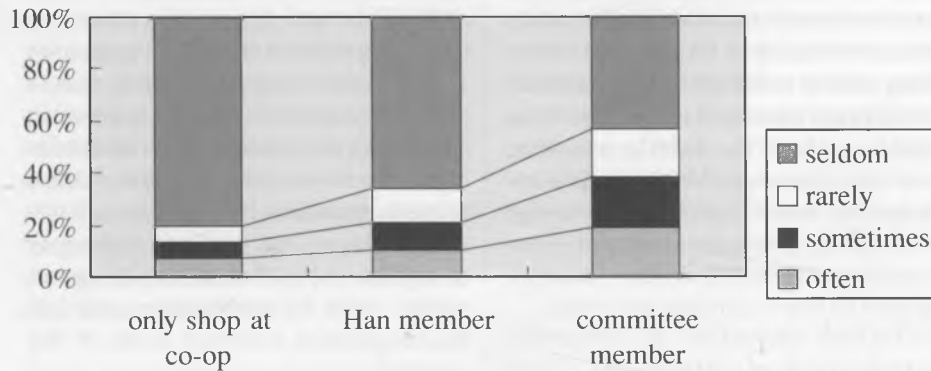
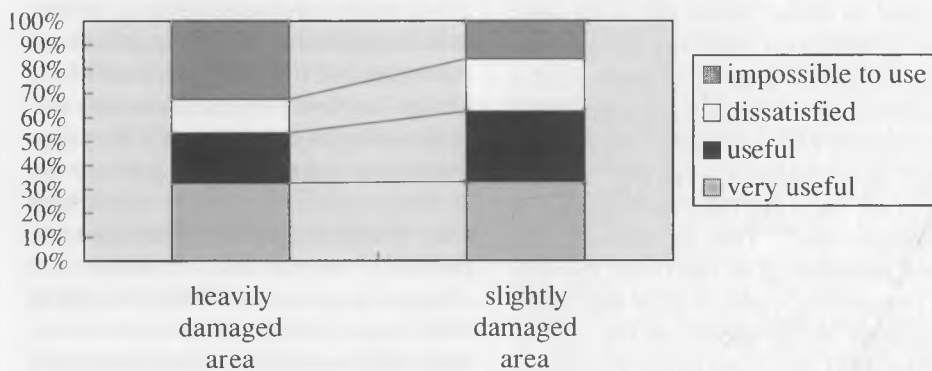


Chart 2. Members' evaluation of Co-op



promote Han groups which would combine retail operations and community orientation, thus upgrading social welfare/business activities.

Front Line Embodying Co-op's Core Value

From the afore-mentioned experiences we should learn some lessons. The first, and most important one, being that front line, i.e. store managers and employees, should embody the Co-op's core values. For instance, the Rokko Island is on reclaimed land which is connected to the mainland by

a single bridge. The earthquake had isolated this island by seriously damaging the bridge and port facilities. There existed a real risk of panic due to lack of water and food. The community leaders requested the Co-op and Daiei supermarkets to supply goods in co-ordination rather than by opening stores to the public, which might cause panic and sacrifice the weaker population. The responses of the store managers were in clear contrast: Co-op followed the request whereas Daiei opened stores in order to take advantage of the situation. The

Co-op manager even ignored the Management's instruction to open the store because he felt it to be an impossible solution to such an extraordinary situation. This act was greatly appreciated by the residents although he may have lost business opportunities to the competitor.

Later the management endorsed his decision and praised his judgement. Such local initiative was made possible by these managers thinking independently and using their better knowledge of the local situation. Co-op now feels that the front line is living up to its core values.

Importance of Community Ties

Co-op contributed to the swift stabilization of the citizens' lives, preventing panic and exorbitant pricing which might have occurred under such circumstances. Such a contribution was possible because Co-op Kobe has made a long standing effort to put down roots and win confidence in the communities. "Co-op in the devastated area" was a headline often used in the media and consumers were quoted as saying "Co-op was ours, so it would never cheat us" or "We don't need to buy up as Co-op secures a supply of products".

Co-op Kobe was established in 1921 and has grown to be the largest primary co-op in the world. To date it has 1,280,000 members, which accounts for two-thirds of households in the prefecture. In the most heavily struck area of Kobe, Co-op serves the majority of households. This means Co-op has a vital role to play in the

sustainable development of communities. Because of this, Co-op has made every effort to place its roots in communities, through maintaining policy dialogues and partnership with local governments and promoting collaboration with other civic organisations in the fields of culture, welfare and environmental protection.

Being the largest retailer in the prefecture, it has been keen to procure locally-grown produce and maintain symbiotic relationships with small retailers. Such day-to-day efforts have contributed to cultivating the trust in the co-op.

Risk Management

As mentioned earlier, when the local office was destroyed, so was the Co-op's centralized computer. Most of the data of operations was lost and this caused great difficulty for the resumption of operations. Under such circumstances it was fortunate that a central warehouse had been receiving back-up data of debtors/creditors accounts every day for 10 years. This was because Co-op had taken lessons from the paralysis of bank-on-line systems which had occurred during a fire in Tokyo at that time. Through such data it was able to resume operations fairly soon. However, the data bases giving information on members, accounts of joint purchase operations and other important information were lost forever. It took two months to return to ordinary data processing operations.

Taking this as a serious lesson, Co-op Kobe has installed a new computer system in a shock-proof building lo-

cated on solid ground and has started to deliver back-up data to a depot 80 kilometers away. It is planning to establish a dual system in Kobe and Yokohama whereby the surviving computer will take over the operation through satellite communication should either of them ever be down.

Creative Reconstruction

In order to build on the important lessons gained from the experience, Co-op Kobe formulated a medium-term plan (1997 to 2001) in October 1995. Its theme can be summarised as "Creative Reconstruction: Building New Community, New Lifestyle and New Co-op", and is an expression of Co-op Kobe's resolve to enter the 21st century. Recovery from the earthquake

does not mean a return to the past. Co-op has promised to use those lessons to build a new co-op widely supported by members and firmly rooted in the community. That is what "Creative Reconstruction" means.

Under the adverse circumstances and financial setbacks facing many consumer co-ops in Japan, Co-op Kobe is acquiring a new quality of management, based on members and communities. This is why Co-op Kobe is seen as a role model for the co-operative movement in the 21st century. Nowadays it seems that "Creative Reconstruction" has great significance not only for Co-op Kobe but also for all co-ops, since it shows some important points which can be learnt from the Japanese movement's renewal.

Co-ops & Agricultural Marketing: Liberalisation in Eastern and Southern Africa

by John Launder*

Introduction

This paper starts from the hypothesis that the virtual collapse of some of the co-operative movements in Eastern and Southern Africa (ESA) following a combination of structural adjustment and market liberalisation has left many farmers struggling with new market relations that are uncertain and incomplete, and that this is a serious threat to smallholder agricultural development. This seems to be particularly true in Zambia and Tanzania, and the paper includes a case study of Tanzania for which some recent data on farm prices is available.

A particular concern is that while market liberalisation has been heavily "advocated", and degrees of success have been claimed for it, there appears to be a lack of empirical studies of the actual effects on farm prices and production. There has been a debate in the literature (N.B. "Food Policy") about suitable forms of liberalisation, but the advocacy and debate rarely address the actual effects on smallholders. An exception is Jayne and Jones who sur-



veyed food market reforms in ESA to try and find why farmer supply responses to liberalisation were less than expected. They found that "In spite of tangible benefits to urban consumers and farmers close to urban markets, food market reform has not successfully addressed the problem of sustainably raising farm productivity growth for the millions of low-input semi-subsistence rural households in the region." (Jayne and Jones 1997, p1520)

Another issue lacking in the literature on market reform regards the role of co-operatives, or of some form of farmer organisations. While earlier "statist" patterns of co-operative development are clearly unsustainable, this paper concludes that farmers now more than ever need some form of organisation to defend their interests and

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co-ordinate market relations and access to resources. The New Institutional Economics, with its emphasis on reducing uncertainties and costs in human and organisational transactions, can make a significant contribution to this debate.

Historical Background

Co-operative development in Africa has been dominated by the state. This followed the classic Indian model whereby the state should guide and assist co-operatives until they had the strength in terms of business and democracy to be autonomous. The "model" co-operative law was adopted in most of the then British colonies and gave extensive powers to the Registrar regarding the management and business practices of each society. This top-down blueprint approach continues to this day.

A second major development following independence was that in most countries of ESA co-operatives were adopted as one of the government's main instruments of agricultural development, usually as adjuncts to parastatal marketing boards. In terms of marketing this usually meant that only by joining the local society could farmers sell major export and food crops, and obtain cheap credit and subsidised inputs. Although the system was often inefficient it guaranteed to buy all farmers' outputs of major crops, so farmers market relations were largely certain. And, because of the co-operatives' supposed capability to deduct any loan repayments from crop proceeds, they could issue credit for inputs according to an assessment

of ability to pay rather than by demanding security; important when most farmers did not own their land.

Because of the perceived importance of co-operatives to agriculture development, and perhaps more importantly as major channels for export crops, high rates of loan default and inefficiency were tolerated. Yet because the co-operatives did not demand significant capital from members, and profits were restricted by strict marketing margins, the co-operatives became massively indebted to the state banks. The prevailing view among co-operative members and government officials was that the co-operatives were state institutions rather than private business enterprises, and that the state would always find the money to maintain them as going concerns.

In the 1980's the sustainability of these institutionalised marketing systems became harder and harder to maintain in terms of the rising debts of the co-operatives and associated parastatals, and of the subsidy costs to government budgets. Governments had structural adjustment imposed by circumstances and by pressure from the World Bank and IMF. This adjustment put severe constraints on government budgets, and led to both rising interest rates and shortages of bank finance. Some governments also started to pursue market liberalisation at the same time which put a second set of pressures on the co-operatives and parastatals by removing their monopolies and subsidies. It can be argued that co-operatives could have survived adjustment

and then liberalisation, but not both occurring together.

Many co-operatives, especially in Tanzania and Zambia, were technically bankrupt and as such were unable to maintain operations. While Tanzania is trying to reform its co-operatives, many in Zambia had to be liquidated. This meant that most farmers no longer had a guaranteed market through a buyer of last resort, which is particularly important in remote areas. Credit and inputs became more difficult to obtain as farmers no longer had to sell crops to the co-operatives, who anyway had borrowing problems of their own. Private traders tended to be small operators with inadequate access to finance and storage, which limited their capacity or willingness to take on input distribution or lending.

There appeared to be a lack of attention to processes of liberalisation, and it seems many officials and politicians were still hostile to the private sector. While there were national policies for liberalisation, many local restrictions and regulations stayed in place. There were few support programmes to assist traders, particularly their needs for loan finance, or to assist farmers to adjust to the ending of a guaranteed market with pan-seasonal and pan-territorial prices. The new marketing relations were often confusing to farmers and extension officers. (AFMESA, 1994)

Liberalised Maize Marketing

By 1992, the World Bank and others were claiming that liberalisation of maize marketing had been successful in terms of the effective transfer of a

US\$50 million market in grains from inefficient and heavily subsidised parastatal and co-operative organisations to the private sector. (World Bank 1994, Coulter and Golob 1992, Santorum and Tibaijuka 1992).

The supply of grains to urban centres is now being effectively handled by large numbers of small traders, with minimal access to formal finance, and with little positive support from the state. It can be described as an "atomised" market. Most traders are small scale, buying directly from farmers and trading single loads from the countryside into urban wholesale and retail markets. There is limited integration with other traders to facilitate economies of scale in storage and transport. Also, traders specialise in single crops, and do not have the finance or resources to trade in farm inputs.

During 1989 to 1992 current consumer and producer prices rose, but margins contracted. (World Bank 1994, p146). Since there was significant inflation during the period real consumer prices fell, but real producer prices also fell.

However similar data for the period after 1992 and up to 1994 shows a changing picture. There was a continuing upward trend in current consumer prices but current producer prices fell slightly, hence margins were now widening (MDB 1994). Again, the continuing inflation meant real producer prices fell.

In Tanzania the main harvest is in August to September, and most grain is

sold by farmers soon after harvest because they lack cash and storage facilities. When prices during the main harvest season are compared, the gap between producer and consumer prices is even wider. Also farm prices are at similar levels regardless of distance from the main consumer market. This appears to be an indication that traders can push farm prices down to some sort of minimum which does not reflect marketing costs.

Part of the argument for liberalisation is that it should also encourage a competitive market at the primary (farm gate) level, so that part of the gains from liberalisation would accrue to producers because of competition between crop buyers .

However it appears that, with the collapse of the co-operatives, in many local areas farmers face only a single buyer. It is contended, largely by government officials and the press, that such traders are using their local market power to buy maize at lower and lower prices. Since lack of finance, or access to loan finance, limits the number of traders able to enter the market, then this sort of uncompetitive behaviour is unchecked.

Liberalisation has also included the marketing of farm inputs such as fertilisers and storage insecticides, and the removal of fertiliser subsidies. However the predominantly small traders have not taken on input supply operations. Farmers are faced with higher prices, higher costs of obtaining inputs due to lack of local supplies, and a lack of access to seasonal loans

following the collapse of the co-operatives' credit operations.

The effect on farm production and storage capacity of lower input use and the combined price effects on net farm returns and incentives are a cause for concern. There are reports that in some areas the heavy use of fertiliser in the past has reduced natural fertility and that the current lack of fertilisers is severely reducing yields, and that this combined with the double price effects means that farmers are now turning away from maize production ("The Guardian" Dar Es Salaam, April 1996). This appears to be especially the case in the former "surplus" areas, many of which are far from the main urban centres. While the previous marketing system with its pan-territorial pricing encouraged some inefficient allocation of resources, a liberalised system cannot correct this if the market is not operating effectively at the farmer level.

Since the maize market is now highly atomised the collection of comprehensive information on marketed production is problematic. The only national "production" information available are the annual forecasts of total (marketed and subsistence) production produced by the Food Security Authority. A recent forecast indicated that production in 1994 was 12% lower than in 1990 (MDB 1994). That real consumer prices for maize fell in real terms during 1991-94 implies that there was no shortage of supply. However Tanzania has moved from being a net exporter of maize to being a net importer.

Liberalisation in Tanzania has had beneficial effects in terms of consumer

prices and of removing the high cost to the nation of marketing subsidies and inefficient state supported marketing organisations. The downside is the effect on producer prices and farm incomes which has reduced incentives for marketed production. The problems can be seen to have come from the ways in which Tanzania reluctantly liberalised markets, the lack of active policies to promote the private trade, and the collapse of the co-operatives as active players in marketing, input supply and credit. The result is that the market relations now faced by farmers do not work to promote incentives or the access to farm resources needed for developing productivity.

Tanzania: Co-op Reform

By the late 1980's most co-operatives and parastatals were effectively bankrupt, and their indebtedness threatened not only their survival but also that of the banks. As the liberalisation proceeded, the co-operatives were financially powerless to be effective players and to provide primary level competition with the emerging traders.

In 1990 government and co-operative institutions made a review of the movement to consider whether to liquidate the societies and start again or to reform them. They opted for reform. Since then a new Co-operative Act 1991 was passed which aims to replace the statist co-operative ethos with a real member-based movement according to the ICA's principles of voluntary association and trading and democratic management, with economic feasibility as a requirement for

continued registration, and with reduced powers for the Commissioner of Co-operatives. If this reform process is successful, the Co-operatives may begin to perform their proper function of promoting and defending farmer interests in the market. Their countervailing power would be one force in improving the competitiveness and efficiency of the primary markets and in the supply and financing of farm inputs.

"New" Farmer Organisations

"Co-operatives" in ESA do not have a good reputation but this is more to do with past policies of co-operative development rather than the co-operative principles. Some co-operative movements and governments, such as in Tanzania, want to learn from the experience of the past and pursue reform of the existing movement. A quite different option is the development of a variety of forms of "self help groups" or "associations" which are rooted in their own circumstances rather than the result of a single institutional model, and are developed from the bottom-up.

For the first option, the ICA commissioned a survey "Co-operative Adjustment in a Changing Environment in Africa" which considered a "modified strategy for co-operative development" (Birgegaard and Genberg 1994). The recommendations included:

- in the short to medium term addressing business efficiency and core activities;
- recognising that a free market gives scope for a variety of trading links, not just with other co-operatives;

- major attention to human resource development in business operations;
- where co-operatives became indebted as result of government policy, debt relief may be appropriate;
- recognition that successful self help groups are dominated by women's groups;
- recognising that bottom-up development is more effectively managed by NGO's.

Another survey, for the UK's Overseas Development Administration, made case studies of a total of 18 "Farmer Centred Enterprises" in 6 African states (Stringfellow et al 1996). They found that the more successful have the following features:

- are small in scale but with good business viability;
- operate simple single activity businesses such as bulking produce or negotiating with marketers on behalf of farmers;
- have small memberships with high internal cohesion, a member driven agenda, and strong financial accountability;
- women's groups work better than men's;
- problems usually arise with subsidies and grants;
- NGO's are usually more successful at developing self help projects;
- a key feature in liberalised markets is "promoting links between farmer groups and the private sector" (ibid p.24).

Concluding Remarks

The effects of liberalisation in much of ESA has been positive for consumers and larger traders, but has been a negative experience for many farmers and may have harmed agricultural development. The lack of support services for small traders, particularly for finance, has delayed the establishment of an efficient marketing system. It appears that the implementation of liberalisation has been poorly managed and was introduced too quickly after structural adjustment started.

Adjustment and liberalisation have had dramatic effects on co-operatives and many have not survived. There may be possibilities for reform for those which have survived, which would hopefully see a return to basic principles. There are examples of good practice for small self-help groups which may or may not be co-operatives. However larger farmer organisations may find co-operative forms more appropriate. A key issue is the integration of co-operatives and other marketers to produce an effective market base for agricultural development. As Jayne and Jones (1997) noted from their survey, "The challenge is to develop co-ordinated and sustainable systems of input delivery, farm finance and reliable output markets to reduce the costs and risks.... in smallholder agriculture".

If the 1970's was the decade of state sponsored development, and the 1980's that of market based development, then the 1990's has seen more emphasis on institutional development. The New Institutional Econom-

ics considers the relations between people, markets and the state as being characterised by incomplete information, transaction costs and different mental models, and that "...institutions

are formed to reduce uncertainties in human exchange" (North D C, in Harriss et al 1995). Co-operatives would seem a natural way to address these uncertainties.

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Globalization & Restructuring of Canadian Wheat Industry

by Javier Caceres*

Introduction

The pace and the scope of the changes happening to the western Canadian wheat industry are staggering. Many farmers may have difficulty in grasping the magnitude and implications of such changes. While the debate is being focused on domestic political aspects of issues such as the future of the Canadian Wheat Board and the role of co-operatives in agriculture, no noticeable attempt has been made to bring into focus the real influence of aspects like the globalization framework and the role international trade agreements are having in the overall process.

The politics of the grain industry and aspects related to organizations like the co-operatives or the Canadian Wheat Board are historically, consistently very contentious issues with the farm community, particularly when attempts are made to introduce changes altering the power or property rights relationships between institutions and farmers. At present, farmers seem to be acting like



observers rather than participants in the events surrounding the restructuring of their industry. That could be interpreted as an inability of farmers to grasp the complexities of the issues or the lack of strategic responses to manage the direction of change.

The restructuring trends are pointing to an inexorable shifting from the traditional Canadian farmer ownership of the wheat system to one of transnational domination. Recently, US based companies have been positioning themselves in Canada and that may lead these companies to dictate the form and shape that the Canadian wheat sector will take in the future.

The aim of this paper is to identify the relationship between the globalization of the agriculture and the agri-food system and the restructuring of the

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Western Canadian wheat industry. The approach is a wide ranging attempt to offer an understanding of the forces behind the globalization and provide a sense of the direction that such forces are having in the events shaping the industry. There will be errors or shortcomings in emphasis, but the potential addition to the extent and scope of the debate on the issue make the risk affordable.

Globalization and Co-ops

Co-operatives are confronting globalization by emphasizing economic efficiency and developing alliances with external partners. The focus is primarily on the competitiveness of a large business organization and leaving behind co-operative concerns with social aspects of rural life and communities.

In analysing the co-operative response to globalization, Münkner identified four dangerous trends which threaten co-operative identity and move co-operatives closer to the company or corporation model.¹ Le Heron's analysis of agriculture organizations being integrated into the global economy led him to indicate that once producer marketing boards or co-operatives have adopted the operations norms of the company or corporation model, there is no basis for distinction among them.²

Münkner identifies the following trends:

- a. Commercialization of Co-operative Enterprises:- Growth, market share and competitiveness become co-operative management priorities. Co-operative management is replaced by new staff sourced in the labour market on the basis of business qualifications acquired in commercial companies. Business activities are expanded creating conditions to seek external funding and the emphasis shifts to make profits to satisfy outside investors. Economic success of the enterprise becomes the main goal of the co-operative while member information, co-operative education and promotion decline.
- b. Option for Growth:- Growth by alliances, mergers and concentrations are the preferred patterns of co-operatives entering into the globalization business over the option of maintaining local structures close to communities or members, organized in a vertically integrated system. This pattern of growth tends to attract a large, heterogeneous membership group unable to agree on common objectives and to control the management of the

co-operative. A divided heterogeneous membership helps to create the conditions for the Board of Directors to take decisions as largely uncontrolled trustees of the co-operative.

- c. Co-operative Identity:- The identity principle of co-operatives provides the general rule that the users are the co-owners, the ones that control and benefit from the enterprise. Over time this principle is gradually and increasingly abandoned by expanding business with non-members, by privatizing the co-operative and listing shares in stock exchanges to open investment of capital in co-operatives to outside investors. Some co-operatives are inviting persons to join the organization as "investor members" and accepting board members from outside the membership group.
- d. Degradation of Member Participation:- Over time there is a degradation of member's participation in the co-operative. It could take forms like degradation in decision-making, capital formation, patronage as well as in informal, social and democratic activities. It is being reflected in a low level of co-operative consciousness on the part of the members who have no feeling of belonging, no sense of ownership and accept no responsibilities for the future of the co-operative.

In terms of participatory activities, the memberships of agricultural co-operatives are heavily oriented to manual or

technological activities with not much intellectual debate about co-operatives. Without a strong programme of democratic education and sharing of information and a more open representative, not delegatory, democratic set-up, members are almost unable to follow the growing complexity of the co-operative business. The gap between members and managers in terms of qualifications and information is so large at the end that it makes it almost impossible for members to catch up.

Member participation in capital formation is reduced when the co-operative goes public. Their role as co-owners, controlling management by the threat of cancelling membership, loses much of its importance when profit of the economic enterprise becomes the driving force behind the co-operative. When profits are allocated to shares and not being paid back as patronage refunds, the members cease to be the principal stakeholder in the co-operative.

Membership becomes less important when the services and goods offered by the co-operative are practically open to the public at large. Incentives for membership disappear when business with non-members becomes the rule. In the privatization of the co-operative the focus is on economic success and cutting all costs for activities not directly justified in economic terms. Staff positions for members' education, information, relations or involvement in public policy issues as well as organizing informal contacts with and social activities for members

beyond professional advertising, market research and public relations are cut. Most member relations activities tend to be perceived as unproductive costs. Member orientation, member promotion and member control lose their base, resulting in co-operatives neglecting the members and the members responding by neglecting the co-operative.

According to Moss Kanter, the real problem for co-operatives as local organizations is not globalization, but isolation and poor leadership.³ The challenge is to forge linkages to each other or develop global networks of co-operatives. Some co-operatives are developing alliances that are totally incompatible in values. The goal should be to test compatibility on broad historical, philosophical and strategic dimensions, common past experiences, values and principles and common ideas for the future. Managers and analysts should be responsible for examining financial or economic viability but the leaders and the members of the co-operative should be responsible for assessing the intangible aspects of compatibility. To succeed, co-operatives need to increase their stocks in global assets like concepts, competence and connections which are in direct relationship with investment in innovation, education and co-operation.

Networking is also the solution advanced by Clegg and Porras.⁴ In their view, networking could be an effective co-operative response to globalization on the understanding that networking is a strategic arrangement through which co-operatives set up a web of

close relationships that form a variable system geared to provide products or services in a coordinated way. To develop a network, trust is being identified as the crucial factor.

Theoretical principles of co-operatives suggest that trust should be less problematic in co-operatives. Reality, however, tends to indicate that development of trust at the membership level is possible, but not in the middle and upper levels of co-operative hierarchies where power struggles are common and the boundaries between co-operatives and competitive commercial organizations blur.

McPherson suggests that co-operatives fulfil only some of their potential through what they do for members at the local level. In his view, co-operatives achieve their full potential only by effectively amassing their social and economic power in a wider framework. Globalization makes it desirable and increasingly more necessary for co-operatives to pool resources at the national and international level.⁵ There will be no major disagreement with McPherson's assertion, providing that co-operatives maintain their orientation to their internal co-operative function and use their economic, social and political power to foster the well being of the membership at large, and not the corporate structure itself. It is easy to find examples of co-operatives assuming social and political representation of members as a marketing technique to foster the corporate interest of the institution.

One of the fundamental characteristics of co-operative enterprises is the meth-

odology used to measure efficiency. The most common approach in a market economy is to use financial or economic efficiency. Co-operatives need more comprehensive parameters to take into account the orientation to member services.

Münkner⁶ advances the idea of evaluating co-operatives at three levels of efficiency:

- a. Institutional efficiency:- Assessing the co-operative as a business enterprise on the basis of the allocation of resources and its financial situation.
- b. Member oriented efficiency:- assessment of the advantages of being a member of the co-operative. The measure will be given by the impact of the co-operative on the family farm for example. Efficiency could be measured as a feedback mechanism from the members comparing benefits of co-operatives over private companies operating the same type of business.
- c. Development oriented efficiency:- This is related to the interface between the co-operative and the local community. What is the impact of the co-operative on the local community in aspects like employment creation, services provided, etc.?

The member and development-oriented criteria of co-operative efficiencies could be considered as just another cost by non co-operative managers. These criteria could be chal-

lenged by them because of their impact on institutional efficiency. Conflict among the three criteria will be far deeper in publicly traded co-operatives with outside investors.

The Western Canadian Wheat Industry

Canada produces over 5 per cent of the world wheat output and is the second largest wheat exporter accounting for roughly 20 per cent of world shipments. With a worldwide reputation for high quality, reliably graded wheat, Canada exports about 75 per cent of the wheat it produces.⁷

The western Canadian wheat industry is a system composed of several parts, each one performing a specific function in the production and marketing of wheat. The system begins with the farmer and ends up with the consumer. In between there are a set of institutions, regulations and infrastructure to facilitate the movement of the grain from the producer to its final destination.

The traditional Canadian grain system of the postwar era is unravelling. Deregulation, free trade, international agreements, erosion of the farmers' constituency power, strong ideological divisions in the farm community, privatization of co-ops, transnationalization of the grain handling system through entrance of US based companies, weakening support and potential demise of the CWB, retrenchment of the Canadian state and the lack of leadership and vision to develop politically sustainable alternatives are finally

transforming the grain sector of Western Canada.

Three elements of the overall system will be considered in this section: the producer, the co-operative system of grain handling and the Canadian Wheat Board as the sole marketing agency for domestic wheat for human consumption and wheat for the export market.

Western Canadian Wheat Producers

According to the 1996 annual report of the Canadian Wheat Board, there were close to 115,000 delivery permit books issued to Western Canadian grain producers. On a ten year average, the 1986 to 1995 period, Western farmers produced 26.7 million tonnes of wheat annually and exported 19.8 million tonnes.⁸ Wheat, although declining in relative importance to other crops, is still the predominant source of farm income in the Prairie region.

Farms in the three prairie provinces are, on average, the largest of Canada. In Saskatchewan, the average size of a farm is 442 hectares. Data from the 1991 Census indicated that family-operated farms accounted for 98.2% of all census farms in Canada.⁹

The predominant operating arrangement on Canadian farms are family-single operator farms which have characteristics such as: specialized production and skills, a relatively low level of self-sufficiency, a "value added" orientation, the exchange of inputs and output takes place within a market con-

text, highly individualistic and entrepreneurial. Practical knowledge predominates over theoretical knowledge.

Individually, the family farm is an atomistic unit of production producing a standardized commodity and lacking market power. They are price takers on both the input and output side of their operations. Farmers are price takers in regulated or deregulated markets.

Family farm operators were fully aware that they did not have enough power and resources to achieve some general goals for agriculture on their own. In the search for power and resources family farm operators used a co-operative strategy to establish institutional and regulatory structures ancillary to the operations of the farm unit. Among other things, co-operatives were developed for the purchasing of agricultural inputs and initially to market grains. A subsequent orderly marketing system for wheat focused on insulating producers from the vagaries of world market forces. All of this was done at the time at which Canada was in a position of managing national economic growth. Farmers developed political linkages supporting domestic commercial grain production as part of a national economic growth strategy.

Deregulation of the grain transportation system and liberalization policies for the agricultural sector represent a process of denationalization of agriculture and the dismantling of institutions and regulatory structures established

to support farmers during a different political era. Today, the wheat economy is in transition from a residual national principle with government support and involvement in the agriculture sector, to an emergent global principle of relatively free trade and capital movement accompanied by a retrenchment of government activities in the economy. The restructuring of the agriculture sector must be viewed as a complex, interrelated process in areas such as production, handling, transportation, and trade, connected to, and driven by, imperatives within the international economic system. Deregulation and liberalization of the Canadian grain marketing system, for example, will contribute to the globalization process in the agriculture and grain sector.

From a political perspective, the presence of farmers in the national policy arena has been drastically reduced. This is in accordance with the trend that national policy making capability has been reduced and or substituted by WTO rules for national political economic regulation. With increasing emphasis on individuality, farmers' adaptation to changing market conditions will reinforce the polarization trend in the farm community between a minority of highly capitalized, large scale farm enterprises, which account for a growing proportion of total agricultural production, and a vulnerable majority of inadequately capitalized farms whose ability to provide operators with a livelihood is being increasingly undermined. This polarization is also being reflected in the relationship between co-operatives and farmers.

The more successful co-operatives are as a business, the more they tend to reinforce the prevailing market forces favouring large operators.¹⁰

As in other relevant aspects of domestic farm politics, Western Canadian farmers are showing contradictory tendencies in dealing with the globalization process and the transnationalization of the industry. The most clear example is the narrow, continual and unresolved debate about the future of the wheat industry and the questions around political regulations or re-regulations and social ownership of the grain handling and marketing systems. It is possible to differentiate two tendencies, a "residual tendency" and an "emergent political economic tendency".¹¹

The residual tendency tends to support the Canadian Wheat Board, the maintenance of a government regulatory framework, a co-operative system driven by service to the members and a national set of policies over an international set of rules. The "residuals" are driven by the use of the food and are in the agriculture activity because of its food production value. The membership of the National Farmers Union, some elements of the Canadian Wheat Board Advisory Committee, very few academics and bureaucrats, middle level management of the Canadian Wheat Board itself and segments of the membership of Alberta, Saskatchewan and Manitoba Pools are in this tendency. It is possible that some farmers are here because of their inability to position themselves for the changes at the right time or because of

a denial of globalization as a contradictory political process forcing mechanisms to restructure institutions of a different political era.

Farmers in the emergent tendency support the deregulation of the industry, they do not have major concerns with the transnationalization process, they see themselves close to the corporate model and are against government intervention in the economy. This tendency accepts the globalization process notwithstanding that the overall direction is still unclear. The emergent tendency firmly believes that existing Canadian structures for grain marketing are no longer feasible due to the economic restructuring of the global agricultural system. The emergent tendency is being driven by the exchange value of the food and for them agriculture is just a business related to food production. Major representatives of this tendency are found in commodity basis organizations, United Grain Growers, governments, management of co-operative enterprises, segments of the membership of the three prairie pools, traders, agribusiness and others. One of the characteristics of this group is their tendency to develop an international network of contacts with similar organizations. The political participation of this group is far more open than with those farmers in the residual tendency.

Because of the wide divergence on these two groups the final position of the industry toward the globalization process will not be reached through a consensus or political accommodation but by one group overcoming the in-

terest of the other with strong political support from the government. If the residual tendency is able to evolve to open the debate on the future of the industry in a globalized context, there will be an opportunity to make strategic political choices regarding the future of the industry in the context of the values and principles of this tendency, but in an institutional framework associated with the globalization process.

Western Canadian Wheat Handling System

There are two major sectors in the Western Canadian grain handling business: co-operative and non-co-operative. The co-operative sector controls between 50 to 70 per cent of the total grain handling system.

The non-co-operative sector has about 5.7 % of elevator capacity and about 9 per cent market share.¹² In recent months, major US based transnationals have either entered or increased their presence in the Canadian market on their own or through joint ventures. Archer Daniels Midland, for example, entered into an alliance with United Grain Growers of Winnipeg.¹³

There are four major grain handling co-operatives in Western Canada: United Grain Growers (UGG), Manitoba Pool Elevators (MPE), Saskatchewan Wheat Pool (SWP) and Alberta Wheat Pool (AWP). Created out of the Prairie agrarian movement at the turn of the century, these co-operatives represented the aspirations of western grain farmers in a specific historical

situation to achieve some economic and social fairness in a market economy. The co-operatives were created not to maximize institutional profits but to support the socio-economic feasibility of the family farm by decreasing input costs, by producing farm supplies and by marketing grain on behalf of farmers.

Two of these co-operatives have been privatized and listed on the Toronto Exchange. United Grain Growers was the first of the western co-operative grain handlers to issue public shares in 1993 and entered into an alliance with ADM in 1997. In 1996, the Saskatchewan Wheat Pool became the second publicly traded co-operative and was transformed into the largest Canadian publicly trading agri-business company listed in the Toronto Exchange.

The term "privatization" when applied to co-operatives is used to cover the property relationship in the economic context of the co-operative in which assets and control formerly in farmers' hands are now shared with private non-farmer interests. According to Dominion Bond Rating Service (DBRS), in order to survive over the long term a privatized co-operative will have to be more focused on maximizing profits and less on high levels of services.¹⁴

The growth or survival strategy for the grain handling co-operative sector is being centered on two economic models, the company or corporation model implemented by UGG and SWP and the Co-operative model maintained

until today by MPE and AWP. According to D. Loewen¹⁵, Chief Executive Officer of SWP, Saskatchewan Wheat Pool chose a financial strategy that broke tradition with conventional co-operative methods because farmers recognized that institutions are not immune to those changes affecting the business world such as competition, deregulation, industry consolidation and globalization. The strategy brings this co-operative into the pure company model of enterprise and shows the validity the trends, problems and limitations identified by Münkner.¹⁶

Efficiencies and global expansion are the themes behind the privatizing of Canadian co-operatives. In the case of the grain industry, it seems to be a strategy to deal with transnationals entering the local market but the policy analysis of the strategy tends to downplay the fact that Canadian companies may be driven out of business not because of inefficiencies but for the lack of enough financial resources to sustain the co-operative or company against the huge financial power of the transnationals. Logic indicates that in a financial competition alone, the odds will be against local companies. Social and developmental considerations could be the real key to success.

The two other co-operative organizations (MPE and AWP) may be working under the assumption that they do not have enough power and resources to achieve their goals on their own and must co-operate in the search for power and resources. A recent failed joint attempt to take over UGG is a demonstration of this approach. The

growth strategy for these two co-operatives should be based on stability by maximizing the benefits of their size, maybe downsizing, but bringing the members' role into focus and paying far more attention to the local-global linkages necessary for the implementation of a co-operative strategy.

With the changes in the industry, it will be difficult for these co-operatives to achieve internal growth in their scope of operations and geographical territory. New entrants and potential consolidation in the grain handling business seem to indicate a retrenchment strategy to reduce the costs of doing business. However, a strategy of networking or joint partnership is still possible. Rather than acquiring other competitors, co-operatives could enter into an overall joint venture including the absorption of the marketing capabilities of the CWB before full deregulation is implemented.

This approach would maintain a competitive position for Canadian farmers in the global economy and would improve corporate performance. It is difficult to design or implement such joint partnership in the present power structure of the co-operatives and it may be necessary to transfer the implementation to a joint commission dealing with the restructuring of the organization, rationalization of the functions and procedures to maximize the benefits of the arrangement and to return democratic power to grass roots members. Grass roots organizations will be the key to creating the compatibility of values of the new structure and to bringing the residual group behind this alternative.

Western Canadian Wheat Marketing System

Western Canadian wheat for domestic human consumption and for export purposes is marketed under Federal legislative control. The Canadian Wheat Board was established in 1935 with the broad objective of marketing wheat as well as barley to the best possible advantage for producers. The Board does not own any infrastructure and uses the primary or terminal elevators of the co-operative and non co-operative sector in performing its marketing functions. The Board does have statutory monopoly power and a number of administrative tools to carry out its mandate. The most important features of the Wheat Board in the present regulated marketing environment are single desk selling, the quota system for deliveries and the price pooling arrangements.

The Canadian Wheat Board is a creation of the period when Canada was in a position of managing economic growth because the nation state was the political anchor for global access. It is a representation of national economic principles of economic organization and managed trade.

A position for or against the Canadian Wheat Board is, in the end, part of a normal political rationality. The Federal government, notwithstanding its vocal support for the Board, will be forced by international and domestic pressure to weaken the power of the board as a first stage, and later move to total elimination. Farmer, co-operative and Federal government actions reveal practical contradictions in their

ideological rhetoric supporting the Board. The CWB owes its existence to strong support from a majority of farmers in Western Canada. Today, close to one-third of those farmers are against a marketing monopoly. The other two-thirds support the Board system, but they demand competition in the input market. Co-operatives are being oriented to maximize profits and not services to farmers and an open grain marketing system could provide these co-operatives with profit maximization opportunities. Government is pushing for a global agenda of deregulation, competition and strong emphasis on private enterprises, but actual extension of government policy to the grain sector is being tempered by political reality. The ambivalent position or policies at the farmer, co-operative and government levels will exacerbate the political debate about the future of the Canadian Wheat Board.

In 1995 the Minister of Agriculture and Agri-Food established a Grain Marketing Panel to conduct a comprehensive review of Western Canada grain marketing issues. The panel was able to confirm a deep and fundamental division among Western Canadian farmers. While there are still many farmers who strongly support the marketing of wheat and barley through the Canadian Wheat Board, the Panel recognized that there is a growing number of farmers who are asking for more options and flexibility in the marketing of all grains. In response to this open division, the Panel proposed that the Canadian Wheat Board Act be amended for two main purposes, one

to allow for a change in the governance of the CWB and, two, to provide for greater flexibility in the operations of the Board and in the services it provides to farmers.¹⁷

In the marketing of wheat, the panel proposed that the advantages of the present marketing system be preserved but farmers should be offered the option of selling a portion of their wheat outside the pool through the use of spot and forward cash prices offered by the Board under basis contracts. The Panel also proposed that unlicensed varieties and organic wheat be marketed outside the jurisdiction of the CWB, with the Board being able to participate on a voluntary basis.

On October, 1996 the Minister of Agriculture and Agri-Food indicated that the government was preparing legislation to change the CWB structure, governance and accountability, to provide the CWB with more flexible operations and improve the cash flow to farmers and put in the hands of the new structure more decision making capabilities about the Board marketing jurisdiction. The legislation is now in the House of Commons and being rejected by most western farmers organizations.

A central political issue in the CWB debate is the relationship between the economy, business and the state, and what is emerging is a deep change in the relationship between the state and the economy. The economic reach of business or capital is now measurably larger than the political reach of the national state. The accumulation of

capital takes place on a transnational scale, well above the nation-state in which local units are operating.

Globalization is a challenge to the traditional relationship between the economy and the state and that challenge must be confronted at the local-global interface by farmers themselves. It is a stated policy of the Canadian government to remove its interference from the market and leave economic development and growth to the private sector. It is logical to assume that the government will not repress almost one third of the Western Canadian farmers, to enforce an institution that is becoming dysfunctional on the basis of government policy.

The future of the Board should be analysed by putting the regulatory changes into a global perspective. The Western Canadian wheat industry was globalized at the marketing level and the new policy needs to focus on how farmers might best interconnect with the new globalized wheat market. The potential options are:

- a. Through transnational companies directly;
- b. Through transnational companies implementing short term tactical alliances with Canadian based companies; or
- c. Through an integrated system of their own but in the context of the new globalized regulatory scheme.

The residual group is working under the assumption of a continued work-

ability of existing Canadian policies for grain marketing, notwithstanding the economic restructuring of the global agricultural system. The above three choices will prevail whether the choice will be actively defined or passively accepted. The institutional framework associated with the Canadian Wheat Board will evolve in line with the emerging shape of the institutional framework associated with the globalization process.

There will be little agreement about a regulated market system being enforced in a sea of rules motivated by competition principles and an uneven relationship with other regional, national, continental or international agricultural economies. The debate on cooperation must be extended to incorporate the central, catalytic role of transnational agri-food corporations in structuring the new world and Canadian agriculture and confronting the paradox in the relationship of a small site of economic regulation in Canada related to a larger deregulated site in the world market.

In the end, a long term politically sustainable policy can be achieved only if the agricultural policy debate is taken away from the institutional framework that was created in the first part of this century. Government must recognize that the management of conflict, alliances and consensus among the different economic interests should include the grass roots. The new framework must include the fact that the historical forces organizing agriculture are global forces representing a new stage of development of the capitalistic sys-

tem, that increasingly the main organizations bringing about significant changes in agriculture are organized globally and increasingly the form of agriculture in this era involves the organization of integrated agro-production-marketing systems. The challenge is how to connect the Canadian agricultural co-operatives and farmers with the global tendency.

Conclusions

Globalization as a powerful restructuring influence is changing the political, economic, and social relationships between peoples, organizations, and institutions. The world economy is going into a process of deep integration under a management process located in supranational institutions.

The delegation of power to supranational institutions is being done in the context of international trade agreements weakening the power of national states and its relationship with the economic sectors, institutions, and citizens at the state level.

A specific manifestation of the globalization is the weakening of institutional and regulatory structures supporting economic sectors like agriculture or organizations like co-operatives.

The inability to conceptualize globalization and its impact on the ideological roots of co-operation is allowing the implementation of a short term co-operative survival strategy. This strategy emphasizing the commercialization of the co-operative enterprise and economic efficiencies as well as access to outside capital is changing the proprietary relationship between members and co-operatives.

A more sustainable co-operative response is needed to be structured on the basis of real co-operation, strong leadership and promotion of co-operative assets such as concepts, relationships, investment in innovations, education, and member relations.

Co-operatives need to develop a proper conceptualization of the problems related to globalization and create responses at the local level but in accordance with the general trend of globalization. The future of co-operatives and ancillary institutions need to be examined in the context of the local-global interface through an integrated system inserted in the new globalized deregulated scheme. The assessment of co-operative efficiencies needs to take into consideration members, institutional and development oriented efficiencies in addition to the corporate principle of economic efficiency.

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Individual Equity Capital of Agricultural Co-operatives

by Karin Hakelius*

Introduction

Today, many farmer co-operative organizations face comprehensive necessary changes (van Bekkum & van Dijk 1997). First, the new *external situation*, with increasingly flexible markets and a possibility to act on larger markets, requires new skills within the organizations, as well as new financial resources. Second, younger farmers have a different attitude towards what the co-operative organization should do for them (Hakelius 1996), i.e. the *internal situation* of the co-operatives has changed. Another way of expressing this is to say that what has happened is that the overlap between (1) the characteristics and way of working of the farmer co-operatives and the requirements from (2) members, and (3) the market, has decreased (Figure 1).

These three factors overlapped each other in the beginning of the era of co-operatives. Today, on the other hand, the overlap has shrunk. This implies that parties involved in co-operatives seem to have difficulties in seeing their

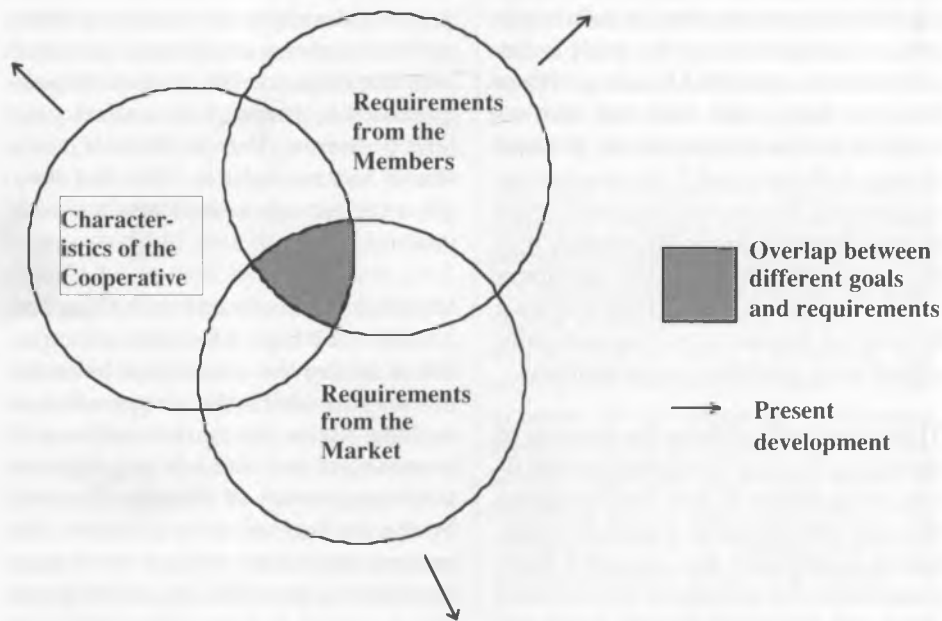


common goal, and how a co-operative could help them reach it. This paper is focused on how to increase the overlap and, more precisely, how to change the way co-operatives are financed.

Why has the overlap shrunk? Using Figure 1 as a starting-point, this development can be described as follows: Generally speaking, farmer co-operatives were formed a century ago and they adapted themselves to the prevailing situation. In many countries, the agricultural sector has been protected from competition and subsidized for long periods and hence the co-operatives have not been exposed to fierce competition and strong market signals. Today, the environment surrounding co-operatives has changed, but co-operatives have not changed as much as markets and their

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Figure 1: The overlap between the goals of cooperatives, the requirements of members and markets, respectively.



owners have. For example, many co-operatives in Europe practice a financial system that worked well during the era when the overlap in Figure 1 still was large. With the expansion of the EU and the development of the world market as a whole, co-operatives having these old models of financing their activities no longer fit smoothly into their environment. Hence, these co-operatives are experiencing problems on the market.

In Figure 1, it is shown that members' requirements have changed. As mentioned, farmers view co-operative activity in a different way, from the view fifty years ago. One could say that

farmers have changed with the society as a whole, and have acquired different value-sets from those of earlier generations of farmers. Hence, modern farmers have a different view on co-operative activity and what the co-operative membership is all about. The co-operatives' characteristics, however, have not followed the changes in member requirements.

Finally, the changes in markets also play an important role. The small, domestic markets have been replaced and co-operatives are now facing large, European or even global markets that demand new things of all actors.

What can be done about this develop-

ment, i.e. how can the overlap between the three increase, making it possible for an economically effective co-operative sector throughout Europe? There is little that can be done about changing the European market, at least in the short run and solely by people involved in co-operative business. What have to change are, first, the characteristics of the co-operatives. If these change to better match the market requirements, the second step will occur more or less automatically, namely that the requirements from the members will be better fulfilled, which will lead to a higher degree of overlap and more effective co-operative organizations.

This paper will address the process of changing the way co-operatives are financed to better fit into the European market. One possible source of inspiration is to study the so-called New Generation Co-operatives (NGCs) and other new financial solutions for co-operatives to see if these may give rise to any ideas of how to change farmer co-ops.

New Generation Co-ops (NGCs)

The NGC-movement started on the North American prairies in the beginning of the 1990's. The two major differences between a traditional co-operative and a NGC are that a NGC has a *closed membership* and practices a system based on *binding contracts* between the members and the co-operative (see Nilsson 1997).

The basic idea behind forming a NGC is to allow members to take part of the value-added in late steps in the food chain. With this basic goal at hand, it

follows that the quantity of products handled each year has to be known (limited) and fit into the existing plants etc, managed by the co-operative.

Some NGCs allow non-members (both juridical persons and natural persons) to invest money in the co-operative organization, through so-called preferred shares. The holders of such shares has no right to vote, but they get a certain amount of returns each year.

Member involvement in NGCs has proven to be high. Members are capable of seeing the connection between the way in which the co-operative is making out on the market and how it is managed and they do not tolerate mismanagement of the organization by the management. In addition, the price of the shares reflects the future expectations of profits etc., which gives direct signals between members and the co-operative organization.

North American Bison Co-operative (NABC)

This NGC is a good example of a successful new generation co-operative founded on the prairie in North Dakota. It was established in 1993 by some farmers who had bisons on their grounds. The goal has been to reach both the internal market and the external markets. This has lead to NABC obtaining an export permit to the European Union (EU). Today, around 20% of the total production is exported to the EU and a minor part of the production is also exported to Asia.

In the first offering to buy shares in

NABC the process of forming the NABC is described: (1) In the beginning of 1992 the North Dakota Bison Association was formed. This organization examined the possibilities of opening a plant for processing bison meat. (2) Nine bison producers were selected to form the co-operative organization and to develop a business plan. (3) NABC was registered on December 16, 1992, under the name North Dakota Co-operative Association. (4) It was decided that the organization should be owned by producers and that each member should only have one vote, irrespective of the number of shares each member owned. In addition, the requirement that only members could own equity stock (with a voting right) and that no single member was allowed to own more than 10% of these shares. (5) Finally, the purpose of the co-operative organization was formulated (Offering Circular of the NABC, 1996, p 1):

"The Co-operative's purpose is to process bison meat products in facilities in North Dakota so that members may participate in the economic benefits of value-added processing."

The development of the NABC accelerated during 1995. The current prognosis is that members of NABC will have 60% of the market for bison meat by 1998, and that by then they will export 10-25% of the total production to Europe (Agweek, March 31, 1997, p 13)

Conclusions

There are many new models of financing co-operatives other than those which have been dealt with here. However, there are other "old-fashioned"

co-operatives in North America that have changed their financial structure, for example Saskatchewan Wheat Pool (see Hakelius 1997, Saskatchewan Wheat Pool and You and Saskatchewan Wheat Pool's Amended and Restated Prospectus). Nevertheless, by analysing the NABC-case, it is easy to see that there are other new ways of thinking about co-operative activity.

The new co-operative organizations that have emerged, mainly in sparsely populated areas in Northern USA and in Canada, have been started because people wanted to adjust the co-operative activity to today's situation, not only at the markets but also in order to better fit the demands of younger farmers on the co-operatives. In other words, these new co-operative ways of financing and organizing increase the overlap in Figure 1, making the entire system function better as a whole.

The NGC-model practices the dual commitment, through tying a certain amount of products to each share. Today, a rapidly increasing number of co-operatives in Europe have introduced contracts to be written between one member and the co-operative. This is, naturally, a step closer to having a general commitment to deliver to the co-operative and receive from members, respectively, making it easier for the co-operative to plan its activity. However, it is more costly to have to write one contract with each member, rather than having one contract and one set of rules for all members (like in a NGC).

What is needed is a higher degree of freedom for each co-operative to develop its way of financing its activities,

etc, according to what its members want, as well as a openness towards new structural solutions, making it possible for non-members to support the co-operative, for instance.

Agency Theory

When working with restructuring and adjusting the farmer co-operatives, agency theory can be used as a helping tool. This theoretical framework is based on the relationship between a principal and an agent. In the case of co-operatives, members are principals and people working in the management of co-operatives are agents.

Looking upon co-operative activity through the eyes of an agency theorist, co-operatives have a number of problems, for example the horizon problem, the portfolio problem, the common property problem, the decision making problem, and the follow-up problem.

Many of these problems are discussed in the current co-operative debate: Members want to have as much money from their co-operative as soon as possible (the horizon problem); they have different opinions about what business deals their co-operative should be involved in and to what extent the co-operative should be involved (the portfolio problem); they do not want to invest more money than necessary into their co-operative (the problem with common property); and as a consequence of all this, they experience their co-operative as organizations difficult to take stock of, understand and govern (the follow-up problem). Judging

from this, it could be relevant to assert that the agency theory's criticism on co-operative organizations is often correct.

Often, co-operators assert that the way co-operatives are structured and run today is the only "true co-operative way". However, if the ICA-definition of a co-operative is studied, it is difficult to see that this opinion is correct (1995, p 10). The definition of co-operatives is so broad that it includes a much wider variety of organizational models than the ones currently dominating the world of co-operation.

"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."

If this definition is further scrutinized, three central aspects of a co-operative enterprise are distinguished: (1) Members have intentionally joined together to form an independent organization; (2) The organization has been formed in order to solve some kind of need; and (3) it is jointly owned and democratically governed by members. These three aspects recur in most definitions of co-operative activity.

If the starting-point is the ICA-definition of co-operative activity, used above, it is difficult to see that the agency theory's criticism of co-operatives holds. Due to the fact that to a large extent the criticism describes the *current situation* for farmer co-operatives, it can, on the contrary, be looked

upon as an analysis of what is wrong in the *prevalent situation*, rather than what is wrong about *the co-operative idea* as such. This leads to the conclusion that the ICA-definition should be combined with the agency theory in order to get a fruitful result from the analysis of what has to be done in order for the co-operative organizations to be more effective for their members.

Concluding Remarks

The agency theory can be used to show what has to be changed in the financial system of farmer co-operatives today. By using this theory, it is easy to show the importance of individual ownership and clear market signals in an organization: In a NGC, due to his role as a principal, the member is capable of influencing and monitoring the agent in a much more effective manner, compared to a traditional co-operative. Simultaneously, he can send clearer signals to the management (the agent) through the size and development of his possession of shares over time. If, for example, the management of a NGC would like to expand the capacity, they also have to find individuals (either existing members or presumptive ones) willing to invest into the expansion. This situation can be compared with the current way of

expanding co-operatives: In many cases such decisions are more or less pure management decisions. The management simply uses a certain amount of the collective capital, borrows some more money and expands the enterprise, often using persuasion-tactics to make members agree to the expansion.

The important aspect in all this is that by implementing for example NGC-ideas on co-operatives, an increased member commitment is achieved. Since a written contract exists between the member (the principal) and the co-operative (the agent), combined with the co-operative's possibility to give the member lower TRCs and returns on the invested capital, the member commitment is likely to increase.

When the member commitment increases, the likelihood for the management (the agent) to be capable of acting fraudulently towards the members (the principal) decreases, and hereby the risk of increasing transaction costs for members become less. The member no longer has only two possible ways to express his opinions about how the co-operative is run: Exit and voice (Hirschman 1970). A system of tradable shares gives the exit-choice a much broader meaning.

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Innovation & Change in Federative Decision-Making Systems:

CUFIS and the Credit Union System of Saskatchewan

by Dr. Lou Hammond Ketilson*

Introduction

Innovation is the key to success within the financial services industry. It is particularly important to credit unions in Canada, where they face fierce competition from banks and trust companies, and imminently the insurance industry. Although innovation has been examined from many perspectives in the literature, the issues around the introduction of innovation into systems of organizations has received limited scrutiny. Using a case study methodology, this paper examines one attempt by a federation to create a structure that would stimulate innovation throughout the entire system. The federation in question is the Credit Union System of Saskatchewan, Canada; the structural innovation is Credit Union Financial Information Services (CUFIS).

A federative decision-making system is made up of autonomous organiza-



tions loosely joined together by a central administrative organization providing services to the individual affiliates. Such systems are characterized by a decentralized power base and consensus decision-making processes. The impact of these characteristics is specifically examined with regard to the innovative ability of federative decision making systems. The results indicate that federative decision-making systems are capable of innovation, however the decision-making structures present challenges to the diffusion process.

Theoretical Framework: Federations

A federation is a form of organization established through voluntary, binding and long term co-operation be-

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tween autonomous affiliates. All affiliates maintain joint authority over the federation and act together in some areas and separately in others (Johnstad, 1997). A central body with a formal staff is typically created to direct the federation towards its common goals (Warren, 1968). Affiliates remain autonomous but relinquish control over some of their activities to the central body in return for some benefits (Provan, 1983) such as minimized network complexity and reduced environmental uncertainty (Oliver, 1990; Warren, 1968). In order for a federation to develop, there must be a large group of organizations with recognized interdependencies, a relatively large discrepancy between the main activities of the affiliates and the anticipated role of the central body (Provan, 1983) and some commonalities between the organizations (Johnstad, 1997).

Various types of federations can be identified on the basis of who holds power and control, and on how much of the organization is structured around the use of federal organizational principles. When distinguishing on the basis of power and control, three types of federations are suggested: confederation, federation, and quasi-federation; on the basis of the intensity of use of federal principles in an organization, two types are suggested: the part-federation and an integral-federation (Johnstad, 1997). The type of federation that serves as the focus for this paper is most accurately described as a confederation holding characteristics of an integral-federation. With the high amount of contact

between affiliates and a consensus decision-making structure, the management of interorganizational relations is quite crucial.

Interorganizational Relations

The literature identifies two main reasons why an organization would voluntarily enter an interorganizational relationship: a need for resources (Oliver, 1990; Schermerhorn, 1975; Wievel & Hunter, 1985); and a desire to reduce the complexity and uncertainty in the external environment (Oliver, 1990; Warren, 1968). Additional reasons include the potential to exercise power over another organization (Oliver, 1990), and the pursuit of common or mutually beneficial goals (Oliver, 1990; Schermerhorn, 1975). Interorganizational relations can have a profound affect on an organization, with an important one being loss of decision-making autonomy (Schermerhorn 1975).

Various types of interorganizational relationships will have a distinct impact on an organization's decision making process. In a federative context (Warren, 1968) the decision making function for the federation resides in the central administrative body (Warren, 1968), however, the decisions are made with the input of the member units. Consensus decision making is common in such federations (Warren, 1968). The downside of consensus decision making is the time that must be invested in the process. Decisions affecting the entire system cannot be made quickly.

Conflict is another by-product of interorganizational relationships, and

is the result of goal discrepancies (Morgan, 1986) plus resource scarcity (Pfeffer, 1981). Organizations can have differing goals and exist in relative harmony, but if the resources needed to meet their diverging goals are suddenly scarce, then conflict will arise in an attempt to determine who gets the resources necessary to meet their goals.

How well organizations interact with their environments and attain necessary resources determines if they survive. Organizations can thus be thought of as processes for organizing necessary support from their external coalition. The coalition may place demands on the organization in exchange for its support, demands which may be in conflict with one another forcing the organization to prioritize demands (Pfeffer and Salancik, 1978). How these factors combine to facilitate or impede the diffusion of innovation throughout a system will now be examined.

Credit Union Financial Services Industry Context

Over the past twenty years the financial services industry in Canada has grown dramatically. The industry's growth has been paralleled by a growth in personal income, combined with increasing urbanization, and rising levels of education. The result is sophisticated investors demanding greater variety in financial services and innovative forms of service delivery. At the same time government deregulation has blurred the boundaries between financial institutions, resulting in increased competition in the financial services industry domestically, ac-

companied by trends toward internationalization. Both of these factors have led to greater competition between financial institutions for the dollars held by well-educated, well-informed, cautious investors. For the average individual, regardless of how educated, the result has been confusion. In response, personal financial planning has arisen as a service in itself, often used as another strategy for marketing financial products. At the same time that demand for innovative services was increasing, the Saskatchewan economy was experiencing recession throughout the 1980's and early 1990's due to drought and low commodity prices. Recession meant fewer dollars in the hands of credit union members and therefore, fewer dollars in the credit unions. It was in the midst of this competitive environment, consumer confusion and economic recession that Credit Union Financial Information Services (CUFIS) was created.

Saskatchewan Credit Union System

The Saskatchewan Credit Union System (hereafter referred to as the "System") is made up of independent credit unions based in communities throughout the province, owned by the members they serve. There are 163 credit unions serving 558,000 members through 340 branches and service outlets with assets of \$6.19 billion. They employ 2749 people and contribute almost \$200 million to the Saskatchewan economy (Hammond Ketilson et. al, 1998). These "first-tier" credit unions form the base of the System and drive its actions. Credit Union Central of Saskatchewan (CUC) is a second tier credit union, owned and

funded by the first tier credit unions. CUC provides a number of services to the credit unions that they could not provide on their own, such as marketing, data processing, human resource and planning support to the entire system.

This federative system relies on democratic methods of control and communication. The province of Saskatchewan is divided into 12 credit union member districts and one non-credit union member district. In each of the districts, credit union members elect individuals to the boards of directors of their own credit unions. The boards in every district then elect or appoint credit union delegates to attend delegate, sub-district, district and CUC's Annual Meeting. These delegates elect the board of directors who oversee CUC's operations. In this way, CUC is controlled by its member credit unions (Credit Union Central of Saskatchewan, 1996).

Credit Union Financial Information Services (CUFIS)

On May 1, 1987, Credit Union Financial Information Services (CUFIS) was established by Credit Union Central of Saskatchewan (CUC) as part of its future direction. CUFIS was established as a three year pilot project designed to provide financial information services to individual members, credit unions and other co-operatives (CUFIS, 1987b). It was intended to be a catalyst that would bring change to the credit union system in Saskatchewan (Financial Information Centre Project Plan 87-89).

CUFIS was set up as a subsidiary of CUC, yet separated legally and physically from CUC so that it would have the freedom to be truly innovative, while still reporting to a Directions Committee made up of the CUC executive management team. Initially it operated out of a storefront office designed with a customer focus, with a staff complement of four, later increased to five. CUFIS was created with the agreement that it would be funded by CUC and the System by having CUC reduce interest on share capital by 1/2% each year. As a consequence, CUFIS was not only answerable to its parent organization, CUC, but also to the many credit unions that own CUC.

During its first three years, CUFIS fulfilled its mandate by developing innovative software packages, an award winning video series, conducting numerous seminars for members and promoting the concept of financial planning throughout the Saskatchewan Credit Union System. The feedback from credit unions was positive although there was some doubt about whether individual credit unions could support their own financial planning services, as CUFIS was encouraging (Eggertson, 1990). Overall CUFIS seemed to be on track developing new ideas, products and services that educated members and helped credit unions attract and retain members in the face of stiff competition in the area of personal finances.

In 1990, CUFIS' mandate was continued for another three years during which time it was to focus more on

pure research and less on applied research (CUFIS Directions Committee, 1989). However, by mid 1992, CUFIS had been relocated back into the CUC head office and at the end of the year, it was dissolved.

Analysis of Events

Despite the apparent success of CUFIS as source of innovation within the Credit Union System of Saskatchewan, it was disbanded. Some of the factors identified as barriers to achieving the objectives set for CUFIS as an organization included the structure of the organization, the structure of the federative system, resource dependency, and goal compatibility.

Organizational Structure

Adhocracy vs Ambidextrous

With its informal internal structure, lack of job descriptions, and lack of formal rules and procedures, it would appear that CUFIS was initially designed to be an innovative organization in the form of an adhocracy (Mintzberg, 1989). It was expected, however, to act like an ambidextrous organization – to innovate, problem-solve and develop products and services with one hand and deliver and support these products with the other hand. Unfortunately, CUFIS was not sufficiently resourced to be ambidextrous, as it did not employ enough people to support these dual activities.

Differentiation vs Integration

In complex environments, organizations often differentiate into smaller units better able to cope with complexity than the organization as a whole because they are focused on a limited

set of activities (Lawrence and Lorsch, 1967). These differentiated units must also be integrated to a degree in order to pursue common organizational goals, thus creating constant tension as organizational units are at the same time differentiated and integrated.

In a rapidly changing and uncertain financial services industry, CUFIS was differentiated from CUC to allow it the freedom it needed to be innovative to generate ideas and products to compete in a dynamic marketplace. At the same time, integration was required with CUC in order to pursue the common goals of CUC and the Credit Union System. CUFIS also needed CUC in order to support and deliver its products and services so it could maintain its research and development focus, but because of the separation from CUC, CUFIS had little contact with the necessary CUC departments during the developmental stages of their projects. When the time came to transfer a project, staff at CUC felt little or no ownership and often saw it as an increase in their workload.

As a result, CUFIS projects often did not receive priority attention. Overall, it would appear that the relationship between CUFIS and CUC was not conducive to the long term survival of CUFIS. Indeed, it may not have been possible to create a relationship that was close enough to provide adequate support yet distant enough to allow innovative freedom with CUFIS structured as it was.

Structure of the System

The decentralized, federative structure of the Credit Union System itself was

also cited as a reason for CUFIS' separation from CUC. Several individuals who were interviewed believed that CUFIS had to be separate from CUC and from any particular credit union in order to gain the support of all credit unions. If CUFIS was perceived to be a part of CUC, the independent credit unions would feel that CUFIS was being used to push centrally developed ideas, products and services. Similarly, if CUFIS affiliated with any single credit union, the other credit unions would feel that one credit union's ideas were being forced on them. In either circumstance, the individual Credit Unions would have perceived CUFIS to be a threat to their autonomy and would not have supported it.

Resource Dependency

During the late 1980's and early 1990's CUC saw its first decrease in assets in over a decade. Many credit unions were amalgamating and struggling to survive at this time. In addition to this, competition was increasing. Between 1987 and 1989 the mortgage companies in Saskatchewan increased their market share in the areas of deposits and loans by almost five percent. These gains came at the expense of the banks and credit unions. (Credit Union Central of Saskatchewan, 1987d; Credit Union Central of Saskatchewan, 1989b).

Credit unions were feeling the pressure to survive while still trying to balance the interests and needs of their members. Such a bottom-line focus, as opposed to a long term investment focus within the System put extra pressure on CUFIS. Many interviewees

referred to the "economic realities" credit unions were facing and stated that most credit unions were in need of the services CUFIS provided but were also in need of the money that supported CUFIS.

A General Manager's Report from early in 1987 indicated that initially CUFIS was to generate a return on investment of 12% through the sale of its products and services. By mid 1988 it was obvious that CUFIS was not going to be able to meet this target. Actual revenues were approximately one third of that projected. After that, CUFIS' revenue targets were adjusted down but there was still difficulty in meeting them. It was determined that people simply would not pay for financial planning at this time; at least they would not pay for it as it was provided and marketed by CUFIS. This made CUFIS even more dependent on the System than it was intended to be. The credit unions controlled virtually all of CUFIS' resources and they were not happy with CUFIS' results.

Goal Compatibility

Based on comments made during the interviews, it would appear that there was initial goal compatibility between CUFIS and the credit unions, but that this changed throughout CUFIS's lifetime. Credit unions realized they needed innovation, information services and full financial services in order to remain competitive. Many credit unions also had ideas for products and services they would like to offer their members but did not have the time or resources to develop themselves; CUFIS was perceived to be able to help

these credit unions by developing their ideas for distribution throughout the whole System.

This compatibility, however, did not seem to last long, with interviewees indicating that CUFIS did not live up to their expectations – tangible products that they could offer their membership and that would generate revenue. It was felt that CUFIS never provided this to them, or at least, not in sufficient numbers. It is possible that the credit unions never fully understood the mandate of CUFIS, which went beyond product development to include innovation in the areas of member education, information services and service management, therefore they assumed CUFIS was failing to meet its objectives. Ultimately, some of the larger credit unions began developing the same products and services that CUFIS was developing, demonstrating their lack of confidence in, or knowledge of, CUFIS' activities. Thus began a downward spiral, with the conflicting demands of the System and Credit Union Central forcing CUFIS further and further away from the objectives and strategies that had started it down the path toward innovation.

Conclusions

This paper examines an attempt by a federation to create a structure, a separate subsidiary, that would stimulate innovation throughout the entire system. The factors identified as barriers to achieving the objectives set for CUFIS as an organization include its original organizational design, the relationship between CUFIS and the

Credit Union System, and the federative characteristics of the Credit Union System of Saskatchewan.

We need not conclude that because CUFIS was not able to meet its stated objectives, innovation within a federative system is not possible. True, it may be difficult to move all organizational members of a System to agreement on a central strategy for innovation, especially if the members are significantly different from one another. However, such diversity may, and does, stimulate spontaneous innovation at the decentralized affiliate level. Since the System is based on shared values, once the members do agree on a strategy for innovation, implementation of the strategy is often easier and occurs quite quickly.

We can, however, conclude that errors were made in the creation and design of CUFIS. CUFIS had demonstrated its ability to innovate, but was not able to control the implementation process throughout the system, as indeed no single player can, thus demonstrating the strength and yet weakness of a confederation. The goal of being differentiated to foster creativity, while also needing to integrate with the system for the purpose of generating and sustaining support for its activities, was impossible to achieve.

A lack of clarity regarding control over decision making was another factor linked to organizational design. An organization such as CUFIS had no voice in the decision-making process of the federation and could not defend its actions, while receiving only lim-

ited feedback from other members of the federation through the Directions Committee.

More significantly perhaps, the study identified that the creation of CUFIS was inconsistent with the traditional approach to innovation within the Saskatchewan Credit Union System. Typically, new ideas originate within an autonomous credit union. As the innovation proves to be successful, word

of its success spreads, other interested credit unions pick it up and adoption and diffusion occurs. CUFIS, while its origin was linked to the System's Future Direction plan, was essentially the creation of the CUC's Chief Executive Officer. In the described case study, it is concluded that the implementation of a centrally identified initiative failed to be successful because grassroots acceptance is absolutely fundamental within a confederation.

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Privatization of Services - what can co-operatives offer?

by Gabriele Ullrich*

Rethinking the State's Role

Since over a decade a process of rethinking the role of the State has started and not yet ended, as was latest manifested in the World Development Report 1997 of the World Bank on the "State in a Changing World". The process of the changing role of the State has taken different orientations over the years: After the expansion rate of the state structures and functions slowed down in the 1980's due to budgetary constraints, structural adjustment programmes and transition of centrally planned to market economies, today's concern is with downsizing government budgets and activities. Services before delivered by public institutions, are being privatized or simply abolished. The pattern of the "lean State" has emerged. This led to the opinion that the State should be reduced to a minimum with all its consequences regarding delivery of public services, employment and public budgets.



Facing the dimension of this trend and the social and economic consequences of radically cutting public services and functions, the World Bank felt it necessary to give a more balanced picture of the State's role in social and economic development by specifying that: "An effective state is vital for the provision of goods and services - and rules and institutions - that allow markets to flourish and people to lead healthier and happier lives."¹ In order to arrive at such an effective State, the World Bank puts emphasis on a two-part strategy which makes "... every state a more credible, effective partner in its country's development: matching the state's role to its capability...and raising state capability by reinvigorating public institutions". The World Bank underlines that the State is central to economic and social

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development, not as a direct provider of growth but as a partner, catalyst and facilitator². The effectiveness of the State is also dependent on the voice and the participation of the civil society. The World Bank sees three ways in which this can be achieved:

- through the civil society expressing their opinion and pressuring for their implementation, the State may acquire credibility which it needs to govern well;
- in the absence of markets, civil society can give information and feedback to the public providers which is needed to improve the services;
- the public providers can possibly not foresee all services needed and alternative providers from the civil society can help to meet these gaps³.

The need for certain basic and essential services "of general interest" does not necessarily disappear if the State abandons them. Therefore, the question arises: who is willing to provide these services and who is capable of doing so?

Services of General Interest

In the context of rethinking the role of the State, restructuring, adjusting and downsizing of public budgets, the communities at local, national, regional and international level are looking for new models to finance and provide services of general interest.⁴ In Europe, for example, such services strive to serve the public while protect-

ing the environment, enhancing economic and social cohesion, and the promotion of consumers interests. Basic operating principles of such services are: continuity, equal access and universality.

There are various ways of organizing the delivery of these services, reflecting different geographical, and technical circumstances, political and administrative settings, cultural and social traditions. The services can be provided by both public and private operators, in either competitive and monopolistic situations. The Commission of European Communities lists among the providers private companies, public bodies, and joint public-private partnerships. These different organizational set-ups make it necessary to speak of services of general interest rather than of public services. The provision of these services is regulated by public authorities to various degrees, depending on the sector⁵.

Forms of Privatization

The withdrawal of the State from the provision of services of general interest is often termed under the simplified and shortened heading "Privatization". Action to implement privatization is taken in industrialized and developing countries as well as in economies in transition. It refers to introducing private-type management in the provision and finance of services of general interest, to contracting out of such services to the private sector, and to selling the facilities and licencing the provision of the services to the private sector. A systematic overview on types of privatization was recently

given by Public Services International (PSI)⁶ which appears quite helpful for the purpose of this paper:

- * Privatization of responsibility which includes formal transfer to private organizations, transfer to users by abolition or reduction of service, liquidation of state-owned enterprise, liberalization and deregulation of the sector;
- * privatization of ownership which includes the total or parts of the assets, voucher privatization, transfer to or buy-out by management and employees;
- * privatization of provision which includes contracting-out, lease, operating concession, management contracting and purchasing;
- * privatization of financing which includes private finance for public infrastructure, private investment in public enterprises, joint ventures, new or higher user charges;
- * commercialization which includes competitive tendering between inside and outside contractors, creating internal markets, introducing commercial goals and management techniques.

A critical particularity in privatizing services of general interest is that deregulation can only take place to a limited extent. The public authorities have to make certain that essential and basic services are accessible to everyone and a certain quality standard is maintained. For example, in the context of general interest services (specifically for postal and telecommunication

services), the Commission of European Communities has asked the Member States to impose "universal service obligations" on the providers. They should make sure that the services have to allow "affordable access to everyone, including the socially, medically and economically disadvantaged".⁷

Specific Sector Services and Privatization

The services which are considered to be of general interest vary in each country according to the cultural and traditional context, the political and economic orientation and other factors in the civil society. They may include utilities (e.g. gas, electricity and water), infrastructure and communication (e.g. transport, postal and telecommunication, information and audiovisual technologies and), community and social services (e.g. education, care of children and elderly, leisure and sports), medical and health services.⁸

The efforts to privatize the services in these sectors show different results depending on:

- * the sector: utilities require long-term investment and quality standards; educational, medical and health services require licensed personnel; audiovisual technologies have to be safeguarded in view of values, ethics and dominating market position;
- * the form of privatization: the method of acquiring ownership may play a role; however, more significant appears to be the market

position (monopoly or competition), the capacity to deal with universal services, the capacity for social dialogue (see below);

- * the region: the level of development and the possibilities of cross-country networking play a role;
- * the country: traditional cultural and social patterns are of relevance, particularly in social and health services;
- * the type of social dialogue: the dialogue refers to the employees of the service providers as well as to the clients and consumers.

Co-op Solutions to Privatization

What can co-operatives offer to the community when services of general interest are being "privatized"? The organizational form of co-operatives gives the possibility to mobilize finance in the community through joint efforts, incur expenditure in a social and non-profit way, control and monitor the spending jointly and regularly, create joint responsibility and solidarity in the community.

Once the privatization and restructuring processes have started, research and analysis of practical experience is required.⁹ The development of long-standing co-operative experiences in the area of utilities, insurance and medical services as well as innovative approaches in social and health care give much reason to see co-operatives as playing a significant role in the provision of services of general interest. For the purpose of analysis, it is nec-

essary to distinguish between co-operatives which are established by consumers and those by the providers. Co-operatives of the consumers have emerged predominantly when the services of other providers have been geographically or financially not accessible, or where no offer of the service is available. The best known cases are the electricity co-operatives in the USA, Argentina, Brazil, Bolivia and Chile. In Argentina, over 500 co-operatives distribute about 10% of the country's electrical energy and are reaching 15% of all consumers. In the rural areas they provide almost 100% of the electricity.¹⁰ These co-operatives diversified also into other utilities, like water and telecommunication. The economic and social advantages of such co-operatives lie mostly in contribution to local employment creation, to local economic development and to decentralization. Furthermore, they provide the consumers with a direct voice in the quality and the delivery of the services and open also the opportunity for diversifying the services.¹¹ Co-operatives of consumers exist also in the areas of health care (e.g. in Japan and USA) and insurance (e.g. in France as mutualities).

Co-operatives of the providers are today frequently the result of employees' buy-outs or of persons without wage employment who have discovered niches in the supply of services of general interest. However, they have also older traditions like the medical provider co-operatives in Brazil (UNIMED). They can be found in areas like transport¹², insurance, health and social services.¹³ In countries

which have a tradition or new laws on the decentralization of public authority to local units (like Italy and UK) provide a particular ground for such co-operatives. The local authorities contract out or purchase services from such co-operatives, like for example the worker co-operative which won the contract to run leisure services in Bristol, UK.¹⁴ Worker co-operatives for the provision of services of general interest exist in various sizes. There are small co-operative businesses with under 10 members, medium size like the above mentioned worker co-operative in Bristol with 320 members and very large co-operative federations like UNIMED in Brazil with over 60,000 members.

There are also attempts to combine private and public interests and those of the consumers and providers in so called "multi-stakeholder co-operatives. The Italian Act of 1991 provides, for example, for social co-operative societies with membership of different stakeholder groups which may even include local governments. Experience with such organizational forms is, however, still at the beginning and only practice can show their feasibility and replicability.¹⁵

The examples of successful co-operatives providing services of general interest are manifold. In the context of the World Bank Report 1997, they can give an opportunity to the citizenry to make their voice heard and they can bring more competitiveness into an area which is mostly dominated by public or private monopolies. Where are the shortfalls of co-operatives to provide services of general interest?

Co-op Shortfalls in Privatization

For the analysis of the shortfalls of co-operatives as providers of general interest services, it is necessary to distinguish between co-operatives of the consumers of such services and those of the providers. The problems have to be analysed on a case by case basis taking account of the situation in which the privatization takes place and how the co-operative services are organized. Therefore, the following paragraphs will raise the related questions to be analysed rather than to make general conclusions.

If the provision and finance are to be organized by co-operatives of the consumers or clients, a main question to be raised should be: Are the general interest services still accessible to everyone? Who is in need of the services? And do the public authorities still have to supply services to those who are not members of the co-operative? In specific areas, like in insurance, it is also of relevance that the financial risk pool is open to wide population groups in order to lower the costs for the potentially more disadvantaged groups.¹⁶ For essential and basic services which are considered to be of general interest, universal accessibility is necessary from the political and social point of view. In many developing countries, co-operative solutions have been used when the quality of the public services became too poor or when they were not accessible in certain geographical locations. Co-operatives have to make sure that everybody can join the co-operative and afford to join (e.g. by accumulating shares through various mechanisms). If there are

other, public or private, providers in the market, the co-operatives are not obliged to cover the whole country.

Other shortfalls of co-operatives may lie in the following areas which have to be carefully analysed:

- * Finance: particularly in the area of utilities, large and long-term investments are required which often go beyond the financial capacity of co-operatives; either they can build up their capital over many years (like in the case of the electricity co-operatives in Argentina which were founded in 1920) or they have to secure outside loans and credits. In other cases, the co-operative might try to seek other organizational forms for finance mobilization, however, therewith they may weaken the co-operative identity.
- * Qualified personnel (technical staff and management): in large co-operative enterprises which have to rely on modern technologies it is critical to attract and retain highly qualified paid personnel. The co-operative might not be able to mobilize the necessary finance to do so. Also other categories of staff would have to be hired under standard employment and working conditions. The question of workers' co-determination or labour management relations remains in many countries very complex due to the specific ownership of co-operatives.¹⁷ In this respect co-operatives have no cost advantage over other enterprises. Their advantage may rather lie in the close relationship to the consumers.

- * Co-operative identity: If the services are accessible to everybody, co-operatives may lose their specific characteristics which lie in the social and economic promotion of their members. In the case of the above mentioned electricity co-operatives and in certain mutual insurances, the members are frequently no longer aware that they are members of a co-operative. Therefore, it has to be analysed whether it makes a difference (financially or otherwise) for the general public to be a member of the co-operative or not. Co-operative identity might also be in jeopardy when the close relationship to local authorities turns into "officialization" with all its well-known consequences for the economic survival of co-operatives.

Co-operatives of the providers, possibly even of the employees of the former public provider, can also be an alternative for the provision of services in the public interest. What would be the implications here?

- * Working conditions: In some countries and in some respect, the members of a worker co-operative may be considered as self-employed. Regulations of labour law which govern the wage employment situation might not be applicable to members of a worker co-operative.¹⁸ It has to be very carefully analysed whether the conditions in worker co-operatives or labour co-operatives come close to conditions in contract labour¹⁹ which may provide flexibility in work arrange-

ments at the cost and risk of the workers.

- * **Professional Management:** Particularly in small and medium-size co-operatives it is difficult to hire and retain professional management which has to have specific skills in co-operative-based management.
- * **Decision making processes in co-operative management:** The structures and processes may create difficulties for the co-operative to go for tender when general interest services are contracted out. Thus, the workplaces may be in frequent jeopardy.
- * **Size of the co-operative enterprise:** Small and medium size co-operatives may be closer to the voice of the clients and the members working in the co-operative enterprise; however, they may be strongly affected by the above-described financial and management problems.
- * **Quality of services:** Particularly small and medium-size co-operatives may have problems to guarantee the quality of the services. This situation has to be specifically examined for providers of health services. It has to be evaluated whether the provision of the services is satisfactory as to the quality standards and to the clients. Relevant also is the question who would monitor and control the delivery of the services.

The list of shortfalls would have to be further studied and also the ways for

overcoming them based on practical experience and an analysis of historical cases.

Conclusions

This paper has examined the advantages and shortfalls of co-operative solutions to privatization. Past experiences have given evidence that co-operatives can provide part and/or all services of general interest. They cannot, however, due to their structure and mandate to promote the interests of their members, be held responsible to cover the overall national sector of the service.

They can be an interesting supplement in the delivery market but they cannot and should not gain an exclusive right for delivery. They also underlie public regulations of general interest services and cannot be expected to produce at costs lower than other providers. Nevertheless, they can serve to open the delivery market to more competition.

Before entering the market of services of general interest the co-operatives should examine in detail questions such as:

- * Can open and affordable access to the service be guaranteed?
- * Can financial resources for long-term delivery of the services be mobilized?
- * Can delivery be managed in a professional way?
- * Can delivery contribute to reducing public budgets?

- * Can quality standards of the services be maintained and monitored?
- * Can workers be given comparable working and employment conditions?
- * Can workers participate in the decision making and implementation processes?
- * Can consumers voice their expectations and judgement?

It appears that much practical experience has been acquired recently, however, more action oriented research seems to be required from the side of co-operatives and also from the side of the promoters of privatization of services of general interest such as the World Bank and the Commission of European Communities. It would be desirable to strive for guidelines for best practice to draw a realistic picture of the potential and the shortfalls of co-operative solutions to privatization.

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- ¹ The World Bank, World Development Report 1997, "The state in a changing world", Oxford University Press, 1997, p1.
- ² The World Bank, op.cit., p3.
- ³ The World Bank, op.cit., p116.
- ⁴ The terms for this type of services vary in political statements and research definitions. The Commission of European Communities gave some practical definitions which will be used for the purpose of this paper: "Services of general interest cover market and non-market services which the public authorities class as being of general interest and subject to specific public service obligations". The term "universal services" wants to make sure that everyone has access to certain essential services of high quality and at prices that they can afford.", Commission of European Communities, Communication of the Commission "Services of General Interest in Europe", COM (96)443, Brussels, 11.9.96, p2.
- ⁵ Commission of European Communities, op.cit. p3.
- ⁶ PSI, Public services and private interests, Briefing notes for current debates on public sector issues, Ferney-Voltaire, 1997, p8.
- ⁷ Commission of European Communities, op.cit, p8.
- ⁸ These services may be distinguished as economical and non-economical services, Commission of European Communities, p12; the responsibility for non-economical services remains in the EU at national level p14.
- ⁹ See e.g. Schneider, H./Dante Cracogna, Co-operatives for Public Services in Latin America, in: Dülfer,E. et.al. Handbook of Co-operative Organizations, Göttingen 1994, p750-754; Spear,R. et.al. Third Sector Care, Co-op research Unit, Open University, Milton Keynes, 1994; Gaskin,K./Vincent,J., Co-operating for Health, Loughborough University 1996, UN, Co-operative Enterprise in the Health and Social Care Sectors - A Global Review and Proposals for Policy Coordination, 1996

¹⁰ Schneider,H./Dante Cracogna, op.cit., p751-752.

¹¹ Schneider,H./Dante Cracogna, op.cit, p753.

¹² Transport co-operatives exist in navigation and road transport as service or worker co-operatives. Schuhmacher,U. Transport Co-operatives, in: Dülfer, E. Handbook of Co-operative Organizations, op.cit. p895-897. Examples can also be found in developing countries, e.g. in Costa Rica and Honduras. Schneider,H./Dante Cracogna, op.cit, p752

¹³ Details of a number of European examples described in: Spear,R. et al., Third Sector Care, op.cit.

¹⁴ Co-operative News (UK), 10 June 1997, p3.

¹⁵ Borzaga, C. and Santuari, A., Co-operatives and the new social services market, Review of International Co-operation, Vol.90, No.1, 1997, p11-17; see also Pesthoff, V. , Empowering citizens as co-producers of social services, the case of day care in Sweden, Paper presented at the International Research Conference of the ICA in Bertinoro 1997.

¹⁶ The Chilean experience in privatizing health services and insurance showed that it led to the exclusion of population groups which had still to be covered by the public system. It appears that the costs involved were higher than in the case of the entire public system. ILO study on Restructuring and Privatization of health care services, Cases in the Americas, by S. Polaski, to be published in 1998.

¹⁷ See e.g. Staehle, W.H., Co-determination in Germany, in: Dülfer,E. et.al., op.cit., p106-110.

¹⁸ ILO, Labour Law and Co-operatives-Experiences from Argentina, Costa Rica, France, Israel, Italy, Peru, Spain and Turkey, Geneva 1995 and ILO, Meeting of Experts on Co-operative Law, Final Report, Geneva 1995. Spear, R. et.al. recommend to relate to locally used employment contracts and pay, op.cit.p48, 61.

¹⁹ For the discussion of contract labour see particularly International Labour Conference, 85th Session, Geneva 1997, Report VI (1,2) Contract Labour. G. Ullrich, Privatization of services of general interest ICA Bertinoro, October1997, p 8.

Government Restructuring and Implications for Civil Society - the Co-op Alternative

John Restakis*

Over the last decade Canada, like other industrialized nations, has experienced a radical re-evaluation of the role of government. This has had profound effects on public services, individual citizens, and the broader civil society.

This paper explores an alternative model for the delivery of public services and by extension, for the meaning and role of public goods and civil society. It centres on the unique role co-operative models have played both in the evolution of public goods and services, and in the redefinition of such services today.¹

Alternative Service Delivery & Debate over Public Goods

The near universal search for alternative ways of delivering public services means a good deal more than cutting costs or making government more efficient. It also calls into question many of the values, powers, and social relationships that together comprise what may loosely be called the "social con-

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tract" - that arrangement of rights and responsibilities that defines our social and political system. Although it is the least articulated, it is the changing nature of this social contract that is at the heart of the re-definition of government.

In Canada, as elsewhere, the notion of "alternative service delivery" (ASD) is only the most recent formulation of a process that has been engaging governments for a long time. This is not new. What is new is the emergence of a widespread perception that the traditional roles and responsibilities of governments are inadequate to meet the challenges of our times. Even more, there is a growing sense that government as such has lost its credibility, and this loss of faith has grown to encompass public institutions in general.

By contrast, the language and values of the market and the private sector have gained increased currency both in government and among the broader public. The application of these values to the provision of public services now constitutes one of the most seminal public debates in the reconstruction of Canadian public policy. Much of this debate centres on the issue of privatization - the provision of public goods by the private sector.

For many, privatization has become the emblem of a new model of governance. And although alternative delivery models are quite various (ranging from direct delivery by government to the contracting out of services and outright privatization), private sector models have gained the lion's share of attention. The role of the broader public and, more explicitly, of civil society and the social economy has figured far less prominently in the proposed alternatives to current models of governance.

The ASD debate in Canada is moving beyond the traditional issues of cutting costs and improving efficiency. It is also becoming concerned with increasing government responsiveness and accountability, and this has implications for strengthening civil society. It is in this connection that the co-operative alternative makes its most important contribution to the ASD debate.

Just as the adoption of private sector models for the delivery of public services has deep and abiding consequences, so does the adoption of co-operative models. In reality, each of these approaches signifies an impor-

tant difference in outlook with respect to the nature of public goods, of public accountability, of governance, of the role of citizens, of the meaning and evolving role of civil society.

Why the Co-operative Model?

Co-operatives are merely one aspect of civil society. But they are unique, insofar as they embody both social and economic objectives. Because of this, the co-operative sector shares many of the features of both the private and the public sectors. It is this blending of a commercial orientation with social concerns that makes co-operatives a unique alternative for the delivery of public services.

The contribution that co-operatives bring to the ASD debate can be viewed from two important perspectives. First, co-operatives place the issue of government responsiveness and accountability in the forefront of the ASD debate. The democratic governance of co-operatives and their accountability to their members sets an important standard against which other ASD options may be measured.

Co-operative alternatives challenge governments to address the issue of performance and public accountability in ways that go beyond mere contractual agreements and improved reporting mechanisms. This applies both to internal governance structures involving employee/employer relations, and the manner in which bureaucracies relate to citizens.

Secondly, co-operative alternatives affirm the central role of civil society in

the creation of public goods and services. They offer a mechanism for engaging citizens and communities in the restructuring of public services, and a means through which governments can invest in the creation of social capital. Co-operatives highlight the fact that the success of ASD is in large measure dependent on a strong civil society capable of playing a role which is often assumed, but rarely articulated or developed in practice.

These two features of government restructuring - government responsiveness and accountability, and the relation to citizens and the broader civil society - are fundamental to the manner in which public services are having to adapt to the new challenges of governance. As pointed out by other commentators² the public sector, like the private sector, must transform from a centralized, command driven, internally accountable system to one that is flexible, innovative, and responsive to citizens and other stakeholders.

The co-operative model provides government agencies with a formula which maximizes innovation and local empowerment without sacrificing the values of community, consensus, and shared responsibility. This is particularly important in relation to the role of employees and public sector unions which, up until now, have paid dearly and gained little from the restructuring process in Canada.

Co-operative models in which employees can take on the role of true partners would do much to rebuild a sense of trust and mutual purpose be-

tween governments and their employees. Multistakeholder models of co-op organization are specifically designed to address these issues.

In addition, co-operatives allow for the adoption of commercial strategies while retaining those values of the public sector which are most compatible with public expectations, for the corporate cultures of the public and private sectors are radically different. Private sector firms, oriented toward the maximization of profit and accountability to shareholders, understand little the broader and more complex allegiances to community and what John Ralston Saul calls the "disinterest of the public good".³

Co-operatives reflect the civic values of openness, solidarity, and collective interest which formally animate the policies and practices of the public sector. In a more general sense, perhaps the most important contribution that the co-operative model can make to the ASD debate is to show that public goods are not exclusively the preserve of the state. Co-operatives show how public goods can be affirmed while also freeing the notion of "public" from an exclusive association with government agencies.⁴

If alternative public governance structures exist, the downsizing of government does not have to mean the elimination of public goods.

The Co-operative Experience

In Canada, there are over 14 million members of co-operatives whose combined assets are well over \$100 billion.

And, although less visible, co-operatives are active in as many sectors of national economies as capital-owned firms. As pointed out in a recent paper by Ian Macpherson,⁵ there is no structural factor that delimits the possibilities of co-operative activity. The co-operative model is enormously adaptable and can be applied to virtually any social or economic activity.

The rich diversity of co-operatives sometimes masks the underlying feature which all co-operatives share, namely collective ownership over an enterprise or service. This blending of economic and social purposes has a special relevance for the issue of alternative service delivery, not only in the limited sense of the appropriateness of the co-op model for any given service, but for the broader question of democratic governance and the re-alignment of state roles and responsibilities.

Co-operatives may be the most promising means for both preserving the public nature of goods and services, and for applying the best aspects of business practice to reduce costs and improve service quality. There are two key reasons for this.

First, as enterprises co-operatives have to respond to the same market and commercial pressures that any business must address in order to remain viable. The co-operative advantage however, lies in the fact that unlike capital-owned firms, co-operatives place member needs above profits. This forces co-operatives to continually innovate and lead ahead of market forces to serve the changing needs of their members.

Second, as social organizations co-operatives must respond to member priorities. But unlike non-profit organizations which often place services ahead of economics, co-operatives are businesses that have to ensure that services are economically viable.

In addition, the co-operative formula of one member one vote provides a direct accountability to users that is lacking in traditional non-profits. It is this accountability structure that has kept co-operatives and credit unions providing services to many communities in Canada that have long since been abandoned by private firms and banks.

The democratic governance of co-operatives provides a unique mechanism to retain those features of public services that protect the interests of their users. It is this same governance structure that eliminates the inherent conflict of interest when public services are delivered by private interests.

That co-operatives lend themselves to this kind of service is shown by the intimate role co-ops have played domestically and internationally in the generation of programs and services now provided by the state. In Canada, the earliest forms of public health insurance, public education, and public housing were provided by co-operatives for their members. Later, these social innovations were adopted by the state and transformed into universal programmes.

In other sectors, the co-operative model has been paramount in further-

ing the collective interest through the creation of what are now major public institutions.

- Medicare - Canada's universal public health system - grew out of the co-operative health insurance strategies pioneered in Saskatchewan.
- Agricultural marketing through the Canadian Wheat Board grew directly out of co-operatives developed by farmers on the Canadian prairies.
- Co-op housing, which was a unique partnership between government and the co-operative sector, is still the most successful and cost effective means of providing quality, low cost housing.
- Canadian Press remains the single most important source of news and information for Canada's news industry and the public it serves.

The application of co-ops as a paradigm for delivering public goods and services is also being used to improve the quality of programmes that are still recognized to be state responsibilities. This is true for example with social co-ops, which deliver both training and employment for populations that have not been served well through state systems.

The European experience is instructive. In Italy alone, over 2,000 social co-ops provide training and employment to 50,000 people from such marginalized groups as the disabled, the formerly incarcerated, and the long term unemployed. Social co-ops are also

being used to provide needed services to the elderly, to youth, and to the homebound.

There has been an extraordinary variety of co-operatives that have emerged from the restructuring of public services in Europe. Indeed, the co-op solution has been seen by politicians and officials alike as a way of improving management and therefore service quality rather than simply a way of cutting costs.⁶ Two examples from England help to illustrate the point.

North East Direct Access is a resettlement centre for homeless single men near Durham in north-East England. Seen as uneconomic, this facility was to be closed by the UK Department of Health and Social Security. After a bitter struggle involving the local co-operative development agency (Durham CDA), the employees took over ownership. They simplified the management and pay structure, found enormous cost savings in suppliers' contracts, generated a sense of ownership among the residents, developed new services (such as single rooms and meals) and are now operating at a profit. As of 1996, the co-op was in a position to extend the premises to accommodate more residents.

The community services department of Greenwich Borough Council in South East London operated 7 community centres and swimming pools when it was forced by legislation to put their services out to compulsory competitive tender. Experience had shown that this process often resulted in cuts in services along with workforce reductions and increases in price.

As a response to this legislation, the Council decided to turn its community services department over to employee ownership. Despite a reduced grant from the Council, the new company - Greenwich Leisure - has succeeded in expanding rather than closing any centres, while keeping pay and conditions as good as they were under public ownership. The company now has 120 worker-members plus 300 part-time workers, and turns over 10 million dollars a year.

In summary, illustrations of public goods either initiated or delivered by co-operatives are easy to find. What is far more challenging is remedying the widespread ignorance of the co-op model to governments and citizens in time to match the scale and speed at which public services are being devolved to the private sector.

Public Goods and Interest

The controversy that surrounds the privatization of public services is but an extension of the fundamental concern regarding the nature of public goods and the stewardship of these goods by government. The "redefinition" of government has also meant the abdication of government from the provision of goods and services that, since World War II, have come to be regarded as essential to its proper role, and to the protection of public assets. This is not to say that the role of government should not change. Rather, the question has become "How does the redefinition of government serve the public interest?" And while there has been much rhetoric regarding "citizen-centered governance" and im-

proved service to the "consumer", little has been done to ensure that the public role abdicated by government will be replaced by private alternatives.

Until recently, it was widely felt that the proper repository of public goods was in public institutions, the foremost of these being government. This has changed. The true significance of the changes now shaking the public sector is just this: government can no longer be expected to act as the sole steward of public goods. If this is so, how is the public interest to be protected, and more to the point, what is the role of civil society in recreating the institutions, both social and ideological, that are the source and sustenance of public goods?

In the narrower language of public administration, two fundamental issues surround this question of public interest. First, how do alternative delivery systems ensure public accountability over public goods and services? And second, where are the structures and organizations in the broader society to ensure that the roles and responsibilities once provided by government will be replaced?

In the redefinition of government in Canada, these are the primary challenges facing government on the one hand and civil society on the other.

Government Restructuring and Civil Society

The changing role of government involves important assumptions and consequences for civil society and the social economy. Civil society encom-

passes the whole length and breadth of voluntary associations that together form those bonds of relationship that are the bedrock of community, collective responsibility, and public citizenship. However, civil society is a far more muted, and pervasive, presence in our society.

Civil society and the social economy accounts for an immense amount of economic activity whose primary purpose is to meet social objectives. It has been estimated that the volunteer labour that is generated by the social economy in Canada represents the equivalent of 615,000 full time jobs⁷

Civil society is also the source of what has now come to be recognized as "social capital" - that store of social relationships and conventions that create trust, mutual assistance, and social solidarity. As Robert Putnam has described so well, social capital is what allows societies to undertake collective actions. And it is this capacity that has profound political and economic ramifications; creating democratic institutions, and establishing the norms and conditions that underlie the viability of all economic transactions.

These features of social solidarity and civic values are what make civil society the natural foundation for democratic governance and the creation of public goods. Put another way, public services and responsive government are but extensions of the values that most typify civil society.

Co-operation is both an expression of, and an investment in, social capital. It

is not surprising therefore, that it is precisely in those societies where co-operation and social solidarity is most pronounced that government is most effective and most valued, and where economic development is most advanced.⁸

To be sure, co-operatives are only one aspect of the myriad of social organizations that make up civil society. But their blending of social and economic mandates places them in a unique position to respond to the challenges government restructuring poses to civil society.

The downsizing of government is often accompanied by a simplistic hope that voluntary organizations will step in to catch those people who have fallen through the social safety net, and to help those for whom governments are no longer responsible.

For, just as many public services now provided by government were once provided by civil society, so will much of the burden for replacing public services fall on this sector. Contrary to expectation however, volunteerism has been in decline and the number of social organizations that have been forced to close their doors is steadily increasing.⁹ Civil society is undergoing a crisis in Canada, and this is even more pronounced in the U.S. and those countries where free market ideology has taken the strongest hold over public policy.

What is required is a means whereby civil society can recreate the capacity to generate public goods, and in the

context of the decline of state support, to assess carefully which responsibilities should remain with the state, and which could benefit from delivery in other ways.

In the past, it has always been in response to precisely these kinds of challenges that co-operatives have been established. Today, the co-op model is one strategy that can help galvanize the capacities of the social economy, and provide a means for governments to strengthen the sector that is their natural ally in the provision of public goods.

- Co-operatives offer social organizations an organizational form that can help them strengthen their links to members, communities, and stakeholders.
- The co-op model enables organizations to strengthen their viability by linking efficient economic practice to social purposes.
- The co-op model offers both government and social organizations a mechanism for sharing responsibility and authority over the delivery of public goods.

This is not an argument for the downloading of public programmes to social organizations. The role of the state as provider of universal public services cannot be replicated by social organizations. Rather, it is an argument for recognizing the vital role of civil society as both a source and support to social programmes.

Without investment in civil society, the social organizations which are the in-

cubators of public goods and services will atrophy. Co-operatives are an important model for ensuring that civil society can grow and respond to the challenges it faces, and more particularly, to offer a mechanism through which "citizen-centered governance" can actually be applied.

Challenge to the Co-op Sector: Seizing the Opportunity

One of the effects of the ASD debate has been to spotlight the crucial importance of the voluntary sector in Canada. It is ironic that although co-operatives are probably the best organized group in this sector, they are also the most focused on their own issues and concerns related to the operation and survival of their enterprises.

In Canada, there is a certain ambivalence within the sector regarding the whole issue of co-operative development. And, while this has been changing in recent years, it is still true that the sector has yet to find its footing regarding its true role in promoting, and investing in, co-operative development in new areas. This is further complicated by the fact that alternative service delivery touches on roles and responsibilities that many feel should properly remain within government.

Co-operatives, like other enterprises, must address increasing competition, the demand for improved productivity and technological change, and the capitalization of their operations. It is not surprising that the social objectives of co-operatives sometimes suffer. But, like private sector firms, co-operatives

must be proactive to survive. This means applying their unique strengths to new markets and a changing social economy.

If the sector is to play a significant role in strengthening public goods in a time of radical change, it needs to re-affirm its traditional commitment to its social mandate. And this, far from being an act of charity, needs to be understood as the extension of a successful economic model to market opportunities in the public sector in new ways.

Why not assert that it makes good economic and social sense to do so from the standpoint of social innovation? For, if the private sector can turn public services into profit-making ventures, how much more can co-operatives provide these same services more efficiently, at less cost, and with greater accountability to their users?

The co-operative sector must also find the means to invest in public sector co-operative development. For, while some funds are currently being committed to new co-op development through a variety of programmes in Canada, they remain unco-ordinated and lacking in strategic focus. But more importantly, the sector needs to create innovative, viable development initiatives that are worthy of investment and support.

What is required here is a broadening of vision and leadership. And this leadership needs to be asserted at the level of individual co-ops, at the sectoral level, and most importantly, at the level of inter sectoral umbrella organizations.

The changes now transforming the public sector are signs of the deeper transformation which is re-moulding Canadian society. Co-operatives must find a new message and a clear voice to become the innovative influence they could be. The fact that the sector is now turning its attention to public services, and engaging governments in a serious dialogue on the role of co-operatives and civil society is an early mark of the leadership role co-operatives can play.

The Challenge to Government

The primary challenge facing governments during this time of "re-definition" and "re-structuring" is how to retain their credibility and the trust of the public. For if it is generally accepted that the role of government and the delivery of public services must change, it is also true that this acceptance is based on the belief that change is in the public interest.

The risk in restructuring is that the erosion of public services coupled with the abdication of government's traditional role as provider of public goods, will result in even less support for government and the role it plays. The real challenge, therefore, is: how can governments engage the citizenry to join their efforts in reshaping public services for the better?

What is urgently needed is some careful thought on alternatives that restore trust. How then, do governments provide alternatives that can clearly be shown to be in the public interest?

- Governments must be able to show that alternative delivery systems

protect, or even increase, public accountability. The sense that public goods and services will no longer be open to public scrutiny and account is certain to increase public cynicism. This is especially true for essential services.

- Governments must show that alternatives protect or enhance services.
- Governments must show that alternative delivery models are cost effective.
- Alternative delivery models must provide a realistic means whereby citizens may have a direct role in shaping the services which are being delivered.
- Governments must be seen to be serving the whole of the public, not only selected interests. Any notion that "restructuring" is resulting in favoritism either to certain segments of users, or to privileged providers of the services, immediately compromises claims to serving the public interest.

Essentially, if a new relationship between the state and the public is to be forged, it must re-create notions of governance and citizenship in ways that both involve the public and pro-

vide it with the means to share in the re-shaping and the delivery of public services. Co-operatives should be recognized as an essential tool in this process.

Summary and Conclusion

The co-operative model is only one of many alternatives that governments can utilize to address the political, fiscal, and service challenges they face. The co-operative sector would be the first to point this out. But the neglect of this model is part of a broader devaluation of civil society and the social economy. In effect, governments are undermining their connections to the one sector that is most in keeping with the character and aims of public goods.

For its part, the co-op sector in Canada has been slow to make its case for a citizen-centred approach to alternative service delivery. But co-operatives are now beginning to recognize the vital role they can play in reshaping public services from the vantage point of civil society. For the co-operative sector this represents an opportunity to expand its economic and social aims into a sector that structurally, and historically, it is uniquely equipped to serve.

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- ¹ Much of this material is the result of CAPS (Co-op Alternatives for Public Services) - a national project sponsored by the Canadian Co-operative Association (CCA), le Conseil Canadien de la Co-opération (CCC), and the Institute for Public Administration of Canada (IPAC), to explore the role of co-ops in the delivery of public services. The CAPS research papers, including the findings of a series of roundtables conducted across Canada on this subject, are scheduled for publication in summer of '98.
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Towards a Human-Scientific Theory of Action on Co-operation

by Kai Blomqvist*

Some Questions

Astonishment is the starting point for doing research. You are surprised about something and you ask a question: Why is this so?

My question concerned the Swedish consumer co-operatives. Until the 1980s they could show an impressive record of unique initiatives for the benefit of consumers. Why this obvious creativity? was my question. And when this "golden age" of the Swedish consumer co-operative movement seemed to peter out, my question became: Why does this creativity not seem to be regenerated? And eventually, the major question in my mind became: What is a co-operative action?

As I turned to existing co-operative research, I found little about the co-operative action itself. Most studies were concerned with the prerequisites of co-operative action, such as market conditions, organizational matters, or



the results of the actions, e.g. productivity, co-operative innovations, etc. The knowledge consisted of accumulated general rules for conducting co-operative activity. It did not help me much to understand the meaning of the co-operative action. It told me what a "good" co-operative is supposed to be, not how to become a "good" co-operative agent. So I did what seemed to be close at hand: I interviewed some of the co-operative leaders who had been chief executive officers at the time when the consumer co-operative movement was flourishing. As you can only perceive events stemming from actions, not the action itself which gives meaning to what the actor is doing, my study of the co-operative managers consists of their stories about what they did when they acted co-operatively, as they worked in co-operative insurance, retail, housing, and

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funeral societies. Their stories had to be interpreted by me to make me understand what a co-operative action is.

A Co-operative Agent

In my interview study of the consumer co-operative managers, my main question was: How did they act as managers of co-operative enterprise? The interviews gave me a snapshot picture of an "ideal type" of a co-operator who is innovative to the benefit of members and consumers. By systematizing the views and professional experiences of these managers, I found fragments of "a consumer co-operative theory of action". Such a theory concerns three areas:

- i) The persistent consumer perspective;
- ii) The personal consumer co-operative disposition to act;
- iii) Organizational prerequisites or places where the consumer co-operative experience (i and ii) can be regenerated and further developed. I call this part of the theory "the co-operative topos".

Persistent Consumer Perspective

The persistent consumer perspective consists of a summary of the themes I found in the interviews with the general managers:

- A broad perspective on consumer needs;
- Ideology combined with practical action;
- Independence from other interests than the consumer interest.

The essence of this perspective is the will to do things which will enhance the consumer interest; to do what is good for member and consumer households. This is the highest value and the true meaning of it all.

Effectiveness and efficiency are always related to this goal. And the keyword is the persistency - or stubbornness or obstinacy - in trying to achieve this goal.

Looking closer at this perspective, one finds that it includes an ability to perceive what is relevant from a consumer point of view in a concrete situation. This perception leads to a judgement: "this is good" or "this is not so good", considering the needs of the consumer. In doing this, the agent also makes a distinction between unreflected desire and a consumer need that has been the object of careful consideration. And his judgement is elaborated together with others, in a kind of "public sphere".

By constantly making judgements of this kind, the agent creates both his own identity and the "world" he wants to live in. This is the ethical and political aspect of the co-operative phenomenon. It could also be called the change or the creative aspect, by the fact that the agent's perception and judgement not only concern the existing state of affairs but also that which does not exist so far, but would be possible to realize by doing something new to benefit the consumer. Thus, the agent enters unknown areas and takes risks. Because of constantly changing conditions affecting the needs of consumers, this act of searching - a kind of a quest

- has to go on, constantly. The consumer co-operative must also continuously be reconstructed, like all other forms of co-operatives. The extent to which this has to be done depends on the breadth of its aims and ambitions, and on how it defines its stakeholders and delimits its impact on the world around it.

Personal Consumer Co-op Disposition to Act

The personal consumer co-operative disposition to act could also be called the "consumer co-operative personality". It is one of the key variables in this consumer co-operative theory of action.

The ingredients are parts of the personal characteristics of the consumer co-operator. Firstly, he has "the co-operative view well grounded in his heart and the consumer perspective in his spine". This means that there is a union of certain values, tendencies to think and act, ways of doing things, and intentions behind the actions. There are right ways of doing things, at the right places and at the right time, based on personal experience. In short, it is his way of doing things.

Another ingredient is his openness to new ideas

Consumer co-operation started to change the consumer's situation for the better. Thus a "consumer entrepreneurship" is intrinsic to the consumer co-operative idea. In comparison to profit-directed entrepreneurship, it is constantly combined with the persistent consumer perspective (or, in other

words, the household economic perspective). In fact, the "art of consumer co-operation" could be called the ability to combine a stubborn consumer perspective with entrepreneurship.

A third ingredient in the consumer co-operative disposition is the trusting and co-operative personal spirit of the agent. It is true democracy in nature and in all relations with others.

Finally, the disposition also contains the role of a co-operative educator. His every encounter offers an opportunity to talk, to deliver hidden or unspoken knowledge and to educate others.

A common idea about the consciousness of an agent is that beliefs based on perceptions form his understanding of the situation and leads to a rational choice between different ways of acting. More plausible, is to regard the agent's understanding of the situation as often unconscious and not articulated, but still rational, being part of his practical knowledge and reason. It is an understanding, involving body and feeling, and often shared with others, especially in actions requiring common efforts.

This embodied understanding makes things and actions meaningful to the agent. Furthermore, it makes it possible for him to adhere to principles. But the principles are only representing earlier actions. It is the embodied understanding and the situation-dependent meaning which are the real causal factors of his current action.

Practice means an on-going interpretation of principles. Co-operation only exists through co-operative acts being

performed and is continuously being renewed and changed by these acts. Principles can only exist together with a tacit, unarticulated understanding that activates the principles. Practice is also necessary to regenerate and activate the institutions which, basically, are only articulated rules. In these respects, co-operation is like the human language.

To act "well" as a consumer co-operator, requires definite virtues, based on the stubborn consumer perspective. Together, these virtues form a disposition to act which becomes a life-style.

It is a practical reason, a knowledge based on experience which makes the agent observant of certain qualities in a context-bound situation, and react emotionally, create his judgement, and with due regard to principles, finally choose what to do.

The Co-operative Topos

Organizational prerequisites or places where the consumer co-operative experience can be regenerated to new generations of co-operators is the third area of the suggested theory. These are places where the meaning of co-operation can be formed, established and developed.

The interviewed managers had at their disposal co-operative schools and many other places where they could meet colleagues and develop a consumer co-operative culture, depicted in the fragments of a consumer co-operative action theory. In a deeper sense, they had what in Greek is called 'a topos' - 'a common place'.

A topos can be regarded as a belief, experience and value source which helps us to orient ourselves. It provides us with a common ground to exchange thoughts and makes possible a true dialogue about common matters where meaning can take form. The word "place" suggests that it could be a geographical site, like a co-operative college, but in the sense of being a place filled with stories and an on-going exchange of experiences about co-operative actions, not a conglomeration of buildings. The building of the tower of Babel that was interrupted by the confusion of tongues, symbolizes the opposite of a common topos.

To preserve and develop a co-operative topos and regenerate it in the next generation of co-operators, you need a continuous dialogue about the practice of co-operation, using examples from daily situations and through repetitious learning by doing. To achieve this, you need arenas where it can be done. You also need rhetorical skills to define the meaning and the limits of the co-operative actions. And to do this in a real democratic spirit, assymetric power relations between those involved must be absent.

The co-operative education is an important part of creating and preserving a common topos. It concerns the question of how the co-operative business logic is recreated in the minds of the members, employees and the other stakeholders of the co-operative.

When education is carried out by action, and by reflecting on the actions taken, a disposition to act in new situ-

ations can be created. As described above, this is a form of assimilated knowledge which also creates an identity and a view of the world. It is a type of competence that is not only a technical skill but also a way to think, a meaning-creating practical wisdom or a judgement capacity. And it is a kind of knowledge that is just as rational as the scientific knowledge of true statements and technical skills.

There is ample evidence that co-operative education is most effective if learning situations are provided in the normal day-to-day functioning of the co-operative. In fact, this type of co-operative education seems to be more effective than more formalized approaches. It also has positive effects on the economic development of the organization as the advantage of the co-operative principles are built into the daily running of the enterprise.

Aristotle and Co-op Theory

At the time when I was trying to interpret the meaning of my interviews to figure out the basic character of co-operative action, I joined a group of researchers which has developed a research programme called "a human-scientific theory of action and planning". I found their Aristotelian theory of knowledge pertinent, as it had to do with the kind of knowledge that the co-operative agent acquires.

Practical Reason

According to Aristotle, man has LOGOS - reason/"word-ability"/thought - not primarily to find out what is true but what is right/wrong,

good/bad, useful/not useful, etc. In other words, LOGOS is principally man's practical and meaning-creating rationality, used by him to build the "good" society together with others.

Logic is the basis for theoretical knowledge and natural science. To study human phenomena, we need an equivalent theory of knowledge for practice. As man is a communicative animal, using LOGOS to create his world and his "good" society together with others, Rhetoric can be regarded as the science of knowledge of man's communicative ability, to be used in his practical life.

In practical theory we study, not to find out what the good is, but in order to become good, to become a good actor. Thus, in co-operative theory we study, not to find out what co-operation is but to become good co-operators, to acquire a certain kind of knowledge.

Knowledge as an activity is the object of study for the practical reason. It is a competence that is shown in action and by what the actor is doing, sometimes inadequately called "tacit" knowledge. It is a kind of knowledge geared towards solving concrete problems in situations open to choice. By doing that, the actor gains a concrete and unsayable experience and ability to see and perceive the general in the particular and to act on it in the right situation and at the right time.

Aristotle's term for this ability or competence is Phro'nesis. It is the "how" of the actor, "the way in which" he does things. It is difficult to grasp, be-

cause it is not conscious. It is like the spoken language, considered as that which acts.

Phro'nesis is more like an "art" or a "wisdom" to act, than a technical skill. The good doctor is good because he cures a sick patient, not because he knows pathology. He has competence, an art of curing, based on experience. That it should be possible to use this kind of practical reason in the economic sphere of society, to a larger extent than was common in the middle of last century, was obviously one of the starting points of the co-operators in Rochdale. The basic idea of co-operative action being the effort to handle economic matters in a democratic dialogue with rhetoric as the main means to reason about needs, about what is right and wrong, and about what to do together.

The co-operative action is, accordingly, "the way in which" the co-operator does what he is doing. It is neither the products and services, events, organizational set-up, etc, nor the principles, market conditions or other prerequisites. Co-operation is about meaning. The co-operator creates his world by giving it a meaning, using his competence which is unconscious and invisible but which is shown in the results where the meaning of co-operation is created.

The good co-operator is, like the good doctor, good not due to his knowledge of principles or various scientific theories or techniques, but because of his co-operative meaning-creating activity, bringing into being something

good out of the infinite, latent multitude of meanings, existing beside the more obvious cost/benefit and utility meaning of co-operative action.

Phro'nesis must be interpreted as the intention behind the actor's doings. In an action theory of co-operation, I try to show how the co-operator does things, but I can only do this by expressing it as a what. When I study it and try to express it, I do it in sentences composed of nouns. I make a noun of something that really is a verb, or rather an adverb. In this way, I try to grasp and communicate that which explains the character of the actor and the quality of the result of his action. For example, I describe his stubborn consumer perspective, his disposition to act and the co-operative topos.

The acts that my interviewee tells me about would possibly not occur, if a certain agent had not possessed a stubborn consumer perspective on how to run a co-operative business. And, furthermore, the act would not have occurred if this agent, in his earlier life, had not been part of and learned from a co-operative topos with its definite values and beliefs about household needs and economy.

How you develop this kind of knowledge is, of course, a very pertinent question that has to do with pedagogics, rhetoric and the concept of "topos", understood as the unsaid or unexpressed basis for our beliefs and actions.

Man and Society

Besides being the man who created many of the basic concepts we still use

today, Aristotle also presented us with a view of man and society that seems to pinpoint fundamental characteristics of the co-operative phenomenon.

In his *Politics*, Aristotle describes how the households moved from strict self-sufficiency to exchanging goods and services between themselves. This created a local community that became self-sufficient. At the same time, the exchange value of products, the individual accumulation of money and the increasing exploitation of man by man characterized this economy.

To build a community, requires a plurality of different kinds of men and households. According to Aristotle, it also requires a certain kind of relationship between people which he calls "friendship". He points out that friendship is based on difference, where the participant's individuality is preserved in the relationship, not like the love relationship where individuals tend to be lost in a kind of fusion.

Consensus in a friendship relationship is not a matter of having the same opinion, but seeing different aspects of things, although from the same perspective. And it concerns the question of reaching decisions about what is right and useful and how to act.

The co-operative model that the Pioneers created, consists of independent men and households that are different but who are trying to develop their self-sufficiency and independence by joining together. They form an association of persons, not a unitary commu-

nity, like collective utopias of various kinds, nor a collective organization of anonymous capital-owners. The co-operators are individuals and households who preserve their individual responsibility, and who use their different experiences, their virtues and wisdom to reach consensus about decisions on what actions to take. Thus, it is quite appropriate, from an Aristotelian perspective, that the traditional English legal form for this type of organization is "Friendly societies".

Use of a Co-op Action Theory

What practical advantages does a co-operative action theory have? If a new co-operator asked me what to observe in running his co-operative, I would make the following preliminary recommendations, inspired by the theory I am trying to develop.

Remember that co-operation is meaning-creation! It is a kind of entrepreneurship. It is neither a technique, following rules/principles, nor a science, following abstract laws. It is an art, an ability to see the general in the particular and act upon it. By apprenticeship it can be learned from the practice and reflections of experienced and "wise" co-operators.

To learn to become a good co-operator is like the learning required to become a good doctor: learning by doing or experience learning. By learning to act co-operatively, a co-operative disposition to act is reproduced. To do this you need the right pedagogics and you need to build co-operative learning into the daily operation of your society.

To build co-operation, you need to create common arenas, both inside and outside the organization, where people can meet and develop a common "topos" with room for a variety of co-operative meanings and where even creative paradoxes can flourish.

Study rhetoric and use dialogue to develop a "common sense" of things! But it has to be real communication between equals to carry the meaning. (Remember that dialogue is not discourse between two persons. That would be called "duologue". Dialogue means "through LOGOS" - dia LOGOS in Greek. And remember that dialogue is the quality of the content

of the discourse: it should be enriching and meaningful.)

Do not forget the wider ethical and political implications of co-operation! For example, participate in the local community and its local meaning creation. Do not act as profit-oriented businesses that move away to pastures where the grass appears to be greener. Do what the ICA Tokyo congress decided - try to operationalize "basic procedures" of your particular co-operative branch, so that you can better measure your achievements, monitor them and report them in a social audit of interest to all stakeholders of your co-operative.

Marketing Co-operation in the Global Economy

by J. Tom Webb*

Introduction

Co-operators involved in any area of human endeavour need to situate their work and thought in the context of the trends which are sweeping our world. Co-operatives will be part of the problem instead of part of the solution, if they are acting without reference to the crisis in the ecology of our planet. They will be out of the loop if they are not aware that the distribution of wealth in the emerging global economy and society is becoming more unjust. Co-operatives will be unaware of their potential to contribute if not cognizant of the shift in power away from institutions based on one person one vote, to those based on one dollar one vote. It is this last trend I wish to focus on for the purpose of this presentation.

The ability to move money around the world with a click of the cursor on a computer and the emergence of global corporations and financial institutions has dramatically changed the power basis of our world. The nation



state now has to cope with international economic institutions, which can move money almost instantly away from nations which do not meet the needs of investors for maximum returns. Corporations are under tremendous pressure to search for their investors' opportunities, where the environmental, tax, regulatory climate, health and safety requirements, and wages are conducive to maximizing returns in the relatively short-term. The question which co-operatives need to reflect upon is whether any meaningful form of democratic society can endure in the absence of a democratic economy or an economy with widely held wealth. (See A Preface to Economic Democracy by Robert Dahl)

This represents an enormous shift in decision-making to corporations and the marketplace at the expense of na-

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tional and local governments. The implications are strong. The nation state is based on the foundation of one person, one vote. Both markets and corporations are based on the foundation of one dollar, one vote. In a world where 358 billionaires own the same amount of wealth as 45% of the world's population, this shift is of some significance. In a world where 20% of the people receive 82.7% of the income, this shift is not to be ignored. In North America, 75% of network time is paid for by the 100 largest US corporations. (In the Absence of the Sacred, Jerry Mander, 1991)

What this means for co-operatives depends on how they see themselves. Are they simply organizations with populist roots striving to become more like the corporate interests with which they compete? We know they face enormous pressure to behave exactly like their investor-driven competitors. We know they are islands of co-operation in a sea of capital-based business. Are they content to slide into the sea?

In the late 1980's, I was working for a major Canadian consumer co-operative and part of my work was to develop and implement market research. I was impressed by the positive attitudes of people toward co-operatives (and credit unions) and co-operation. Very few people had a negative response to the values and principles of co-operation or to the idea of getting goods and services they needed from co-operatives. Indeed, more than 30% said they would pay a little more to shop at a co-operative. This led me to explore the market research carried out

by others to see whether or not their findings were consistent with mine. The results were consistent.

The Research

The attached graphs portray the results of some of the market research done by North American co-operatives and co-operative organizations.

What is the Relationship Between Education and Marketing?

The messages from this research are clear. People like the co-operative values and the idea of using co-operative enterprises to meet their needs. But, what does it mean for co-operative enterprise? Many co-operatives have been reluctant to become involved in advertising and marketing on the basis that they should not have to sell to their member owners. Their job was education, not marketing. But, the reality was that people, including many members of co-operatives, are learning a great deal from the marketing of investor-driven corporations. In North America, the top 100 corporations spend billions on advertising, both on creating the advertisements and on the time to air and print them. They are a very successful form of education or perhaps more correctly, training. **They work.**

- The research tells us clearly that people value co-operatives and co-operation.
- Marketing is part of the education role of co-operatives. Education is more than marketing and represents an opportunity to reinforce education and extend its reach.

- Co-operatives spend more on marketing than on education. I have not yet found one where this is not true.
- What co-operatives do, is their most effective advertising. Whether co-operatives like it or not, the way they merchandise and market is very educational for members and the public. People learn more about co-operatives by walking in the door or trying the product than by reading pamphlets.
- Integrity involves being what we say we are. Co-operatives are no exception - they must be what they say they are. Marketing, resting on false or exaggerated claims, is worse than ineffective; it can be very damaging. Co-operatives are more vulnerable than investor-owned businesses because they have values, principles and an image. The risk is balanced by greater opportunity.

Can Co-ops Market Co-operation?

Two hot marketing concepts which have worked very well for many large corporations in North America are **relationship** and **character marketing**.

Relationship Marketing is an attempt to create a relationship and a sense of identity between a company and its customers. Such a link improves product loyalty and leads to increased sales. There are many examples of relationship marketing, including frequent flyer points and retail sales clubs. Their effectiveness is best measured by their pervasiveness.

Character Marketing is marketing which promotes some action or product of the company. This is perceived, for example, as good, environmental responsibility or promotion of a good cause, such as adoption of children or hiring people with disabilities.

The irony is that co-operatives have not generally been as excited about marketing their unique relationship or their values, even though market research shows people value both. In fact, in terms of relationship, co-operatives have the opportunity to carve out a Unique Selling Point (USP). Strong USPs are a marketer's dream.

Similarly, while investor-owned business has but one bottom line, (maximization of return on invested capital) co-operatives are characterized by multiple bottom lines including values people consider important. Such values include trust, community support, democracy, justice and fairness. Co-operatives are blessed with two USPs, their ownership structure and the values they hold. These unique selling points would be difficult to match without becoming a co-operative.

Character, relationship and trust are advantages that have led to a growing interest in the idea of **Marketing Our Co-operative Advantage (MOCA)** in North America. There have been two MOCA conferences and another is planned for this fall. There have been numerous MOCA workshops at major co-operative meetings. Key national co-operative organizations, including the National Co-operative

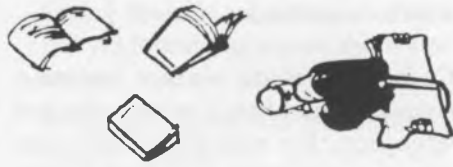
Business Association, Credit Union National Association, the National Rural Electric Co-operative Association in the United States, and the Canadian Co-operative Association in Canada have all provided support to MOCA. In addition, MOCA has won an award for excellence from the Association of Co-operative Educators as an educational program.

Based on market research from across the continent, there is a growing sense that the time has come for the idea of Marketing Our Co-operative Advantage. It is an idea whose attractiveness has been increased by the concerns people feel in the face of the emerging global society and economy. It is not a quick fix or a panacea. It demands creativity and innovation. To date, co-operatives have only begun to find creative ways to market a pride in their co-operative nature. If every major co-operative enterprise began creatively marketing education about the benefits of co-operation, then the potential would exist to make popular values and attitudes the way corporate

marketing has popularized buying our way to happiness.

Co-operatives do market and merchandise and often it is very effective education. For example, when a consumer co-operative puts high margin items at eye level like its corporate competitors, there is a message to its members that would require many educational brochures to counter. Moreover, most co-operatives invest much more resources in marketing than in education. As we learn from our children, what we do is far more important than what we say. For co-operatives, education includes how we market as well as merchandise. It would be wise for co-operatives to proceed as if marketing and merchandising were part of their education programme. That being accepted, the marketing must then be consistent with co-operative education and the co-operative nature of the enterprise. This is very challenging and rewarding, both in terms of a sense of accomplishment and in terms of enterprise success.





Book Reviews

From Mondragon to America: Experiments in Community Economic Development

by Greg MacLeod. University College of Cape Breton Press, Sydney, Nova Scotia, 1997, pp. 186.

While there is always room on a co-operative bookshelf for another good history of the development of the Mondragon family of co-operative enterprises, the particular contribution of this book is to analyse the extent to which the Mondragon experience is relevant to community economic development in other countries.

Although it is often commonly assumed that the particular combination of Basque nationalism and geographical isolation make the Mondragon success story difficult to replicate elsewhere, the author demonstrates how the Mondragon story is in fact based on several fundamental characteristics of a more universal nature.

Time and again the author returns to the concept of values. The Mondragon pioneers, and its modern-day managers, have been guided by a commitment to local and community well-being. Profit is a means rather than a goal in itself. While it may be that such

values predominate in disadvantaged communities, one need only think of the recent experience of the Co-operative Bank in the U.K. to realise that no one has a monopoly on the successful application of such values.

The author also identifies management as an essential, and often underrated, element in the Mondragon success. The Mondragon pioneers strongly condemned the "false democratism" by which managers were subject to unending scrutiny and supervision by the members. While ultimate control remains with the members, the manager is given clear authority to manage as long as he respects the objectives of the organisation. Here we find echoes of the modern management concept of "value-based management" which is undoubtedly one of the keys to co-operative success.

While not disregarding the importance of capital for new economic ventures, the author suggests that good business

concepts, properly prepared and presented, stand a good chance of finding economic support. The author's concept of community development is based on "community business corporations" in order to emphasise the economic discipline which must prevail.

With respect to the argument about "growth vs. participation", the author comes down clearly on the side of growth. The Eroski consumer co-operatives could not have met the challenge of large retailers if they had remained small, local entities. Furthermore, the Mondragon system could not have met its objective of creating new jobs (8,800 during the present five-

year period) if it had not expanded into new sectors of production.

Finally, the author uses the Mondragon experience to argue the case of adaptability over dogma. While committed to the values of community development, Mondragon enterprises have not hesitated to do business with foreign, investor-owned companies. Similarly, while strong on capital control, they are weak on gender equality. Successful community enterprises, the author concludes, "seem to be the ones that maintain a set of ideals and values but who admit that these cannot be all achieved."

Bruce Thordarson

Enterprise Co-operation in Social Economy

by Rafael Chaves

In the last few years, all the enterprises have been placed in an increasingly dynamic internationalised and highly competitive environment. Within this context, they have been encouraged by the larger need for flexibility, creativity and dynamism to develop new ways of organisation and economy concentration such as holdings, enterprise groups, etc. But at the same time new ideas based on enterprise co-operation - such as model enterprise webs particularly relevant to small and medium-sized enterprises, which lately have acknowledged that it is more difficult to survive in isolation - were brought to light.

In the first part of the book, enterprise co-operation is analysed from a purely theoretical point of view, studying the forms, advantages and risks that are implied in the world of business.

Enterprise co-operation and, in a more general concern, enterprise webs are seen as a phenomenon which is difficult to define since as yet it has not been thoroughly explained.

From the wide scope of literature available on this topic, we can highlight that this reality exists further than a theoretical frame, since when we get deeper into the contents we find our-

selves surrounded by complex dimensions which need a permanent review of the topics. In this sense, the nature of co-operation, its distinctive features and its different modes connecting it with the idea of inter-co-operation are analysed. Besides, the advantages and motivations that justify the establishment of co-operation agreements are tried to be identified by a review of the literature.

Other topics, such as the logic issue of activation, development, evolution and involvement of co-operation processes, are also researched. By the end of the first part of the book, certain theoretical elements are given, enabling us to know and learn about the mesoeconomic scenery as an authentic theatre of performance and interaction between the enterprise and its surroundings.

In the second part of the book, the author carries out a study on the importance, role and extension of co-operation in the second pole of Social Economy. An investigation was performed on a group of enterprises, some of them were organised as associated work co-operatives and others were

working companies from Valencia, Spain, which are involved in the textile and furniture industry.

These company manifestations and their shared problems are analysed first so that, according to the case methodology, different experiences are studied according to the theoretical elements of the first part of the book. By this means, the intention is to identify the main manifestations of existing enterprise co-operation, assessing not only its economical functions and objectives, but also the role it plays in the local enterprise development.

Lastly, it is shown that when this model is carried out, it can give birth to important comparative advantages which reaffirm the sector of social economy and that benefits are not only based on scale economy effects but also on qualitative effects. It also proves that enterprise co-operation generates positive effects to the increment of the economical efficiency, which makes us consider once again the benefits of enterprise co-operation as a basic instrument for the local development.

Carlos Alberto Farias

Problems of Turkish Co-operative Movement and its Development Prospects

by Prof. Dr. Ziya Gokalp Mulayim, Published by the Friedrich-Ebert Foundation, Istanbul, 1997 (revised 2nd edition)

The political instability in Turkey has adversely affected the development of the co-operative movement. When the political environment was favourable, particularly in late 1960s and 1970s, the movement was in full swing toward achieving its objectives by establishing its higher organizations and starting to play a dominant role in production and marketing of major agricultural products. The Co-operative Act No. 1163 of 1969 made possible the establishment of democratically-established cooperatives and their recognition by the State. These new-wave co-operatives were alternatives to the State-initiated co-operatives. Among them, KOY-KOOP, the largest and most influential one, both economically and politically, was established in 1971 due to this new law, and joined the ICA in 1978.

Prof. Mulayim was a member of the board of KOY-KOOP (Central Union of Village Development Co-operatives) before it was closed down by the military government in 1980. He was among the few who continued to defend democratic rights of the executives jailed by the military. KOY-KOOP was never reopened and, according to Mulayim, this was because of the influential vested interests. He later assisted YOL-KOOP (Union of Workers Consumer Co-operative Societies) in

joining the ICA when the restrictions imposed by the military government were softened in 1981.

However, even under the favourable political conditions, the co-operative movement could not solve its major problems in becoming economically self-reliant. As categorized by Mulayim, these problems were, and still are, finance, higher level organizational set up, training and research, legislation and auditing.

The financial problems of co-operatives have resulted from two main structural weaknesses: low level of membership contributions as share capital which limits capital formation, and lack of a special support institution to collect members' savings to use them for financial needs of the movement. The initiative to establish a co-operative bank dates back to 1974, according to Mulayim, when a draft bill was produced and submitted to the Parliament. The Ecevit Government, which came to power promising to make all the necessary regulatory provisions favourable for the free development of co-operatives, including the establishment of a co-operative bank, could not succeed. Even today, the movement suffers due to lack of a national financial institution, owned and run by cooperatives.

The Turkish co-operative movement did not have a national apex organization up until 1991 when the National Co-operative Union of Turkey (TURKIYE-KOOP) was established. Still, in some sectors such as rural development (KOY-KOOP), workers co-operatives, banking, insurance, tourism, etc., central unions are yet to be established. Mulayim therefore suggests that the National Union should assist these types of co-operatives in completing their sectoral higher level organizations and it should also join the International Co-operative Alliance (the decision in General Assembly has already been taken in 1996 to join the ICA) in order to be able to represent the entire movement in the world assembly.

Education and training (Mulayim refers to training and research) problems of the movement need to be taken into account to help co-operatives to train qualified cadres and staff. According to Mulayim, co-operative education and training has been neglected in Turkey knowingly or unknowingly. To solve the problem, he suggests that the State, as well as the higher level co-operative organizations, should take steps at various levels to create co-operative training institutes. The universities should also pay attention to studies and research on co-operatives through the establishment of special institutes in their structures. A particular reference is made to the initiative of the ILO in 1995 aimed at assisting

the Turkish co-operative movement in establishing a National Co-operative Training Centre which is still under consideration for funding.

As for legislation, Professor Mulayim indicates that the laws governing co-operatives in Turkey are inadequate, complex and largely undemocratic. Some agricultural co-operatives are still under the control of the State. In his view, there should be one general co-operative law for all types of co-operatives which could be made by revising the existing Co-operative Law No. 1163 and expanding its coverage to include all agricultural and non-agricultural co-operatives.

Co-operatives are primarily audited by the State and are therefore not being audited effectively. Mulayim believes that the most effective way to solve the problem would be to allow co-operatives to audit themselves through their higher level organizations and/or through a co-operative bank.

In the final chapter, under the conclusions and evaluation, Mulayim gives a brief historical account with references to the development of co-operative movements in the Western countries, particularly in the EU countries, and suggests that these five fundamental problems of the movement should be solved without delay if a strong and self-reliant movement is expected to emerge in Turkey.

Huseyin Polat (ILO)

Libro Blanco de la Economía Social en la Comunidad Valenciana

Tomas-Carpi, J.A. and Monzon, J.L. (Dir) (1997): , Ciriec-España editorial, Valencia. (White Book on the Valencian Social Economy, Spanish), 601 pp.

The "White Book on the Valencian Social Economy" was prepared with the help of a multi-disciplinary team drawn from the academic staff of the Valencian universities (Spain). It provides a field study, analysis and exploration of the social economy of the Valencia region in the mid 1990's, with particular reference to workers cooperatives, labour-owned companies, agricultural cooperatives and the new social economy organizations concerned with the production and distribution of social welfare services. It examines the contributions they make in terms of job creation, reducing geographic imbalances, creating new

sources of wealth, providing social services and facilitating employment and social integration among disadvantaged groups. The main emphasis of the White Paper is to assess the major deficits and imbalances of the Valencia region's social structure and economy and to analyze the role that the social economy organizations can play in overcoming them. There is also a chapter on the other traditional social economy organizations such as credit, consumers, service, electricity, housing and transport co-operatives, mutual insurance societies, associations and foundations.

Rafael Chaves

Small Business: A Study of a Fijian Family - the Mucanabitu Iron Works Contractor Co-operative Society

by Qalo, Ropate, Rakuita (1997), published by Suva, Fiji, Start Printery, xxiii + 227 pp + bibliography + 53 photos; ISBN: 982 365 001 2.

The promotion of worker co-ops as part of the burgeoning third sector of the economy makes sense today since both traditional private and public forms of organising work and production reveal their limitations in confronting mass structural unemployment in most of the industrialised world. This socio-economic justification for promoting worker co-opera-

tives is timely, given that the ideological argument has been largely responsible for worker co-operative promotion in the Western World. Elsewhere, however, the cultural disposition for co-operative ways of working is well entrenched. In the South Pacific, principles of mutual assistance and obligation as well as a collective tenure of property right have a long history and

became even more salient as marks of local identity in the face of encroaching capitalism and its totally different approach towards the allocation of resources. The co-operative formula has found a natural cultural framework in many of these small island societies and, in some cases, the co-operatives are the largest private industries and even larger employers than the state.

Fiji is one of the largest states in the South Pacific and the Mucunabitu Iron Works (MIW) is a steel fabrication contractor set up in 1983 by 16 members of the Mucunabitu family.

The going has been tough. Dr. Qalo meticulously documents the main areas of tension, so typical of micro-enterprises where the separation between business and family is fraught with emotion and uncertainty. Many of the co-operative's members had no idea of how to run a commercial operation. Discipline and authority were not easy to exercise among family members, and those in the co-op's top management cadre were not necessarily the senior members of the family.

Various family members expected to use the funds and assets of the co-op to finance family functions such as parties, funerals and receptions.

Dr. Qalo attributes MIW's continued success to the wisdom and foresight of its General Manager, affectionately known as Uncle Isaac, who continues to balance the co-operative between family and business obligations, while ensuring liquidity thanks to the excellent work contacts and a track record of proven projects - the latter include the country's biggest engineering structure, the large hanger for Air Pacific aeroplanes at Nadi International Airport.

The book is an engrossing text, one of the few around which document a Pacific co-operative case study from an essentially sociological perspective. The script is also a saga of how deeply held values and tradition somehow try to ride, rather than being swamped by the waves of globalization from which not even small island nations can escape.

Godfrey Baldacchino

Economie Sociale

by Eric Bidet, Le Monde Poche, Paris, 1997, 214 pp. Index, ISBN 2-501-02601-2

What is the common denominator between an important banking institution, a mutual where one sends invoices for reimbursement of medical expenses, a non-governmental organisation where one makes a donation at the end of the year, and a community association delivering evening classes or providing sports activities ?

All these examples, apart from their deceptive diversity, have one thing in common, they belong to the same sector, the social economy, and they show at which point the social economy is part of everyday life, even if the conscience of its existence is lacking and the recognition of sector as a totality is deficient.

Eric Bidet's book is vividly written and thoroughly documented. It fulfils the useful role of giving an image to a sector which has no image.

The first chapters set the historical background to the notion of social economy as a middle way between capitalist and public economy. The term first invented in the 19th century was developed in the twenties and has gained institutional recognition in France in the seventies. Today it describes a group of organisations which are different from those of the capitalist sector and those of the public sector by their legal nature, their objectives and their operating procedures. The French social economy sector has achieved major progress over the past

years, spreading to all spheres of economic life. The co-operatives together with mutuals, credit and insurance co-ops have a preponderant place in the agricultural sector. According to estimates, 90% of French farmers are members of at least one co-operative society. The most popular are the co-ops for common utilisation of agricultural machinery, then agro-food co-ops which have 65% of the national market in wine production and 42% in dairy production. The small world of worker co-ops - marginal by figures but important as a symbol and reference point whenever the discussion about the functions of the enterprise arises - is competitive in areas where high skills are required rather than capital.

The book considers international ramifications of the co-operative movement, discusses the dangers of European construction and mentions in particular the ICA revision of the co-operative principles in 1995 as an attempt to provide co-operatives with a conceptual framework for the new century.

However, notes Eric Bidet in the final chapters of his book, the recent evolution of the economic situation tends to increase the risk for social economy enterprises to lose their identity. Built on the basis of the priority of the human aspect over capital they used to receive special treatment from the public au-

thorities (eg. specific markets and tax exemptions). These conditions helped them develop their activities with financial public subventions and contribution from members. After years of development their advantages faded and their activities needed additional financing. The competition compelled them to raise capital away from their original membership which subsequently inflated the price of financing and modified the membership basis. Introduction of the category of non-member affiliates, creation of commer-

cial companies by mutuals, enlargement of membership privileges to customers will certainly alter the democratic process which is inherent to co-operative functioning. In the society where the access to the work market is a more important issue, the social economy enterprise may bring a substantial contribution if it consents to convert a part of its finances to the creation of employment, a factor which remains in tune with co-operative values.

Alina Pawlowska

Le cooperative sociali tra impresa e solidarietà

by Claudio Travaglini, CLUEB Bologna, 1997, 214pp, ISBN 88-8091-566-5

The book tries to answer the following question positively: is it possible to establish a network of co-operative enterprises, which maintain their economic efficiency whilst realising actions of social solidarity, transforming the problem of social needs at individual and community level into opportunities for job creation and development promotion?

Referring to the experiences of social care co-operatives of Italy, the publication analyses the following aspects of these co-operatives: the economic and management characteristics of the enterprises; the social responsibility of the enterprises and of the co-operatives of social care in particular; the economic and social balance-sheet of the

co-operatives; the forms of production of social services of the co-operatives. The models of social care co-operatives are compared with the general model of the co-operatives based on the principle of mutuality, and the principles and practices adopted by the social care co-operatives are explained, particularly with reference to the Co-operatives Principles of the ICA and to the Ethic Code of Practice established by Federsolidarietà, the national union of social care co-operatives of Italy.

The writer is a researcher of the Department of Economy and Business Administration and gives master courses on Co-operative Economy at the University of Bologna.

Arsenio Invernizzi

The Strategic Development of Credit Unions

by Charles Ferguson and Donal McKillop, (ISBN 0-471-96912-5), published by John Wiley & Sons Ltd, 1997, 260 pp., price \$ 85.00

Credit unions will continue to advance as important institutions in many societies. This prediction is a result of the detailed analysis given in the work of Charles Ferguson and Donal McKillop. The authors' major issue in this work is to analyse the conditions for the future development of credit unions in the UK. They present an in-depth analysis of the current situation of the UK credit union movement. They provide a broad overview of the legislative and structural framework the credit unions have to deal with, the current role and function of credit unions and the credit union trade bodies, as well as a detailed analysis of the economic viability, the operational efficiency and the member group orientation of UK credit unions.

Two case studies of a community-based and an employer-based credit union show that the rapid growth of employer-based credit unions may appear to be a catalyst that generates significant overall expansion in the credit union movement. The authors stress the necessity of a deposit insurance mechanism in transition industries, which is in their view an imperative for the future development of the UK credit union movement. Furthermore, they outline the design of an optimal deposit insurance mechanism for the current UK credit union system. The book doesn't only present a profitable and detailed analysis of the

credit union movement in the UK and starting points for its strategic development, but also an analytical framework of a development typology for comparative analysis which is valued by all experts and researchers who work on credit unions. Therefore, the authors divide the credit union movement into three ideal-types: mature, transition and nascent credit union industries. This means an ideal-type evolution model of credit unions from traditional self-help organisations in nascent credit union industries as in developing countries and the former Central and Eastern Bloc countries, to transition industries as in the UK or New Zealand, and further to mature credit union industries as for example in North America and Australia.

The authors emphasise that it must be recognised that such a model cannot mask the importance of variations in specific factors, e. g. historical and cultural, and that this model doesn't outline a general blueprint of the development of credit unions in a deterministic way.

There is lot of evidence, though, that this model enables an understanding of key determinants of the development of credit union industries and that such an ideal-type framework is valuable as an heuristic scheme in analysing and for a better understanding of the development of credit union industries.

The presented case-studies of North American credit union industries are comparative illustrations of a possible development of transition credit union industries as outlined for the UK. One significant challenge for the transition industries and the viability of credit unions is the need to liberalise the common bond. The common bond is seen as a strength but equally an Achilles' heel of credit unions. The important question is: if and how credit unions are able to anticipate the necessities to be more business orientated in a deregulated and more competitive environment. A viable and successful future of credit unions needs product diversification and the offer of products and services in new financial areas based on market rate structures. Is the development of mature and transition credit union industries driven by the market conditions, or is the credit union movement able to transform their key values corresponding to the conditions and necessities of established financial markets without losing their identity as co-operatives? Moreover, one can ask whether the co-operative structure and newly interpreted co-operative values may be a comparative advantage in competition with private or public banks? The perspective of the book

before this background is optimistic. Regarding the case of the United States it outlines that US credit unions are highly professional and business orientated as well as wholly committed to traditional credit union values. As the authors point out, the case studies are not enough for predicting a viability of credit unions in every country.

Other cases, like the transformation of the 'people's banks' in Switzerland into one single joint stock company may be a further ideal-type in addition to their development model. Another important factor for the development of credit unions in Europe is the common currency in the European Union. That might have a strong influence on the future development of the credit unions in Continental Europe, and certainly as well on the future development in the UK. However, these are suggestions for further research in the strategic development of credit unions. In this respect, Ferguson and McKillop present a very useful framework for comparative analysis. Their work, focusing on the strategic development in the UK, is a first impressive test of the usefulness of this ideal-type development model of credit union movement.

Andreas Eisen

Crecimiento economico con desarrollo social: la experiencia cooperativa y el rol de sus empresas

COOPERAR-INTERCOOP, Buenos Aires, 1997, pp 389, ISBN: 950-9012-62-9

The publication represents the result of the information and education activities realised by COOPERAR, the Co-operative Confederation of the Republic of Argentina in 1997.

The book includes two main parts: the first dedicated to the international seminar "Crecimiento economico con desarrollo social, la experiencia cooperativa" organised by Cooperar with the support of the International Co-operative Alliance, in Buenos Aires, June 1997. This part includes the national and international speeches and interventions concerning the four themes of the seminar: reconversion, capitalisation, economic integration and the solidarity and share capital in the co-operatives.

The second part of the book concerns the national seminar "Crecimiento economico con desarrollo social, el rol de la empresa cooperativa" organised by Cooperar in August 1997. This part includes the speeches of numerous leaders of the co-operative organisations of Argentina, analysing the situation and the challenges of the different sectors and enterprises of the co-operative movement of Argentina.

Both parts of the publication constituted an important occasion for a large national and international debate to define new co-operative development strategies and programmes.

Arsenio Invernizzi

La Alianza Cooperativa Internacional, su Desarrollo como Institucion y, en especial, como Instrumento Transformador de la Sociedad

by Laura Gomez Urquillo, Universidad de Deusto, Facultad de Derecho, 1997, 473pp.

This PhD thesis looks into the historical development of issues related to ICA as an agent of societal changes during the XX century. The thesis offers an interesting analysis of the ICA's role as an universally recognised representative of the co-operative movement. ICA's relationship with its constituency is analysed, in particular changes brought to the membership in the last years. The ICA membership

appears more and more heterogenous and more diverse geographically making it truly universal. This diversity of constituency reflects the structural changes the societies went through and influences the actions directed towards co-operatives. The progressive decentralisation initiated with the creation of specialized bodies and carried on with the regionalisation of decision making structures attests to the vital-

ity of the organisation. The ICA as an actor on the international scene is studied with regard to the relationship it has maintained with international governmental and non-governmental organisations. The collaboration with the United Nations is a particularly rich example of co-operatives influencing national policies through ICA's mediation. The development programme and its main components: education, gender equality and youth promotion are dealt with. The author notes the feeble participation of women in ICA bodies and suggests that action be taken to rectify this situation. Finally, the last chapter stresses the ICA positions taken in favour of international peace and looks into the principle of neutrality.

The conclusions reached are: firstly, by including in its objectives the economic and social progress of mankind as a means to contribute to peace and international security, the ICA transcends purely co-operative ideals. By extending its action in favour of development and the environment it influences the changes within civil society. Secondly, the ICA's continuous ability to evolve is as important to its success as the cohesion between members and between them and the organisation. Thirdly, by reinforcing its collaboration with other organisations the ICA consolidates its credibility and authority as an international organisation with social and economic ambitions.

Alina Pawlowska

Co-operative Laws in Asia & the Pacific

by G.K. Sharma, Former Regional Director of ICA ROAP

Published by The Coop Times, India in September 1997, 224 pages

In the preface of the book, the author underlines the importance of co-operative laws as follows:

No doubt, a good law alone cannot solve the problems of co-operatives in any developing country. However, a properly drafted and positive law can definitely help in creating a conducive atmosphere and helps considerably the growth of co-operatives in a country.

A gem of an idea, this extract comes from the author's 40-year experiences in co-operative movements in Asia including his home country India.

The book, composed of 3 parts, is virtually the summation of co-operative laws in Asian and the Pacific countries. Part 1 deals with the historical background of Asian co-operatives. In the west, modern co-operative movements evolved in the mid-19th century. Workers, farmers and artisans established co-operatives voluntarily in an attempt to fight poverty and exploitation resulting from the industrial revolution. The modern co-operative movement in Asian countries, however, was mostly initiated by the colonial governments in the late 19th or

early 20th century. Colonial governments such as the United Kingdom, the Netherlands and Japan developed Asian colonies as the supply post of raw materials and foods needed for the industrialization of their countries. As a result, farmers were severely exploited and their complaints widely heard. The rulers had to introduce co-operatives in order to appease grumbling farmers even though there were risks that the farmers would learn democratic practices and be enlightened through the co-operative movement. Since the co-operatives were introduced by the governments, the people lost interest and the growth of co-operatives became slow in most countries. It was after the 2nd World War that genuine co-operatives were introduced and developed on the basis of democratic co-operative legislation.

Part 2 consists of an analysis of current co-operative laws in 21 countries in the region. Laws introduced in this part range from the simplest one of Myanmar with 39 articles to the longest one of Australia with 446 articles. Some countries have only federal laws on co-operatives, but other countries have state laws as well as federal laws. For instance, India has more than 20 state co-operative laws and a federal co-operative law. Australia doesn't have a federal co-operative law but it has 6 state co-operative laws, one in each state.

Most of the countries in the region have common laws for all types of co-operatives except Japan and Korea. Both countries have sectorial laws for specific or special co-operatives. For

example, there are seven separate comprehensive co-operative laws in Japan for agricultural co-operatives, consumer co-operatives, fisheries co-operatives, credit co-operatives and so on. Co-operative histories and the transition of co-operative laws were introduced country by country, followed by the analysis of the contents and main features of the laws.

Part 3 is entitled 'Present situation and future need'. The author points out that Asian co-operatives are still heavily influenced by the governments which prevent co-operatives from developing rather than promote development. He even cited an example that co-operative societies and the movement in Sri Lanka had been outrageously misused by certain politicians to serve their own ends. In this regard, the ICA Regional Office for Asia and the Pacific has organized several Co-operative Ministers' Conferences since 1990, and made recommendations urging the governments to guarantee the independence of co-operatives.

In addition, the co-operative laws in the region are analysed and synthesized according to the order of definition and objectives of laws, registration, membership, meetings and officers, audit and inspection, funds, government assistance, etc.

In conclusion, this book is really recommended for co-operators who want to grasp the general idea of Asian co-operatives and also take a close look at their legal structures.

Won-Sik Noh

ICA International Co-operatives Research Conference
Values and Adding Value in a Global Context
13-17 May 1998, University College Cork, Ireland

Call for Papers

Organised with the assistance of Centre for Co-operative Studies, University College Cork, Ireland, and in collaboration with the HRD Committee of ICA.

As we near the end of the current millennium, it is becoming increasingly clear that competition is becoming more intense. With deregulation and the changing role of governments, the financial pressures on many co-ops has become extreme. Yet there are numerous examples where co-ops seem to have reinvented themselves - developing value based practices and adding economic value. Researchers can play a constructive role analysing such developments both theoretically and practically, and help create a robust dynamic independent co-operative movement in the years to come. This year we are also inviting papers for a special workshop on Education, Training and Development: "Making a difference through value-based training" - reflections and research on content and methodology"; this workshop will be organised in conjunction with the HRD Committee of the ICA.

It is expected that research may be based on case studies of co-operative experience, sectorial or country analyses, comparative studies, and theoretical analysis. Graduate students are encouraged to submit papers based on their dissertation research. The conference will consist of plenaries and parallel workshops. Themes and workshops will be loosely linked; papers will be clustered into workshops on similar subject areas, so far as possible. Participants should indicate which theme their paper addresses. Paper presentations will be of about 20 minutes duration followed by questions. The following themes may prove particularly important (but we would welcome suggestions of others that participants feel would attract significant contributions):

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4. State Policy and Co-ops - unemployment, exclusion, contracts, privatisation
5. Co-op Reconstruction - Eastern Europe
6. Trust and Co-operation - social audit, co-operative identity, and values
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