



A literature analysis of organisational growth challenges of Cooperatives and their potential contribution to developing countries' development: an assessment and suggestions for future research

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Methodology. *Literature analysis of existing research and policy papers that have a bearing on the objective of this paper as stated above.*



Findings. *The contribution of cooperatives to inclusive economic and social value creation is under-studied and particularly absent in the discourse of development models for developed and developing countries. Due to the missing inclusion of cooperatives in the strategy of development, leading development organisations do not include cooperatives in their policy options for socio-economic and sustainable development.*

Cooperative ILO (1)



- The world's largest co-operative enterprises represent collective revenues of USD 1.6 trillion.
- According to the ILO, Financial cooperatives serve over 857 million people – 13 per cent of the world population while Agricultural cooperatives produce 50 percent of global agriculture output.

(source: International Co-operative Alliance (2010),
“Global300 Report 2010: The world’s major co-operatives and mutual businesses”)



Cooperatives (2)

The ILO estimates that 100 million jobs are provided by cooperatives amounting 20% more jobs than being created by the world multi-national companies.

Cooperatives are an important factor economic development in industrialized and developing countries.

Types of Cooperatives

(ILO, cf Promoting Cooperative: Information guide to R193)



- **Agricultural co-ops**
- **Marketing co-ops**
- **Supply co-ops**
- **Fishery co-ops**
- **Dairy co-ops**
- **Producers co-ops**
- **Consumer co-ops**
- **Education co-ops**
- **Housing co-ops**
- **Artisanal co-ops**
- **Credit and savings co-ops (co-op banks)**
- **Insurance co-ops**
- **Transport co-ops**
- **Health co-ops, etc...**

Some numbers of Cooperatives



- **Italy:** Number of coops (55,000-60,000), 1.3 million employees, Gross value added (140 billion euros/ 10 percent of GDP)
- **Finland:** 21 percent of GDP (reduce “Nokia” shock)
- **Swiss:** 16 percent of GDP (Coop/ Migros)
- **Sweden:** 13/ **Brazil:** 8/ **Argentina:** 10
- **UK:** 2 percent (but increasing at a rate of 6 percent per annum)/ high survival rate (After first three years, only 65 percent of

conventional businesses while over 90

What is cooperative?



Definition

“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”

A cooperative is NOT a Charity!!!!





Cooperative values and principles –difference with other enterprise models



Values

self-help, equality, equity, solidarity, honesty, openness, social responsibility and caring for others.

Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for Community



Cooperatives- financial model

- All profits (sometimes called margins) are given back to the cooperative's members. These refunds, also called "patronage dividends," are paid to each member annually according to the proportion of business each does with the cooperative for that year.

Source: WTO Glossary, http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm

Why Cooperatives?



- **More resilient to the deepening global economic and job crisis than other economic actors (ILO, 23/04/2009, Hagen Henry)**
- **Adapted better compared to conventional enterprises of a similar size and active in the same territories..... (from 2010 to now),
“reported relatively few job losses and cases of enterprise closures in spite of small variations according to the sectors”**

(The European Confederation of Worker Cooperatives, Social Cooperatives and Social and Participative Enterprises, 2012)

Under-representation of cooperatives in the international development discourse



- **Despite evidence of Cooperatives' contributions to socio-economic development in developed countries, very little information available on cooperatives in low-income developing countries.**
- **The conspicuous silence about the cooperatives and their potential role in socio-economic development is observable by the apparent lack of knowledge about cooperatives by policy experts in the leading development organizations such as WTO, WB, UNCTAD, UNDP, OECD, the regional development banks, and the UN itself especially the departments focusing on LDCs and Development Countries.**

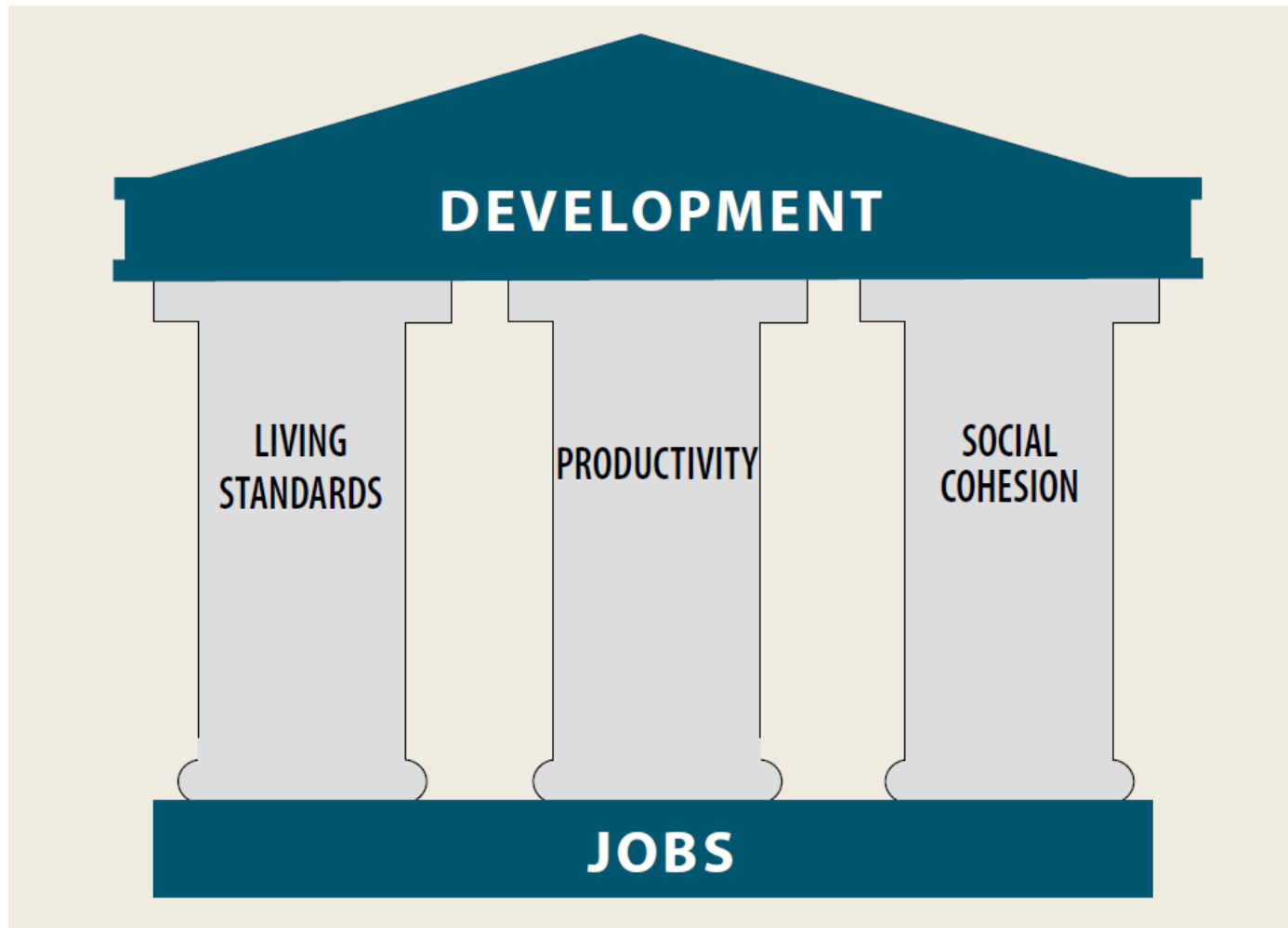
Theory of Cooperatives



Theory on existence of Cooperatives

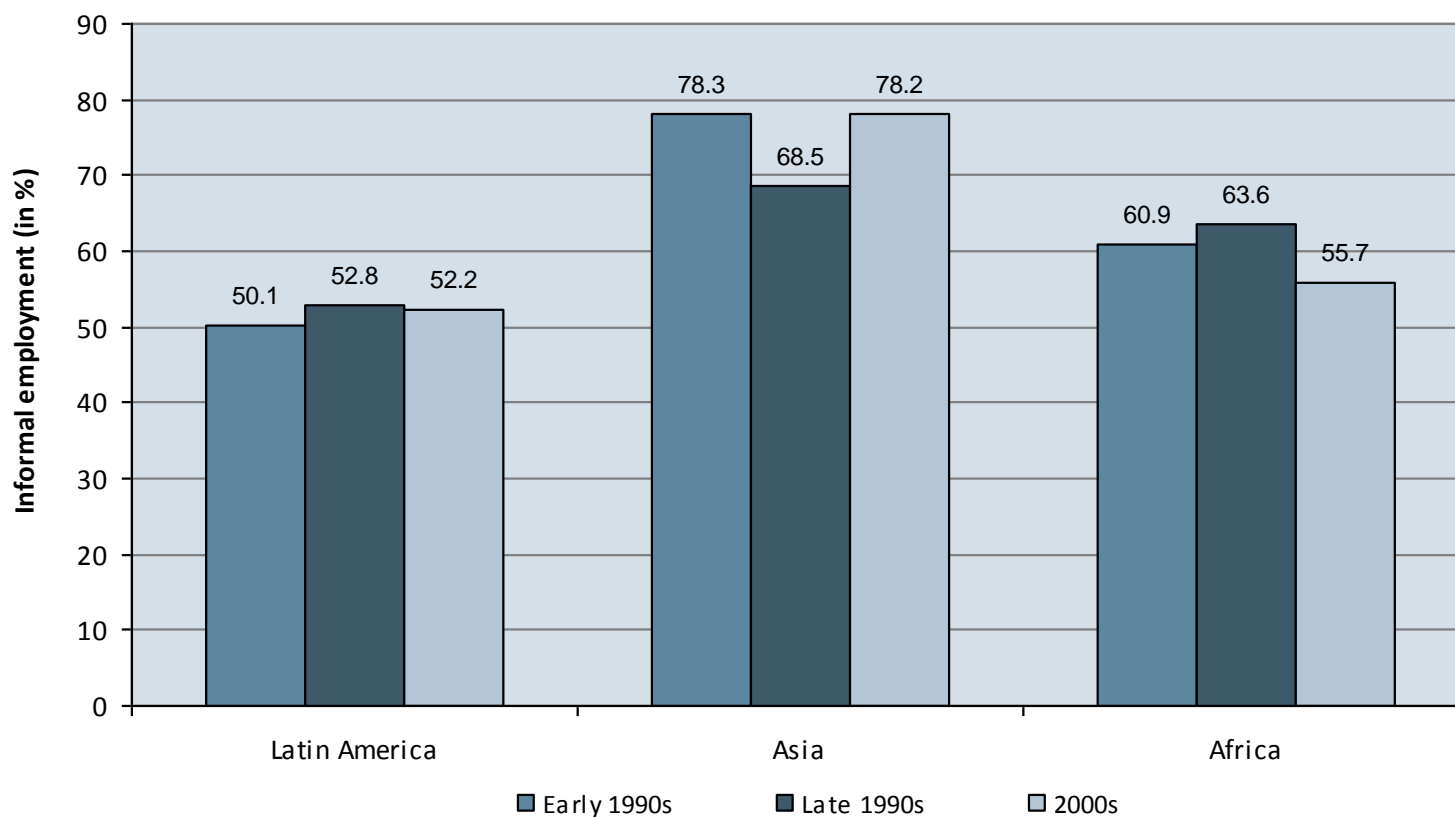
- **Market failure:** opportunistic behavior of for-profit firms (e.g., information asymmetric situation/ monopolistic or oligopolistic situation to reduce the welfare of small producers or consumers)
- **Government failure:** inability of the State to face heterogeneity of demand for public goods/ Inefficiency due to monopolies, oligopolies and related government favoritism

Word Development Report 2013





The informal economy is large and in many countries it has been growing



Source: IILS estimates based on the IILS Informality Database.

Cooperatives and peace building



- **“Cooperatives also play an important role in peace building and bridging ethnic divides. In Rwanda, a credit union system was rebuilt by the World Council of Credit Unions without regard to ethnicity and there are currently 149 credit unions with an estimated 400,000 members**

Source: WTO website, http://www.wto.org/english/tratop_e/tradfa_e/tradfa_negoti_e.htm

Theory of Cooperatives



Theory on limitations of Cooperatives

- Cost of ownership (opportunity costs, could use capital differently with higher premium but also higher risk and less or no social contribution)
- Lower market participation of cooperatives

Critical arguments

- Cost of ownership \Leftrightarrow altruistic motivation/ Group Selection theory/ a competence reservoir for coordinating or processing knowledge under-utilised
- Lower frequency of cooperatives on market \Leftrightarrow path dependency/ frequency dependence

New Forms of Cooperatives



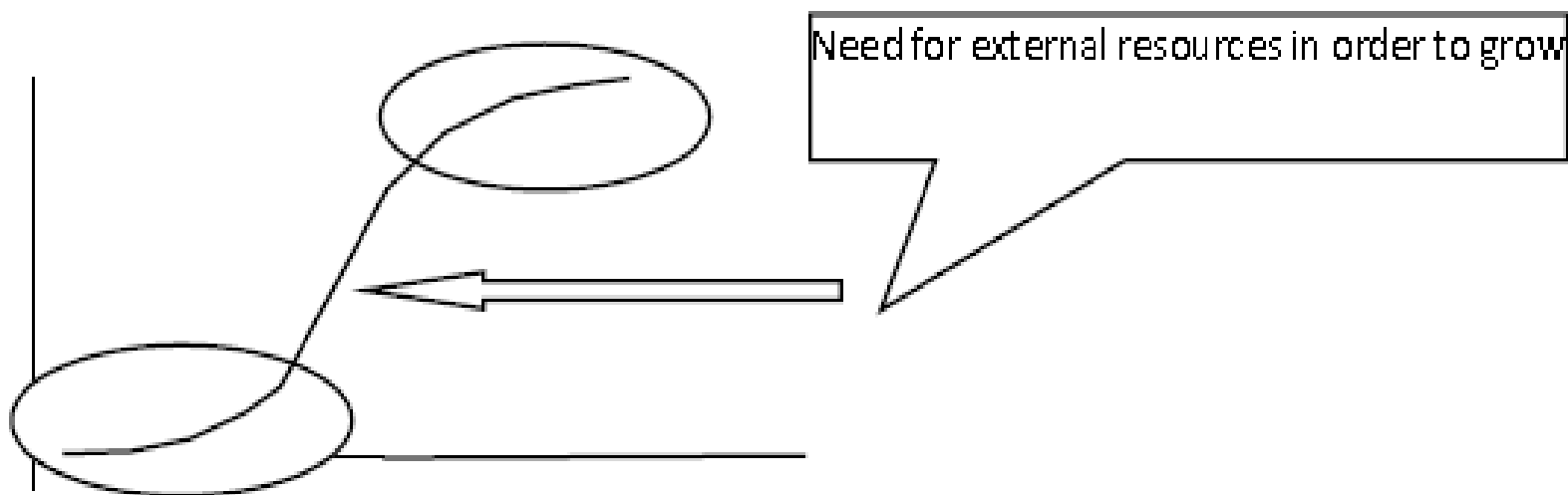
- ENSPIRAL (Started by Joshua Vial, since 2008, HQs in New Zealand, off-springs in Brazil and Australia), Enspiral grew from a collective of individuals to a collective of more than a dozen social enterprise ventures. There are no bosses at Enspiral. There is no management hierarchy. The way they work is inspired by the internet, a network of interconnected nodes and free-flowing information.

(<http://wiki.p2pfoundation.net/Enspiral>)

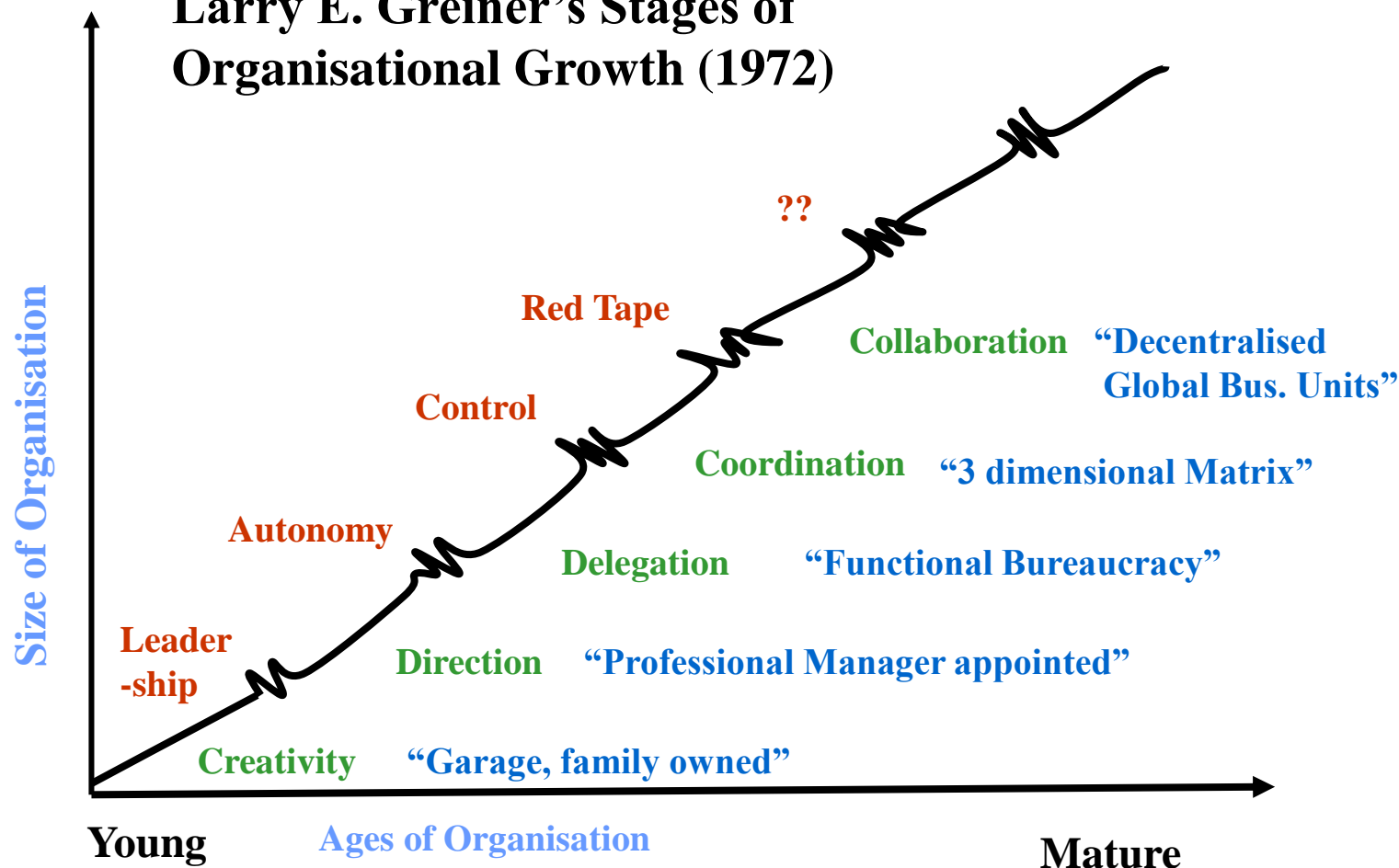
- Miethäusersyndikat (Syndicate of housing cooperatives) founded in Freiburg.i.Br Germany in 1983 with the objective of providing advice to self-organized house projects interested in the Syndikat's model, invests in projects so that they can be taken off the real estate market helps with its know-how in the area of project financing initiates new coop housing projects.

(https://www.syndikat.org/en/syndikat_en/chronicle/)

Pathway to Growth and Ensuing Challenges

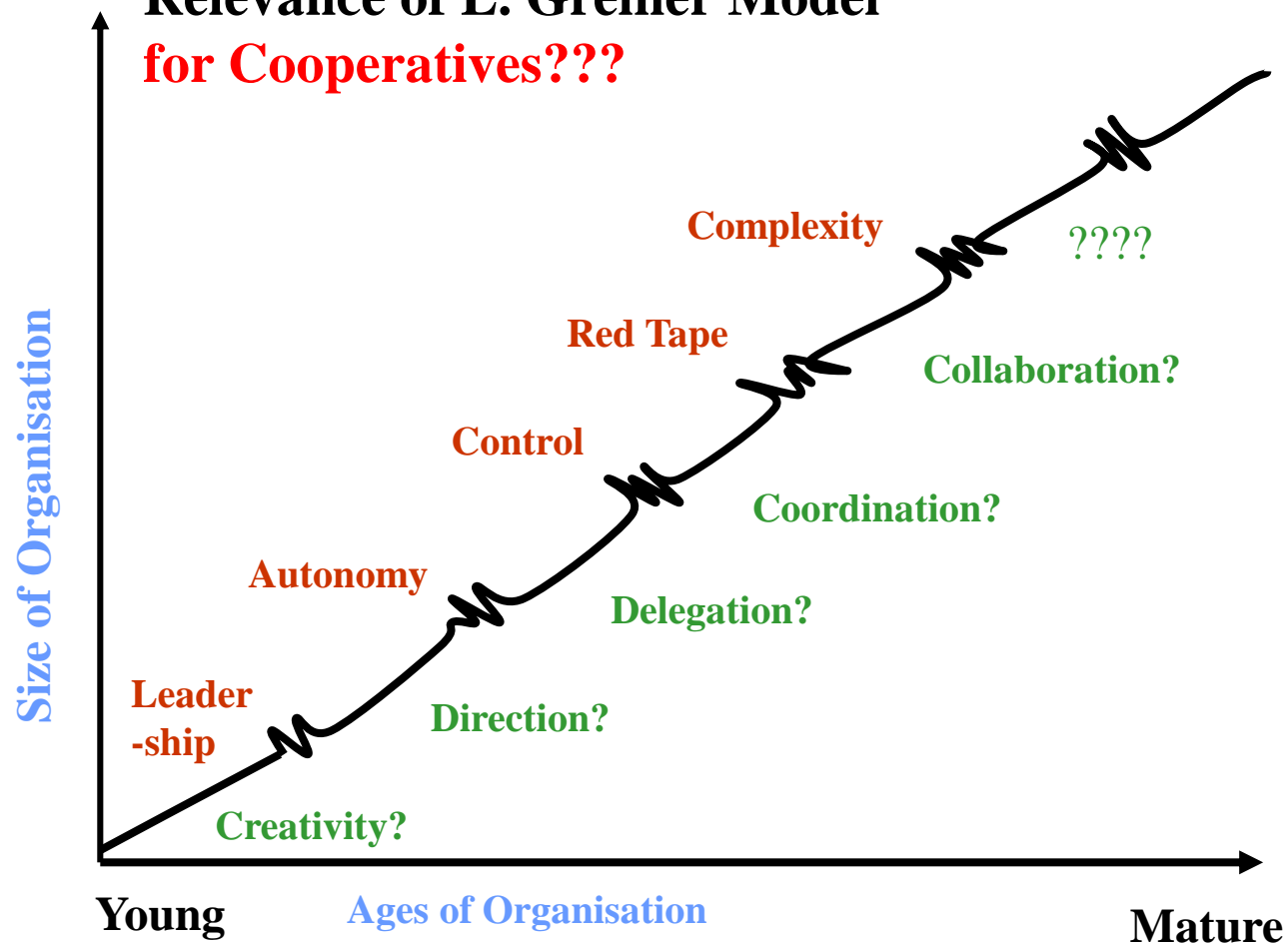


Larry E. Greiner's Stages of Organisational Growth (1972)





Relevance of L. Greiner Model for Cooperatives???





Our Research Questions:

1. Under what environmental conditions can a cooperatives sustain growth at different stages?
2. Is there an “optimal size” for cooperatives to maintain their “democratic” characteristic of governance?
3. What are the drivers and critical paths for organisations growth?
4. What are the sector specific challenges?
5. What are the national specific challenges?



Practical Implications:

This study demonstrates the need to conduct research on cooperatives, how they overcome growth challenges and how cooperatives can be an alternative policy options for socio-economic development strategies in developed as well as in developing countries



Thank you!