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Contents

Notes on Contributors	04
Editorial	06
Special Guest Paper:	
Food Retail Logistics Operations: efficient co-operatives and less efficient multiples? <i>Dr Michael Bourlakis, Lecturer in Marketing, University of Newcastle upon Tyne and Dr Constantine Bourlakis, Senior Lecturer in Microeconomics, Athens University of Economics and Business</i>	09
Other Refereed Papers:	
The Fresh Fruit Sector in Greece <i>Panayiotis E. Kaldis, M.Sc., Pg.Dip. (Ed), Ph.D. Laboratory of Agricultural Policy & Co-operatives, Department of Agricultural Economics & Rural Development, Agricultural University of Athens</i>	15
PRSP and Decent Work in Asia. The Role of Co-operatives in Poverty Reduction <i>Robby Tulus, Consultant and former Regional Director of the ICA Asia Pacific Region</i>	22
Management Education and Development. Co-operatives and Credit Unions in Economics and Business Texts: changing the paradigm <i>John Chamard (PhD – University of New England, Australia; MBA – Harvard; BA – University of Saskatchewan) Professor of Management and Director of the Master of Management in Co-operatives and Credit Unions programme at Saint Mary's University, Nova Scotia, Canada</i>	34
Executive Viewpoints, Reports and Cases:	
Ushirika. A Co-operative Telecommunication Consortium <i>Owen Koimburi, CPA (K), MBA, MA (Leicester), Managing Partner, Koimburi Tucker & Muya, Certified Public Accountants (K)</i>	43
'Buongiorno colleghi.' Turning Around Disability and Disadvantage. An Italian Social Co-operative. <i>Yair Levi, Director, CIRCOM, (International Research Centre on Rural Co-operative Communities), Israel</i>	49
Media:	
Community Media and Co-operatives <i>Sanjay Verma, Journalist, India Today</i>	51
Research in Progress:	
Davis on Co-operative Management: an exposition and reflection <i>Prof Isaac Bleger, Department of Economics, University of Buenos Aires</i>	53
Turning Goals into Results. The Power of Co-operative Principles - a reflection on Jim Collins's catalytic mechanism <i>Sonja Novkovic, Associate Professor in Economics at Saint Mary's University in Halifax, Nova Scotia</i>	56
Destructive Trade <i>Prof Jaroslav Vanek, Economist and Author</i>	60
Book Reviews	65
Notes for New Contributors	72
Future Topics	72

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Owen Koimburi, CPA (K), MBA, MA (Leicester), Managing Partner, Koimburi Tucker & Muya, Certified Public Accountants (K) Mr. Koimburi is a qualified Accountant born 50 years ago in Limuru Kenya, and has over 27 years experience in Accounting, and Development Consultancy. He is the founding partner of Koimburi Tucker and Muya, a Nairobi based accounting firm which is now a part of a global accounting network SCI international. The Kenyan firm now employs over 23 staff.

Mr. Koimburi in 2003 became the first graduate in Africa to earn an MA in Co-operative Management and Organisational Development from the University of Leicester UK. Mr. Koimburi holds an MBA and Bcom degrees from Newport and Nairobi Universities

respectively. He is also an active member of the Institute of Certified Public Accountants of Kenya where he was a National Prize winner in Financial Management on the last accounting paper in the Kenya Accountants and Secretaries National Examinations Board.

Mr. Koimburi is member of a working group of experts for the UNCTAD International Accounting Standards of Accounting and Reporting for SMEs, Corporate Governance, and social reporting. He has written several articles on Taxation and SMEs and Co-operatives. He is currently co-authoring a book on good corporate governance for co-operatives, and is also involved in several charities, and community based economic and social activities.

Yair Levi, Director, CIRCOM, (International Research Centre on Rural Cooperative Communities), Israel. Yair is a widely known and respected contributor to co-operative research. He is editor of the prestigious and long running *Journal of Rural Co-operation*. Readers unfamiliar with this journal should contact Yair for details of subscriptions, subject index and availability of back issues by e-mail address at ruthys-t@bezeqint.net

Sonja Novkovic, Associate Professor in Economics at Saint Mary's University in Halifax, Nova Scotia. She obtained her undergraduate degree in the Economics of Self-managed Systems in the former Yugoslavia, and her Masters and Ph.D. degrees in Economics from University of Guelph and McGill University, respectively. Her research interests remain within the economics of self-managed firms, as well as employee buyouts in transition economies. She is currently involved with the Master in Co-operative and Credit Unions program at Saint Mary's University.

Robby Tulus pioneered the Credit Union Movement in Indonesia in the late 1960s, co-founded the Credit Union Counseling/Central Organization (CUCO) in Indonesia as well as the Asian Confederation of Credit Unions (ACCU) in 1971. His career spans being managing director of CUCO Indonesia (Jakarta 1971-80), Training Specialist of ACCU (Seoul, Korea 1981-83), Asia Region Director of the Canadian Co-operative

Association (CCA, Ottawa, Canada, 1983-1993), Senior Policy Advisor of the International Co-operative Alliance (ICA, New Delhi & Manila 1993-96), and Regional Director for Asia Pacific of the International Co-operative Alliance (New Delhi and Singapore 1996-2001). During his tenure with the CCA and ICA, he worked closely with the Canadian International Development Agency (CIDA), NGOs, specialized agencies of the United Nations, multilateral agencies, and was instrumental in instituting bi-annual ministerial conferences in the Asia Pacific Region to create a more enabling environment for co-operative policy and legislative reform.

Prof Jaroslav Vanek, was born in prewar Czechoslovakia and has degrees from the Sorbonne, the University of Geneva and the Massachusetts Institute of Technology. He has taught at both Harvard and Cornell Universities and at Cornell was the Karl Marx Professor of International Studies and Director of the programme on Comparative Economic Development. He is an internationally renowned economist and author whose writings have made him well known beyond his academic peers to many professional and volunteer activists in the wider Labour and Co-operative Movement.

Sanjay Verma is a journalist and editor with the National Co-operative Union of India. Sanjay writes and comments extensively on co-operative and related topics in India.

Editorial

The editor must commence with an apology to the contributors and subscribers for the delay in publication of this issue of the journal. What this proves is that the journal needs a volunteer assistant editor. Thus may I “advertise” for a volunteer assistant editor who should be an academic with an international reputation in the area of management and / or co-operative studies who feels committed to the aims and objectives of the journal (see below).

We have a very full edition notwithstanding the difficulties in getting to production. The theme of strategies for agricultural co-operation in the Mediterranean continue as we cross from Spain in the last issue to two papers on the Greek food industry in our second issue. One by Panayotis Kaldis looking at the structural and policy challenges facing primary producers in the Greek fresh fruit sector suggests an urgent need for policy direction from the Greek government. He identifies major opportunities (needs) for co-operative development for primary producers and the development of rural infrastructures to encourage new entrants.

At the other end of the food supply chain but still in Greece in our special guest paper section we have an encouraging analysis of the Greek co-operative retail sector. The authors Michael and Constantine Bourlakis suggest that its strategic approach to location has paid off in terms of keeping its costs at very competitive levels in comparison with its major rivals in the retail market. Whilst the numbers look good, the limited coverage may have a down side in terms of Greek consumer co-operations goal to be a truly national provider of retail services. National cost advantages in the country context are not necessarily decisive in the new global retail environment. Losses in one small market like Greece can be offset by profits in another country enabling the multinational to get established and gain market share whilst trading at an initial loss. In the end it is a mix of costs and the price / quality mix that is decisive in retailing. Co-operatives may have a built in quality advantage by incorporating broader dimensions of social and ethical standards into their quality offer as long as its based on the best consumer research. This has been effectively demonstrated in retail financial services by the UK's Co-operative Bank. Nevertheless, the analyses produced by Michael and Constantine Bourlakis are promising and suggest a strong basis for the Greek retail co-operatives to build up their positive strategic response to the multinationals in

the quality of their retail offer and the building up of the co-operative retail brand in Greece.

The theme of globalisation continues from our last issue with a paper on the co-operative contribution to the fight against poverty in Asia and the Pacific by Robby Tulus. Robby's unique and encyclopedic knowledge, breadth and depth of experience on this subject will make this paper a standard reference for students of co-operative development.

The journal has special pleasure in carrying a fascinating African case study by Owen Koimburi on a co-operative collaboration for a joint venture in the expanding telecommunications industry.

We are particularly grateful to Prof Jaroslav Vanek for a distillation and summary for laymen and women of his economic critique of globalisation's case for the liberalisation of markets entitled *Destructive Trade and False Globalisation*. The call for “Free Trade” which leads the current wave of globalisation is not exactly new - it can be found at the very outset of industrial capitalism and formed the context for many of the early struggles to establish the co-operative alternative.

Also in this issue we have contributions on some alternative conceptual approaches to co-operative management. We start here with Prof Bleger's generous appraisal of some aspects of my own work on co-operative management. Then we have Sonja Novkovic reflecting on the writings of Jim Collins and his concept of catalytic mechanisms and their potential use in the context of managing co-operatives.

The new distance learning programme for co-operative and credit union management developed by St Mary's University in Halifax Nova Scotia has been show cased in Prof Chamard's discussion of the absence of either management literature or management programmes focused on co-operatives. I would like here to take the opportunity to make a small rejoinder to Prof Chamard which I hope will open up a broader discussion on the various positions that are evolving in the still limited literature on co-operative management. Page 7 of Jan/Feb, 1999 issue of the *Co-operative Business Journal* (USA) carries a small piece headed “Diplomas in Co-operative Management” in a feature article entitled “Ideas in Co-operative Education” which states that, “The University of Leicester has been

running a programme for two years based on previous research drawn from 26 countries establishing the need for a management development programme specific to the special needs, processes, and purposes of co-operatives.”

This is, I believe, the first master level programme in the English language on co-operative management and the first distance learning based masters programme in co-operative management in the world. Leicester University has attracted students from every region of the ICA and indeed the programme has been advertised in the ICA Review and other co-operative publications in the USA, Africa and the Asia Pacific Region. In terms of the literature John is perfectly correct to state that there is very little material on co-operatives. However Davis (1995) published a paper delivered to the International Association of Co-operative Bankers AGM in that year suggesting a principle of co-operative management be included in the ICA Co-operative Identity Statement. This was followed by a dozen or more papers and presentations on aspects of a new values based approach to co-operative management rooted in ideas worked through in Davis and Donaldson (1998) proposed definition of principles of co-operative management. Davis (1999) was invited to write a book that sought to apply these principles to modern management methodologies published by the ILO Co-operative Branch entitled *Managing the Co-operative Difference*. The idea of co-operative value based management is explored across a wide spectrum of management disciplines and illustrated by a case study of the UK Co-operative Bank. Its application in the areas of TQM and HRM where explored in Davis(2004) *HRM in Co-operatives*, ILO Co-operative Branch, Geneva. Davis develops these ideas into a people management framework for co-operatives which he defines as Co-operative Social Capital Management (CSCM). The Leicester Masters programme by distance learning, therefore, is not just breaking new ground in its introduction of a distance learning delivery methodology (itself well established in the world of the MBA) to co-operative management development at the masters level but also it attempts to provide theoretical underpinning to the approach. The use of values in management is widely accepted in areas from Management of Change, Strategic Management, Marketing, Relationship / Stakeholder Management, and HRM among others. Indeed on the area of Marketing Prof Chamard's colleague, Prof Tom Webb has written and made many presentations himself on the importance of the co-operative difference as a

tool in co-operative marketing. In case I appear to be blowing our trumpet let me acknowledge that the case for a co-operative value based approach to management in the sector is far from established and needs wider discussion in Canada and elsewhere. I am obliged to CCA to have been invited on two occasions during the last five years to debate the issues before CCA Congress delegates at their break out sessions. The Leicester programme itself, it must be said, has only had modest success in recruitment. We have about 100 students of which some 20 plus have already graduated so far with either MA degrees, Post-graduate Diplomas or Post-graduate Certificates. We sincerely wish John and Tom and their colleagues at St Mary's every success with their own distance learning venture in co-operative management development. Their success can only help all those striving to encourage a co-operative difference in management education for co-operatives. The need is extensive for many more such initiatives and as supply can call forth demand we hope we can work together to develop the market for specialist co-operative managers.

Co-operative communications is a vital issue for the strategic management of co-operatives image in the marketplace. Although image must be underpinned by substance in terms of quality, price and co-operative purpose towards ethics, social responsibility and community it must be said that co-operatives are often up against a media with built-in bias against them. I hope therefore that Sanjay Verma's case study on the growth of community media and its potential use for establishing a better co-operative image precisely where it is of most strategic importance will be the first of many items we carry on co-operatives and communications.

We are also delighted to be able to include the interesting case of social co-operatives in Italy by Yair Levy. Yair is very well know within the international co-operative research community for his contributions over many years. He brings us in this analysis of the Italian social co-operatives programme one of those interesting examples of co-operative business principles supported by government and volunteer inputs crossing the dividing line between independent co-operative associations trading fully inside the market economy and the broader perspective of the social economy. These initiatives in Italy surely deserve wider replication and possibly sponsorship as part of a co-operative social responsibility programme by the big hitters in the global co-operative economy reinforcing their connectedness to the wider co-operative movement.

Backing such initiatives as the Italians have created is to make a contribution to helping people who are working to support themselves and develop communities for people often excluded. Here is another, this time western hemisphere, example of Robby Tulus's theme on the co-operative contribution to anti-poverty struggles.



Peter Davis, Editor
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Mission of the Journal

- *To act as a medium for the dissemination of best management practise in the co-operative movement*
- *To act as a medium for the publication and dissemination of research into the management of co-operatives*
- *To act as a platform for informed debate within the co-operative sector on issues and problems arising from the management of co-operatives*
- *To act as a vehicle for promoting the professional development and status of managers in the co-operative sector across the management profession as a whole.*
- *To act as a medium for the discussion and dissemination of the latest thinking in all areas of management that may have a relevance to the practise of management in the co-operative sector.*

“Food retail logistics operations: efficient co-operatives and less efficient multiples? ”

Dr Michael Bourlakis and Dr Constantine Bourlakis

Abstract

This paper examines the distribution process for firms operating in the Greek food retail market. Its central task is to compare the operational performance between the domestic food retail co-operatives against the domestic and multinational food multiple retailers. The key components of the distribution process are logistics and information technology that are designed, implemented and run in a parallel fashion to each other.

A financial ratio analysis is employed and the cross-examination of the operational performance of domestic retail multiples, international retail multiples and domestic retail co-operatives shows that retail co-operatives possess greater operational efficiency at secondary, in-store and entire distribution operations. The latter findings can be largely attributed to the fact that the co-operatives have a strong regional presence and customer focus whilst the multiples expand at a very fast pace in the market in hand.

Key words

logistics; operational efficiency; food retail co-operatives; food retail multiples.

Introduction

Logistics is a major business process that increases customer satisfaction and simultaneously, minimises costs (Bowersox and Closs, 1996). On that basis, logistics assists companies to make more effective use of business resources.

Within retail operations, logistics has become a critical function that facilitates the smooth and continuous product and information flow between the retail firms and their product suppliers. Focusing on food retail logistics operations, Bourlakis (1998) notes the major changes that have occurred in the past decades in many European markets including the development of regional distribution centres – warehouses, the use of multi-temperature (composite) warehouses and vehicles, the increased use of third party logistics firms and the pivotal role of the information technology function (I.T.).

The above changes were implemented by most leading European food retailers including multiples and co-operatives. Surprisingly, researchers have focused on the analysis of multiples' logistics operations (see for example, Fernie, 1992, 1994, 1995; Smith and Sparks, 1993) and tend to ignore the analysis of the food retail co-operatives' logistics operations. Notwithstanding, food retail co-operatives enjoy a significant market size and presence in most European food retail environments (Corporate Intelligence on Retailing, 1999).

Considering the primary role of I.T. for retail logistics operations, the next section introduces the key I.T. applications within that sector and illustrates the evolution of retail logistics operations over the past years. The work focuses on the performance measurement of food retailer's logistics operations that according to Bowersox and Closs (1996) is one of the top three areas that research upon logistics urgently requires. Separate sections of this paper discuss the retail sector under examination and the research findings. The final section concludes with a brief discussion on the resultant managerial implications and recommendations upon the areas where further research is needed.

Logistics and I.T. functions in European food retail distribution

During the past decades, the European food retail sector has experienced a major transformation with a trend towards larger concentration and heightened power of multiple retailers. This led to a decline in the strength of the co-operatives and independents.

Multiple retailers are leading firms with a substantial presence in the marketplace, so in the present paper, multiples are considered as firms with at least ten outlets (McGoldrick, 2002). Many food retail co-operatives are multiples under this definition; however, they are usually regarded as a distinctive type of organisation in terms of history and constitution (McGoldrick, 2002). Overall, European food retailers increased their average size of stores, moved towards out-of-town locations, introduced new retail store formats (e.g. city stores, petrol station shops) and increased steadily the range of own-brand food products (Smith and Sparks, 1993).

McKinnon (1999) and Smith and Sparks (1993) identify two primary trends in the European food multiple, and co-operative, retail distribution:

- i) A move away from manufacturer / supplier-controlled distribution networks and towards retailer-controlled networks;
- ii) a move away from own-account retailer's operations to contract distribution.

Within the first trend, the supplier is delivering directly to retailer-controlled regional distribution centres and subsequently, the retailer controls the distribution of goods to its own retail stores. In the British food multiple retail market, the top 4 firms, based on sales, channel over 90% of products through a network of regional distribution centres (Institute of Grocery Distribution, 2002). The other trend is related to contracting out distribution where the retailer employs a specialised logistics firm to provide, *inter alia*, warehousing and transportation services such as transportation management, warehouse design, stock control management (McKinnon, 1999).

From the 1990s onwards, the leading European food retailers developed the "composite distribution" concept where products under various temperatures could be handled, stocked and transported under "one roof" (Smith and Sparks, 1993) instead of using separate warehouses and fleets for ambient, chilled and frozen products. This development called for an additional investment in composite distribution facilities notwithstanding the fact that it increased product centralisation – warehousing levels.

In addition, modern food retailers' logistics operations generate a large number of information flows, given the extensive product range, the high turnover, the broad supply base and the numerous outlets. The handling of information is further complicated by the need to monitor and to control product stock at different stages across the distribution channel, such as for products shipped from manufacturers' and retailers' warehouses to retail stores (Hill, 1989).

The above illustrates the critical role that I.T. plays in food retail logistics operations and Dawson (1994) outlines the main I.T. applications available to retail firms. The most common ones are the collection of sales data at the retailer's point of sale (EPoS), and the electronic transmission of information via Electronic Data Interchange (EDI) technology that facilitates co-ordination among supply chain members (Fynes and Ennis, 1994). The joint use of EPoS and EDI brings many benefits to the retail firm (Benjamin et al., 1990;

Dawson et al., 1987; Harrison, 1991; Hogarth-Scott and Parkinson, 1994; Lockett and Holland, 1990/1; Reardon et al., 1996). Logistics-related benefits incorporate fewer stock outs, better product planning and the shortening in the length of the order lead times between a retail shop and a retail distribution centre (see Institute of Grocery Distribution, 2002; Takac, 1993). Ciborra and Olson (1989) note that I.T. via EDI decreases the transaction-related costs of co-ordination among firms via a standardisation of tasks and communication between channel members. Other I.T. applications employed within retail logistics operations include radio frequency systems during transportation that use radio signals to convey in-cab communications (Institute of Grocery Distribution, 2002), and inventory control systems that can integrate the reception, storage, picking and shipping of goods during warehousing (Davison and Scouler-Davison, 1997). Lately, the use of Internet has become increasingly popular in the grocery supply chain as it further improves the flow of information among the channel participants (Quarrie and Hobbs, 1997). Based on the previous analysis, it is clear that both the logistics and I.T. functions are of increasing importance for the successful management of both food retail multiples' and food retail co-operatives' distribution operations.

The sector under investigation

The Greek retail food market is one of the smallest in Europe based on total food retail sales and a market mainly dominated by small family units (Corporate Intelligence on Retailing, 1999). Foreign firms entered the market during the early 1990s such as Delhaize Le Lion, Promodès - Carrefour, Makro and Lidl. Foreign firms introduced new retail concepts to Greek consumers such as the hypermarket and the discount formats and were the original implementers of warehousing operations in the domestic market (Bourlakis and Davies, 1999). This was also the case for other logistics-related I.T. issues like the installation of EPoS and EDI that were initially implemented by the multinationals, so in the light of such developments, manufacturers started delivering their products directly to retailers' warehouses. The entrance of foreign firms put competitive pressure upon the local food multiples to reorganise their operations and to develop their own, fully operational warehouses and regional distribution centres by using I.T. systems in their logistics operations (see Bourlakis and Bourlakis, 2001). Accordingly, the leading food retail co-operatives reorganised their distribution operations and engaged in numerous mergers and

acquisitions to counterattack the multinational retailers' entrance. Overall, logistics and I.T. operations gained importance in the domestic food retail channel during the past decade, something mainly encouraged by the advent of multinational firms and the formation of the ECR (Efficient Consumer Response) Hellas in 1996.

In this brief presentation of the local market, one can add that the expansion of foreign retailers into the Greek mainland and regional markets appears to continue. In particular, Carrefour and A/B Vasilopoulos (owned by Delhaize Le Lion) acquired recently two major domestic retailers, Marinopoulos and Trofo respectively and have become the leading food retailers in the market (see Table I).

Financial ratio analysis

Secondary reference source material is used in the financial ratio analysis. More specifically, the annual volumes of the leading periodical for the Greek food retail sector (Self Service Review, 1999-2003) contain financial information extracted from retailers' annual balance sheets. Based on the information provided by the accounting statements, the analysis incorporates three groups of food retail firms: the first group includes three domestic retail multiples, the second group consists of three international food retail multiples and the third group contains three food retail co-operatives. All the retail firms under examination are leading firms in that market, based on sales, and the groups of firms are cross-examined

Table I:
The leading food retail firms in Greece ranked by sales (2002)*

Firms	Sales in euros (000s)	No of stores	Operating retail formats
1. Carrefour	1.535.749	408	French retailer that operates hypermarkets (Continent), supermarkets (Champion), neighbourhood, discount stores (DIA). It acquired Marinopoulos, the largest domestic food retailer during 2000.
2. A/B Vasilopoulos	1.001.991	104	Belongs to Belgian firm Delhaize Le Lion that operates hypermarkets, supermarkets, neighbourhood stores. It acquired Trofo, a major domestic food retailer at the end of 2000.
3. Sklavenitis	707.045	35	Greek company that operates hypermarkets and supermarkets in the Greater Athens area.
4. Elliniki Diatrofi Co-op	650.147	1.550	The leading retail co-operative that operates hypermarkets and supermarkets.
5. Veropoulos	636.100	195	Greek company that operates hypermarkets, supermarkets and neighbourhood stores.
6. Atlantic Group	501.880	188	Greek company that operates hypermarkets, supermarkets and cash & carry stores.
7. Masoutis	447.959	159	Greek company that operates hypermarkets, supermarkets, neighbourhood and cash & carry stores.
8. Metro	366.645	60	Greek company that operates hypermarkets, supermarkets, neighbourhood and cash & carry stores.
9. Pente	289.293	97	Greek company that operates supermarkets and neighbourhood stores.
10. Arvanitidis	158.339	110	Greek company that operates hypermarkets and supermarkets.

* Only the leading multiple retailers and co-operatives are included. Therefore, no wholesalers and buying groups are listed.
Source: Self Service Review (2003)

Table II:
Distribution and operational performance ratios for firms operating in the Greek food retail market (1998-2002)

1998	1999	2000	2001	2002	
1. Fixed assets turnover					
Average fixed assets turnover for the three domestic retailers	4.98	4.97	5.43	5.23	4.87
Average fixed assets turnover for the three multinational retailers	3.8	3.52	3.49	3.7	4.07
Average fixed assets turnover for the three retail co-operatives	6.3	8.29	9.87	9.4	16.75
2. Stock turnover					
Average stock turnover for the three domestic retailers	6.11	7.62	6.17	6.9	5.32
Average stock turnover for the three multinational retailers	13.96	8.99	6.44	7.66	7.60
Average stock turnover for the three retail co-operatives	4.9	5.96	9.6	11.31	11.07
3. Distribution costs / Sales					
Average total distribution costs as percentage of sales for the three domestic retailers (%)	14.76	15.09	14.60	14.43	16.47
Average total distribution costs as percentage of sales for the three multinational retailers (%)	11.45	16.03	19.36	18.53	17.71
Average total distribution costs as percentage of sales for the three retail co-operatives (%)	11.9	11.49	10.88	9.69	9.88
Notes					
1) Two subsidiaries of one multinational are examined on individual basis as they publish separate accounting statements and formulate different corporate and logistics strategies.					
2) No wholesalers and buying groups are included in our analysis.					
3) The most efficient group of firms is underlined in the year under examination.					
Data sources: Self Service Review (1999, 2000, 2001, 2002, 2003)					

via a range of distribution-related efficiency ratios (see Table II).

According to the literature, (see for example Cook and Walters, 1991; Cox and Brittain, 1996; Gattorna and Waters, 1996; Gilbert, 1999; Institute of Grocery Distribution, 2002; McGoldrick, 2002; Parker, 1994; Ramsden, 1998; Walters and Hanrahan, 2000; Walters and Laffy, 1996) these ratios are the most appropriate measures of retailer's distribution and operational performance.

More specifically, the fixed assets turnover is the ratio of retail sales to fixed assets. It is a measure of sales productivity to fixed assets utilisation and indicates how efficiently the retailer's fixed assets are used in the selling of goods process. The logistics-related fixed assets include warehouses, transportation fleet and I.T. equipment that represent a significant portion of food retailers' fixed assets (Walters and Hanrahan, 2000). The logistics-related fixed assets co-ordinate the product and information flow in secondary distribution that is between warehouses and stores. In most cases, these assets are owned and managed by retailers as logistics outsourcing is not a popular practice in the Greek business environment (McKinnon, 1999).

Overall, retail firms with efficient secondary distribution operations should command a higher fixed assets turnover ratio compared to less efficient firms (Walters and Laffy, 1996). Table II shows that in our sample the co-operatives have a higher fixed assets turnover ratio against domestic and multinational multiples.

The stock turnover ratio is the ratio of the firm's cost of sales over the volume of inventory held by the firm at both store and warehouse level. Therefore, it assesses food retailer's total distribution performance and measures the amount of stock used by the retailer to generate sales, and shows how quickly the goods purchased are sold to the customers (Institute of Grocery Distribution, 2002). Generally, firms that have in place efficient distribution operations should enjoy a larger stock turnover ratio in comparison to the less efficient firms (Parker, 1994).

With the exception of years 1998 and 1999, the results in Table II confirm previous findings and indicate that co-operatives achieved a higher stock turnover performance in comparison to domestic and multinational multiples. It is worth clarifying that since 1998, the domestic and multinational multiples

engaged in a fast expansion towards the northern region of the country and built new stores and regional warehouses - distribution centres. Unavoidably, their relevant stock turnover ratio deteriorated considering the organisational disruption that occurred in their distribution operations during their store network expansion.

The investigation of the distribution costs ratio that evaluates retailer's total distribution performance, in both secondary and in-store distribution operations offers further insight.

The distribution costs ratio is calculated as the ratio of total distribution costs to total sales. These distribution costs include the costs of establishing and managing the retail distribution infrastructure and the costs occurring during product transportation from retail warehouses to stores, and during in-store product distribution (Walters and Laffy, 1996). Table II shows that with the exception of the year 1998, the co-operatives manage to have lower distribution costs as a percentage of sales compared to the groups of domestic and multinational multiples. The latter finding corroborates further that co-operatives' distribution performance is superior over rival foreign and local firms in their entire distribution operations. The domestic and multinational multiples' ratio increase during the post-1998 period is due to their expansion in northern areas of the country that generated higher distribution infrastructure costs. On the other hand, the food retail co-operatives developed smaller warehouses and distribution fleets and focused their expansion on geographically proximate regions (Self Service Review, 2002, 2003). This is not surprising considering that these firms are of strong local and regional nature.

Concluding remarks

The financial ratio analysis showed that during the period 1998 to 2002 the food retail co-operatives were more efficient in their entire distribution operations in terms of stock turnover, fixed assets turnover and distribution cost efficiency. Co-operatives can challenge foreign and local multiples as long as they can develop a clear and well-devised strategy. In this paper, the co-operatives that focused their expansion on geographically proximate regions outperformed the multiples in terms of distribution and operational performance. This creates the question as to whether the co-operatives' regional expansion focus has been the outcome of a thoroughly planned and executed "deliberate"

strategy or if it is the outcome of an "emergent" strategy process (see for example, Bourlakis and Bourlakis, 2001).

A number of management implications stem from the current study. Firstly, the specific financial ratios that examined efficiency at secondary, in-store and entire retail distribution operations can prove beneficial to retail managers in the quest for increased operational efficiency. Secondly, retail managers should pay special attention to food co-operative retail firms that were found to be very efficient and therefore, these firms should be regarded as considerable players in the highly competitive food retail environment. Finally, retail managers should devise a thorough strategic plan for their firm's expansion and need to take into account the subsequent extra distribution infrastructure costs and possible disruptions in logistics operational efficiency during that period.

Although the current study is an examination of the Greek food retail sector, it is believed that it will prove beneficial to the strategic thinking of retail managers elsewhere. It is also expected to assist the strategic thinking of retail decision makers in other non-food retail environments. Further empirical research for other national environments and retail sectors should be undertaken. More detailed analysis is needed to identify amongst other things, whether co-operatives outperform the multiples in other operational and financial ratios including employees' productivity based on hours spent on specific logistics operations, such as on transportation and warehousing operations. Based on that proposed avenue of research, the impact of operational efficiency on profitability could be addressed.

Overall, there is still a need for the formulation of additional distribution and operational performance-related ratios with the aim to cross-examine retail firms from various sectors and operating environments. By doing so, these ratios can act as key retail distribution performance indicators that unveil successful logistics processes and practices. Last but not least, further research work could build upon this study by incorporating a larger sample of retail multiples and co-operatives and a greater period for examination. Notwithstanding the above, the present work provides substantial evidence for retail management that the co-operatives can be more efficient than the multiples in terms of distributional and operational performance, and that they can constitute a formidable competitive player.

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The fresh fruit sector in Greece

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Abstract

A review of the weakness and past policy failures in the Greek agricultural sector. On the basis of an analysis of the current position in terms of both supply and demand the paper attempts to define and advocate new policy directions for the sector and identify the role of co-operatives in the sectors potential for recovery and further development.

Key words

Rural Development, Greek Agricultural Sector, Agricultural Strategy and Policy, Fresh Fruits, Agricultural Co-operatives.

Introduction

This paper presents a synopsis of the key empirical findings derived from research on the fresh-fruit sector of Greece within the European Union and the derived impacts from the application of the CAP. It is based mainly on the examination of the principal fresh fruits: peaches, oranges, table-grapes, apples, lemons, pears, apricots and mandarins. These fruits are the most important in terms of value to the Greek agricultural economy. Also, this paper attempts to indicate the appropriate policy directions for the fresh-fruit sector and to discuss possible directions for future research.

The present research is innovative in bringing together different techniques (i.e. portfolio of techniques) for treating the same problem. Four techniques are used and these are: residual analysis, competitiveness analysis, analysis of supply, and analysis of demand. The findings sufficiently satisfy the initial research aims of ;

- the analysis of the technical and economic characteristics (e.g. production structure, supply and demand aspects, trade and marketing issues) of the Greek fresh-fruit sector in order to reveal its strengths and weaknesses, and
- the examination of the effects of the EU-15 fresh-fruit policy regime on the supply of and demand for Greek fresh-fruit, also providing evaluation of the sector's future prospects

In addition, the findings allow the drawing of conclusions that will be of considerable assistance in drafting an effective policy for the sector's awakening and development.

Despite the assumptions and the limitations of this methodological approach, which is based on quantitative techniques and the use of secondary data, it is believed that the present investigation contributes decisively to the development of a transferable type of research methodology, which is applicable to other economic sectors. However, quantitative research has its limitations. Although it can provide a solid basis for understanding evolutionary processes the value of qualitative research is profound especially when it is based on primary data. A combination of quantitative and qualitative techniques is thus required in future research on this topic.

A more practical extension of the findings of this research work is the suggestion of a feasible "vision" and CAP-related (based on EU-15 co-funding) model, which is constructed and proposed as a tool aiming at offering to the Greek fresh fruit sector the strategic means to recover and gain competitiveness. This proposed model possesses the attributes and the crucial elements of a national strategic action plan. It is believed that appropriately adapted, it might prove also useful to other sectors of the Greek agricultural economy and possibly in similar cases of countries presenting the socio-economic and structural characteristics of Greek rural space.

Interpretation of findings

Theoretically speaking, the fresh-fruit sector is regarded as a promising sector of the agricultural economy due to its connection with modern consumption patterns and dietetic views that create the appropriate environment for increased consumption. Also, the rising per capita income of consumers is expected to lead to increased demand for fresh fruits if the products supplied meet the changing and differentiated patterns of demand.

The EU-15 is not self-sufficient in fresh fruit taken as a whole. It imports large quantities so as to occupy the place of the largest importer, but at the same time it is one of the larger partners in the export trade. The Mediterranean countries of the European Union are

among the principal fresh-fruit producers and for Greece the production of fresh-fruit is important, with particular reference to peaches, oranges, table grapes, apples, lemons, pears, apricots and mandarins, i.e. the products examined in this study.

The agricultural economy of Greece and the rural space of the country in general is in a state of reshuffle, where asymmetries are apparent in both the development of agricultural activity and the co-existence of productivist and post-productivist phases of agricultural change (Ilbery and Bowler 1998). These must be attributed to a series of defective structural characteristics of the Greek agricultural economy and of the other sectors of the economy which are unable to support functional linkages (e.g. rural exodus is not linked with employment in other sectors of the economy). The structural weaknesses of the Greek agricultural economy and more specifically of the sector of fresh fruits are many. Among these one can mention the numerous small and fragmented holdings, the equally large number of mostly old-age and low-skill producers who make little use of cooperative action, the low level of private investments, the managerial weaknesses entailing also the lack of communication along the supply chain and the peaks in the demand for labour. Added to these the weather uncertainties and the fluctuations in the volume of production that cause fluctuations in prices, the perishability of fresh fruit, and the only partial quality standardisation of the fruit destined for the domestic market. Excess capacity for packaging increases marketing costs, as does the existence of intermediaries in the supply chain without contributing to the added value of the products handled. All of these contribute to the observed low competitiveness of Greek fresh fruit products that do not enjoy systematic promotion in the foreign markets.

The overall performance of the Greek fresh fruit sector in the EEC post-accession period, based on residuals analysis and competitiveness analysis, has been shown to be inferior to its real potential. This unfavourable picture of a potentially dynamic sector is attributed to the aforementioned structural characteristics of the fresh-fruit sector. The evidently inadequate pre-accession preparation for becoming a part of an enlarged market of demanding consumers, as well as to the common organization of the market for fresh fruit itself, as exercised until 1996, with the effective support of production irrespective of quality and commercial value as added to the problem. The application of the latter measure (i.e. withdrawals) contributed to the acquisition of income by the farmers with low or no marketing risks and with reasonable

certainty about the future. So, that measure became popular and undoubtedly convenient for the Greek fresh-fruit producers. It also seems that, for a period of time, the measure was considered "politically correct" by Greek state authorities dealing with agricultural matters. But, in socio-economic terms, the common organization of the market for fresh fruit, as exercised until 1996, created a multidimensional and very complicated problem regarding the viability of all stages of the Greek fresh-fruit supply chain with no easy or painless solution for the Greek agricultural economy.

This picture derives from comparing the estimated annual rates of change of production parameters (number of trees, volume of production, producers' price in Greek currency, producers' price in ECU, gross value of production in Greek currency and gross value of production in ECU) of the selected fresh fruits over the entire period of study (1962-1998) with the corresponding pre-accession to the EEC rates. Similar are the empirical findings (residuals analysis) of comparisons between the projected values of the EEC pre-accession figures, under the assumption of continuation of the pre-accession rates ("CAP off scenario" – counterfactual situation), with the real post-accession figures. In both cases, post-accession to the EEC figures are generally inferior.

More specifically, according to the above-mentioned methodology, the application of the CAP to the Greek fresh-fruit sector led to a decrease in the positive annual rates of change regarding the number of trees (or acreage in the case of table grapes), with the exception of apples and mandarins. Similar is the evolution of the annual rates of change of the volume of production (with the exception of mandarins and oranges). The evolution of the annual rates of change of the producers' price, expressed in Greek currency, shows that the observed annual rates of increase were above the projected ones (with the exception of oranges). In the case of the producers' price, in ECU, the observed annual rates were below the projected ones (with the exception of oranges and lemons). The annual rates of change of the gross value of production, expressed in Greek currency, show that the observed values were above the projected ones for oranges, table grapes, apples and mandarins and below the projected ones for peaches, lemons, pears and apricots. When the gross value of production is measured in ECU, the observed annual rates of change are in all cases below the projected ones. Major proportional deviations between observed and projected values are observed in the cases of pears, apricots and lemons. In the cases of peaches and mandarins, the proportional deviations are small.

Impact of changed competitive environment

With the accession of Greece to the EU, the Greek fresh-fruit sector had to face a new competitive trade environment. The response of the Greek fresh-fruit trade to the wider market of the EU was rather problematic and in some cases distressing. This response was the result of inadequate preparation of the Greek fresh-fruit industry to deal with the challenge of a wider and more competitive fresh-fruit market that operates with higher standards concerning quality, price competition and availability of fresh-produce compared to the domestic market of Greece. Due to these defects, imports started displacing domestic products and the competitiveness indices declined (with the exception of oranges and the partial exception of table grapes and of mandarins).

It seems that the reassurance offered by the budgetary inflow of Community money and the euphoria created by the guarantees of the common organisation of the market for fruits resulted in halting or slowing-down the necessary adaptations that became more strongly felt from the beginning of the 1990s. Market liberalisation was a message for developing entrepreneurial spirit and for strengthening competitiveness, but that message was not sufficiently appreciated and properly interpreted. Money illusion was also a factor giving a wrong impression. By comparing prices in national currency and in ECU, it can be seen that devaluation of the national currency was giving the impression of positive developments even where prices were remaining stable or declining in ECU.

It has also been found that the foreign trade performance of the country has been inferior to its potential. Before its accession to the EEC, Greece was exporting both to EEC countries and to countries of Central and Eastern Europe. In the post-accession period, Greece managed to export only to countries of Central and Eastern Europe where lower qualities are accepted and lower prices prevail. The competitiveness analysis (trade balance, import coverage index, relative comparative index – Balassa index and import penetration index) ascertains the previously found characteristic that in the post-accession period Greece became an importer of considerable quantities of fresh fruit. Extreme cases are those of apples and pears where trade balances are negative for Greece.

The results of the above analyses show that the application of the CAP to the Greek fresh-fruit sector caused undesirable effects on production and trade parameters. However, these results must be seen in

conjunction with the appropriate pre-accession operational structure and the efficacy of the industry to cope successfully with the new challenges.

The findings of the supply and demand analysis of the selected fresh-fruit give the appropriate impact coefficients for possible changes. Thus the discussion of the findings of the supply and demand analysis, along with the findings of the residuals analysis and the competitiveness analysis, can give an integrated view in relation to the impacts of CAP on the Greek fresh-fruit sector. In terms of supply, the selected Greek fresh-fruits show inelastic supply, differentiated by product. That entails limited response of the fresh-fruit producer to price changes. This behaviour by fresh-fruit producers is expected because, and so long as, other supply conditions remain constant. In contrast, a fall in price will make supply of the particular fresh-fruits less attractive to producers. As fresh-fruit production derives from trees that take a number of years to enter full production, the process of adjusting to a change in price takes some time. When prices fall, some fresh-fruit producers will find it more attractive to change market (e.g. a differentiated domestic niche market or foreign market) and those remaining will tend to reduce supply if they act jointly (e.g. by reducing inputs) or will choose to exit from the sector and find other gainful activities. Further, the findings from the estimation of the last year's supply coefficients show that there are limited possibilities for rapid changes in the existing Greek fresh-fruit supply due to structural barriers embodied in the sector.

The empirical estimations of demand analysis of the selected Greek fresh-fruit show price inelastic demand, i.e. limited response to price changes. It is clear that as the price of a particular fresh-fruit rises, and all other influences stay the same, buyers will plan to buy less of the product. It is found that a rise in price will cause a reduction in the quantity demanded when all other things remain equal, but this reduction is significantly lower in proportional terms compared with the proportional change in price. The findings show also income inelasticity, meaning a similar disproportional response of demand to consumers' disposable income changes. In this case demand rises with rising disposable income, but the percentage rise in the quantity demanded is substantially lower than the percentage rise in the disposable income. Further, the findings of changes in the demand due to substitute (competing) fresh-fruits also show inelasticity, meaning a disproportional response of demand of a given fruit to changes in the substitute's prices. The last year's human consumption coefficients were found to be inelastic too, showing a disproportional response of

demand to the previous year's consumption. Further, inelastic demand is attributed to the non-response of supply to the changing tastes of Greek consumers in terms of quality and variety of fresh fruits or in terms of origin or production technique (e.g. organic products). It should also be attributed to the fact that fresh fruit is already a regular component in the Greek diet. The observed inelasticities of the fresh-fruit demand denote the necessity to introduce structural changes to the fresh-fruit value chain and shifts towards market segmentation or towards niche markets, offering desired fresh-fruit (e.g. organics, products of certified protected designation of origin/PDO, products of certified protected geographical indication/PGI, traditional speciality guaranteed/TSG, certified products, etc.).

Despite the observed weaknesses, there has been neither a concrete strategy from the government nor a demonstration of private investment interests for making good the weaknesses of the fresh-fruit sector. It should be stressed that many of the weaknesses need a long-term policy in order to be neutralised and that some of these are inherent to the sector (perennial crops, inelastic supply). In general, it can be said that the inflow of CAP resources and the feeling that these resources are guaranteed led to the EEC post-accession problems of the Greek fresh fruit sector, given that there are no obligations for investments directed towards organisational or structural changes in order to modernise and comply with the expected changes.

The stability of the prevailing situation can be seen from the spatial presentation of the locations and the importance of the examined fresh fruits. Only minor changes can be traced in the period 1991 to 1996. Data limitations did not make possible similar comparisons over longer periods of time.

Conclusion, limitations and directions for future related research

In conclusion, it can be substantiated that the accession of Greece to the EEC and the way the CAP (common organisation of the market) for fresh fruits was interpreted and implemented by the Greek side resulted in a degradation of the sector and reduced its competitiveness. The superficial satisfaction of fresh-fruit producers from getting CAP withdrawal payments and securing disposal of their produce together with the inertia of those in charge of guiding the fresh-fruit producers did not create a climate for structural change. As a result, the fresh-fruit sector demonstrates considerable delay in adapting to the new conditions of a globalised market.

As already mentioned concerning the methodology the best way to reduce bias is to use more than one approach to address a research problem. As different techniques serve different purposes, a researcher often can use several in sequence or in parallel, so the various findings can offer adequate and complementary scientific information when assembling the research puzzle. Thus in order for the research bias to be minimized and also for the Greek fresh-fruit market analysis and the CAP effects to be approached from various points of view, a variety of techniques ("a portfolio of techniques"), mainly of quantitative type, was chosen.

The decision to bring together different techniques has proved to be particularly useful and innovative. Further, it must be stressed that this portfolio of techniques is transferable to any kind of market analysis and applicable to other economic sectors apart from the fresh-fruit sector and to other countries. It is believed that this "horizontal type" procedure is particularly useful as bridging the gap between data (unassimilated facts about the specific market) and information (knowledge produced by the combination of the findings of the involved techniques) gaining the appropriate multidimensional insights. This contributes to identify the possible directions for future research.

The problems and limitations encountered in formulating the methodological framework of the present research were several. Most important among them, in terms of demanding preparatory work for selecting the appropriate methodological approach and tools, as the question of availability of compatible time-series data and the successive changes in the policy applied to fresh fruit. The limitations in the availability of reliable secondary data for sufficiently long time periods were often the obstacle to adopting desired approaches at the stage of selecting the applied methodology. However, it is believed that the final selection and use of the data employed in the present research supports sufficiently the methodological approach that has been chosen in order to satisfy the research objectives.

Clearly, with primary data from field work or secondary data from quarterly or monthly returns, the structural analysis of the market of fresh fruit could be more detailed. In such a case, some additional parameters might emerge that have not been uncovered by the present research or their level of importance may have been estimated differently. Further, the lack of regional or local time-series data has not allowed the evaluation of the contribution of

geographical structural characteristics in the market of fresh fruits, the uncovering and the appraisal of possible regional or local asymmetries in the process of market modernization, and the formulation of proposals for measures at regional or local level.

With reference to changes in the CAP common organisation of the market of fresh fruits, the most important change has been the abolition of the basic (guaranteed) price, the limitations and the new terms applied to withdrawals and the joint financing of withdrawals by both producers and the Community budget. This change signifies a move from a policy for quantity to a policy for quality and necessitated the search for methods other than the ones traditionally and widely used (such as "welfare analysis"), although even these are not normally employed for the market of fresh fruit either in other countries or in Greece. Thus research was focused on "on going" and "ex post" estimations and evaluations that could be used with the available data.

In order to avoid or to limit possible misinterpretations due to the adopted methodological approach, it was deemed necessary to present initially a detailed analysis of the structural characteristics of the wider environment where the fresh fruit market operates. So, it is believed that the findings of this research constitute the necessary extension and useful indices attributed to that environment. In this way the discussion about the existing situation and the prospects of the fresh fruit sector become more realistic.

With reference to the specific methodological approaches and the possible directions for future research, the following observations can be made. The method of residual analysis presents limitations. Although the present work is sufficiently and functionally well documented in terms of research, there is a need in future work for primary data analysis and for the introduction of a combination of quantitative and qualitative techniques. The latter can support the quantitative research effort and can provide complementary dimensions of analysis. In the case of competitiveness analysis, the interest in applying this method was focused on deriving competitiveness indices for foreign trade, showing the overall performance of the sector. Further research could demonstrate the exact position of each of the products in question in specific markets and its relative competitiveness, in order to propose appropriate measures. Another direction of research, including field work (for primary data), could attempt to specify the parameters influencing the competitiveness per

product and per market of interest as well as to discover geographical similarities or differences, in order to propose ad hoc directions of policy for Greek fresh fruit, appropriate for each segment of the market. In this case, there is again a need for future work through primary data analysis and the introduction of a combination of quantitative and qualitative techniques.

The analyses of supply and demand for Greek fresh fruit necessitated a lot of preparatory work for the specification of the appropriate function. The reason for this was the insufficiency of data. This difficulty explains why there is such a small number of research works, even for the most important agricultural products of the country. The full logarithmic models employed in the analysis of supply and demand seem to interpret in a satisfactory way, in statistical and economic terms, the behaviour of the market. Also, the elasticities derived in this way seem to provide reasonable reactions of the dependent variables to changes in the independent ones. Here again the insufficiency of appropriate data played its role. If more data were available, a system of equations could be developed, for the analysis both of supply and of demand that might produce closer approximations of reality. Further, taking into account that the models of supply and demand are partial equilibrium analyses and also that in practice the construction of integrated general equilibrium models is difficult and more distant from reality, field research for primary data could be supportive of the results of the present work. With reference to supply, qualitative issues that could be examined are the personal and professional characteristics of fresh fruit producers, more detailed structural characteristics of their farms, their decision-making and their reaction under different price levels, their investment possibilities and entrepreneurial expectations, and their attitudes regarding innovations, collective actions and economies of scale. In the case of demand, qualitative research could be directed towards the possibilities for market segmentation into more homogeneous and more profitable segments, the characteristics and the needs of consumers in specific markets. Further examination of the value chain of fresh fruits may specify its critical points, propose corrective actions, identify the possibilities to increase local added value and to link agricultural production with other on-farm or off-farm activities.

Consequently, it is believed that, although in this work there is an appropriate use of secondary data and of quantification, a future research direction must be focused on more primary data analysis and a combination of quantitative and qualitative techniques.

Recommendation for policy guidelines

Modern economic realities and challenges require alertness, continuous constructive critique and realism in tackling problems. They also require a review of the traditional role, the extent and the form of government intervention in economic life and in the social structure. The above requirements are more needed in countries like Greece, where the size, structural characteristics and the vigour and competitiveness indices of the national and particularly of the agricultural economy are far from being considered as satisfactory and promising.

Nowadays, continuous and in-depth research is considered as the primer for the development of sustainable competitiveness in market terms. In this case, directions for future Greek fresh-fruit market research must include production structure, supply and demand aspects and trade and marketing issues. The lack of the required primary data for the Greek fresh-fruit sector indicates the research needs and leads to the selection of the appropriate techniques of analysis (e.g. qualitative techniques or a combination of qualitative and quantitative techniques). The research priorities are suggested by the significance of the contribution of those factors that influence the Greek fresh-fruit value chain, with special priority to human resources. Concerning the future of the Greek fresh-fruit sector, the findings of the research show that the accession to the EU-15 brought to the surface the structural problems of this particular sector.

Yet opportunities for the sector's re-structuring in order to gain competitiveness do exist. With the latter in mind, a CAP-related "vision" is proposed for a new awakening of the Greek fresh-fruit sector. This vision is based on building a model of coordination between the fresh-fruit entrepreneurial behaviour and the use of CAP co-funding. This model focuses on sustainable management of the factors of production, directed towards the production of "clean green" fresh-fruit products, through the utilisation of the excellence of science and internationally approved good practices. It is also based on the good communication and coordination of the partners across the value chain of the Greek fresh fruit and on powerful, efficient and resilient marketing. This vision can be transformed into reality through the wise use and the complementarities of specific measures of the 3rd Community Support Framework funds for Greece.

The role of the Greek government (Ministry of Agriculture) in such an effort seems to be decisive and unique. The government is required to set aside the signs of inertia demonstrated during the post-

accession period to the EU and to encourage the cooperation of partners in the value chain of the Greek fresh fruit. In its capacity as the highest institutional authority, the government can propose a national strategic action plan for the fresh-fruit sector and invite those concerned to coordinate their actions. The role of the government in this case is not and should not be the detailed planning of a national sectoral policy, but the establishment of a functional and versatile framework of communication under the auspices of the government. The aim should be for the partners to establish and to exploit economies of scale for the achievement of specific targets of production and marketing. Extreme care should be taken by the partners to avoid involvement of the government, which, by offering assistance, might lead to suffocating dependence.

Realistic objectives, for restructuring the Greek fresh-fruit sector, that could be included in the national strategic action plan after being placed in an order of priority, seem to be the following:

- Incentives for new entrants in the fresh-fruit sector, possessing advanced professional skill in order to succeed old-age producers
- Adoption of new technology and introduction of new fresh-fruit varieties to satisfy consumer demand.
- Development of entrepreneurial spirit and attraction of new investments.
- Establishment of pilot and demonstration fresh-fruit orchards.
- Promotion of coordination arrangements that reduce business risk, such as contract farming and share farming.
- Technical assistance to fresh-fruit producers through the establishment of services able to quickly solve technical problems.
- Encouragement, through incentives, of turning a proportion of fresh-fruit orchards to organic and other forms of environmentally friendly agronomic activity (e.g. integrated pest management).
- Use of the opportunities offered by EU-15 measures for quality improvement at all stages of fresh-fruit production and marketing.
- General application (domestic market and exports) of fresh-fruit standardisation.
- Assistance for efficient functioning of interprofessional organisation for fresh fruits.

- Preparatory works for fresh-fruit market segmentation and for entering niche markets.
- An attempt to regain the losses in fresh-fruit export performance especially in countries with previous long-lasting exchanges.
- Commercial promotion of fresh-fruit products of specified geographical origin.
- International promotion of Greek fresh-fruit of distinctively high quality and stressing the connection of fruit consumption with Mediterranean diet and other important international events (e.g. 2004 Athens Olympics).
- Encouragement of cooperative action of producers and creation of a favourable climate for cooperative involvement in the production and marketing of fresh-fruit.

This long list of things to be done should not be discouraging. The Greek fresh-fruit strategic action plan should arrange them in a rational order, with priorities related to the needs, deriving also from the evolution of the common market organisation for fresh fruits of the EU-15. Further, the proposed model, if appropriately developed and adapted, might also prove useful to other agricultural sectors in Greece and possibly in similar cases of countries presenting the socio-economic and structural characteristics of Greek rural space.

In short and in the form of a general conclusion to the present study, it can be said that the post EU accession performance of the fresh-fruit sector of Greece was inferior to that expected. For reversing this situation and for achieving competitiveness, there is a need for CAP-related structural changes aiming at the modernisation of the fresh-fruit production and marketing system, the development of the sectors Human Resources, the best use of cooperative action and the employment of activities that result in differentiated and high quality fresh-fruit products that embody value added services.

If concerted co-operative action to that effect is not undertaken, one can reasonably expect that under the conditions of the globalised market the situation of the Greek fresh fruit sector will deteriorate. But, after all, "survival is not obligatory" (Logothetis 1993).

References

The bibliography of sources and references is too extensive for inclusion in the Journal but may be found in the archive at Coventry University in the UK or by contacting the author.

The PRSP and Decent Work in Asia. The role of co-operatives in poverty reduction.

Robby Tulus

Abstract

A wide ranging review of both the depth of co-operative penetration and development and the developing institutional and policy framework concerning the reduction of poverty and the provision of ILO decent work policy in the Asia Pacific region. The paper argues that co-operative success in the past as a development model lays the ground for an even greater relevance and larger role in the latest evolution of globalisation and transition to the free market paradigm. The need to safeguard co-operative independence and ensure legislation is kept under constant review is emphasised in a wide range review of the change process as it impacts upon the government co-operative relationship in the area of co-operative legislation where the trend is becoming more favourable to co-operative bottom up solutions in the recent past. Co-operatives however remain weak and relatively small businesses throughout the region, although there are many exceptions. The best approach is for co-operatives to enter partnerships for development with governments, development agencies and organisations like trade unions to maximize their impact.

Key words

Poverty Reduction, Marginalised Communities, Globalisation, Co-operatives, Decent Work, ILO

Introduction

Co-operatives have a long history of helping the urban and rural poor to uplift their social and economic conditions. The hallmark of co-operative enterprises have been its integrative and transformational qualities among the marginalized and poor communities, not just because of their ability to raise physical capital based on self-help, but also because of their ability to build human and social capital through their emphasis on education and training.

With the surge of globalization co-operatives have once again proven their ability to adapt and respond to the fast changing environment around them. The widely publicized vehicles of development known as micro-finance and micro-enterprises are actually not a

recent phenomenon, but a recurrence and modernized version of past traditions of the founding fathers of co-operatives. It reinforces the continuing historical relevance of co-operatives in their efforts to mainstream the otherwise marginal communities by linking them to the wider marketplace and society, using time-tested methods and mechanisms.

The initiative of ILO to stage the current Regional Workshop on the role of co-operatives in poverty reduction is therefore very timely and indispensable, because it allows co-operative stakeholders to identify measures to effect changes in the Poverty Reduction Strategy Paper (1999) (PRSP) countries in the context of Decent Work. To do so, co-operatives must also transcend traditional sectoral boundaries and reach out to other civil society organizations and governments. Co-operatives, especially in the PRSP process, must therefore rise up to these challenges bringing the voices and the needs of their members, especially the poor, to the table of public policy reform as their most representative organisation.

Overview of the co-operative movement in the Asia Pacific Region

The most recent ICA Statistics demonstrate that the weight and diversity of co-operatives in Asia-Pacific region. There are 64 affiliated co-operative federations from 28 countries with 480,648 primary co-operatives and individual membership of 447 million people. The proportion in the ICA membership has increased from 10% in 1935 to 57% in 1998 (See Figure 1). Among them, India and China have the largest membership, i.e. 183 and 160 million respectively.

Figure 1

	Number of Countries	Organizations	Societies	Individual Members
Americas	18	61	43,945	182,486,437
Africa	12	19	27,214	9,561,443
Europe	35	88	197,293	118,473,862
Asia	28	64	480,648	414,383,079
International	n/a	4	n/a	n/a
Total	93	236	749,100	724,904,821

ICA Membership Statistics 2000

Geographically, these co-operatives are distributed throughout the region from East, Southeast, South, West, and Central parts of the Asian continent into a vast sphere of the Oceania region.

Co-operatives are strongest in the agricultural sector, although the trend shows increasing strength in the consumer and worker sectors as well. Co-operatives also proliferate in the banking and insurance sectors in many countries, with credit unions and micro insurance gaining prominence as a sound network in the region. From solely a statistical perspective, co-operatives in the Asia Pacific have made significant inroads into the advancement of the global co-operative movement, with Japan leading the pack in many ways, especially the Agricultural and Consumer sectors.

However, India, Sri Lanka and the Philippines have earned their distinction as movements from developing nations that have their best practices well documented, especially in offering productive employment for the enterprising poor in rural areas. Lessons learned from these countries are expected to create the impetus for growth and development of co-operative in many other developing countries in Asia and the Pacific as well.

In a number of developing countries in Asia, co-operative business activity is beginning to show a similar pattern to that in the developed countries. The difference rests primarily on the extent of government's involvement within, and in some cases control over, the co-operative movement itself. European and North American Co-operatives have a strong market presence supplying agricultural inputs (including credit) and consumer goods, processing and marketing agricultural products, and providing financial services, and so do co-operatives in Asia.

largest in the world. Co-operatives are found in 99% of the villages, where 2 out of 3 households hold memberships. Total co-op assets amount to \$ 48.6 billion, with member savings deposits of \$ 22.1 billion. More than 60% of rural credit is managed through the co-operative structures.

Although only about 8.5% of the Philippine population is served through co-op membership, co-operatives have a significant presence among low-income earners, agricultural and informal sector workers.

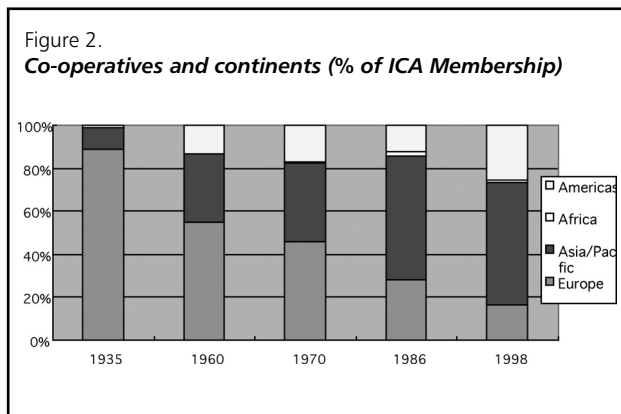
Asia's 24,500 primary financial co-operatives boast of more than 160 million members, hold US\$ 653 billion in savings deposits. Their US\$ 789 billion in assets (including a US\$ 278 billion loan portfolio) make up 7.7% of the total assets of the largest banking institutions in the world.

The largest are represented by the Agricultural Co-operative Banks in Japan and Korea, whereas credit union in the developing countries in Asia are relatively small but have shown enormous resilience against external shocks. Credit Unions are also known to be more autonomous and independent.

Co-operative policy environment

There cannot be any doubt that the ILO and ICA are the two key players pursuing enabling legislation and policy development for co-operatives worldwide, especially in the developing nations. The achievements so far have been mixed, though mostly positive, while some opportunities were evidently missed. However, it is important at the outset to recognize some of the fundamental milestones created by both the ILO and ICA, which have contributed towards the achievement of a more conducive environment for the development of co-operatives in the Asia Pacific region.

One only needs to look back at the previous generation of ICA Co-operative Principles of 1966, which was clearly empowered by the ILO Recommendation 127 adopted at its 50th ILO Session in the same year. Both happened during the cold war period where planned, rather than market-driven, economy prevailed in former communist countries as well as developing ones. The end of communism, and the coming of the new Century, garnered the collective intelligence of co-operative leaders, leading towards the adoption of the ICA Co-operative Identity Statement in 1995, followed by a similarly crucial milestone led by the ILO. The latter was the revision of standards contained in Recommendation 127 of 1966 with the most recently adopted Recommendation 193 in 2002.



With its 452,657 primary societies, a membership of close to 200 million, and working capital of \$ 57.9 billion, the co-operative sector in India is one of the

Decaying state-sponsored co-operative enterprises following the era of planned economy, coupled with the fast pace of market-led private sector development in the succeeding era of globalization, pushed co-operatives more and more towards the periphery. The situation offers a tremendous challenge to scrutinize and improve the quality of legislation to better serve members as well as communities impacted by co-operatives. For these reasons, the initiative of ICAROAP to hold ministerial level conferences on cooperative policy and legislation since 1991 is seen as a creditable move.

Consistent efforts in scrutinizing policy and legislation since 1991 led to a major breakthrough during the fifth Co-operative Ministers Conference held in Beijing in 1999. A declaration, evolved through a dynamic process of dialogue since 1991, summarized the need for a new approach to cooperative development in the Asia Pacific region. It focused on two imperatives. First, it focuses on the need to create and sustain an enabling policy and legal environment conducive to cooperative development. Secondly, it emphasizes the need to establish new forms of cooperation between government and cooperatives.

The momentum created by this Fifth Ministers Conference was not merely due to its large attendance and organizational accomplishments. More than anything it is because of the rare consensus reached between governments and movements in adopting key standards and approaches required to create a sustained and enabling policy and legal environment that is conducive to cooperative development.

It further set the common agenda towards the establishment of new forms of co-operation between governments and cooperatives. All seven Resolutions reached are still considered practical and doable, especially for transitional economies and PRSP-related Countries.

Nonetheless, political factors within any given country – with the cooperative ministry or authority being only one segment of the political make up and socio-economic framework in that country – could potentially delay or hamper the implementation of these recommendations. A critical study was launched to scrutinize the implementation of the consensus in six distinct areas, namely in the autonomy and independence, legal existence, recognition of the distinct character of co-ops by law, fair playing field with other enterprises, self-regulation, capitalization, and official development assistance.

ILO Recommendation 193 has advanced the thinking even further by advocating the need for governments to recognize the global importance of cooperatives in both economic and social development, encourage international cooperation, while at the same time reaffirming the cooperative identity based on values and principles. It underscores the equal treatment of cooperatives vis-a-vis other types of enterprises and social organizations, and define the government's role in creating a supportive policy and legal framework, and in facilitating access to support services and finance, without undue interference.

In Cambodia, for example, there is no co-operative legislation. As well, Co-operative has a bad name due to past failures. Rural people are still allergic to co-ops, and are thus not inclined to support the formation of any official form of a co-operative organization. The Banking Law, the Prakas (regulations) on MFI, is about the most actively utilized regulatory instrument for PRSP in rural areas. The government, i.e. National Bank of Cambodia (NBC), is responsible for maintaining the integrity of this micro credit program in the rural communities for poverty reduction, and while NGOs are mostly active as delivery mechanisms of Micro Finance, it now opens the doors for co-operative activists to organize saving groups that will eventually lead towards the formation of credit co-operatives.

In India, 27 cooperative laws are in force in different states and union territories. In addition, five states have enacted parallel cooperative laws. Apart from all these cooperative laws, a central cooperative law, specifically the new Multi State Cooperative Societies Act has been enacted in 2002, with positive features that reflect the spirit of the Beijing Declaration. Thus India has about 33 pieces of cooperative legislation in place. In addition, India is the first country in Asia that has enacted a new Co-operative Policy in 2002, approximating the concept introduced by ILO in many developing countries in Africa.

The policy is considered very progressive, advocating the necessary support, encouragement and assistance from the government to ensure that cooperatives work as autonomous, self-reliant and democratically managed institutions, accountable to their members. It outlines the role of co-operatives in the national economy, particularly in areas where people's participation and community efforts are required. It also recognizes that the "Cooperatives alone" approach is less viable. Instead, the policy maintains that Cooperatives will be a preferred instrument in the execution of Public Policy, especially

in rural areas and in sectors where co-operatives operate as an effective delivery system.

Co-operatives in Indonesia are poised to break free from dependencies on subsidies from the central government as the impact of the dimensional monetary crisis and the move towards regional autonomies has weakened central control over co-operatives. Independent institutions such as the Institute for Co-operative Studies (LSP2-I) initiated a process to pass a new co-operative law that was aimed at breaking the ground for such a change. It concluded a year long participatory exercise - beginning with primary members at the grass roots - to arrive at various amendments to the existing co-operative law. Meanwhile, DEKOPIN, the apex cooperative of Indonesia, has also undertaken an internal review of the changes to be made in the existing cooperative legislation and have placed their recommendations before the appropriate body in Parliament.

A third draft version was finally launched by the government in late October 2003 and duly tabled for discussions in the Indonesian Parliament. Although there is nothing fundamentally deficient with Co-operative Law 25/1992, the participatory process initiated by LSP2-I has created greater awareness among stakeholders from all over Indonesia on the need of incorporating the ICA Co-operative Identity Statement, as well as the substance contained in the draft ILO Recommendation (193), in the draft legislation. Unfortunately, the dilution of the latter into a third version may have been prompted by political expediency.

In contrast to the Indonesian case, the Philippines have instituted movement-led processes in the passage of the Co-operative Code in 1991, as well as the more recent Policy on prudential standards for credit co-operatives called COOP PESOS in 2003. The Policy contains a unique organizational dimension that distinguishes similar standards from private financial companies, and the CDA has led the process by way of constituting a technical committee composed of relevant credit co-operative organizations and the CDA itself. The COOP PESOS is an excellent instrument for credit co-operatives to empower the enterprising poor, because financial discipline helps to mobilize and secure meagre savings of poor members as well as the Micro Finance clients they are reaching out to.

Landlocked Nepal is caught up in a vicious cycle of poverty and economic stagnation, and the political disorder is making the situation even worse. The government's Tenth Plan to reduce poverty from 38%

to 30% of the population is quite ambitious, given the rugged mountain terrain of a large part of the country. Co-operatives, mostly rural, have been struggling to survive in spite of the co-operative law that is considered as the most liberal and progressive one in Asia. Unlike the Tenth Plan that was constructed through a bottom-up process with extensive consultations in the field, co-operative legislation exhibited a top-down nature throughout the lawmaking process. As a result, there is but little understanding among the poor co-op members in rural areas as to the value of the Nepal Cooperative Act of 1992. The Co-operative values and principles are well enshrined in the law of 1992 and through government policies the Identity Statement was promulgated in 1995. Interestingly, the positive fundamentals of autonomy and independence granted to Nepal's cooperatives by the government based on the co-operative law, especially to financial cooperatives, have led to a problem of a different kind. Private businesses misused the cooperative form of enterprise and businessmen reap benefits that are meant to support genuine cooperatives among the have-nots.

Sri Lanka has seen the up and downs of co-operative development. In the early seventies the government carried out large-scale mergers of Multi-purpose co-ops, and nominated officials to the board of directors, resulting in considerable political interference in cooperatives. Members' involvement in the co-operative affairs was marginal, in spite of the fact that co-operatives had a large market share in the consumer trade until the economic liberalization in 1977. When economic liberalization began to mould the marketplace, cooperatives were forced to manage their own affairs, and the government amended the cooperative law in 1992. The powers of the Registrar were substantially reduced. This amendment also resulted in preventing members of Parliament, provinces, municipal and urban councils or *pradeshiya sabhas* from being eligible for election as a member of the committee of a cooperative society.

In Vietnam, the enactment of the Law on Cooperatives took place in 1996, following a series of technical assistance provided by the ICA and ILO. The Law on Enterprises was promulgated for the registration and regulation of limited liability companies soon thereafter. It is generally conceded that the Law on Cooperatives is over-prescriptive and more complicated, in comparison to the law on enterprises.

The Vietnam Co-operative Alliance, an active

member of ICA, was an active participant in the construction of Decree NO. 15/ND-CP, relating to policies encouraging cooperative development in the aspects of land use, taxes, credits, training, investment projects etc. It also participated in setting up of Decree No. 16/CP, on the transformation and registration of cooperatives and Unions of Cooperatives under the new Law. In addition, the VCA has played an important role in the development of model by-laws under the Laws and is actively involved in the transformation process of a number of old model cooperatives.

The VCA will have an important function to play in future modernization of the Law on Cooperatives to bring it into line with the current business law for the establishment of companies. Provisions with regard to the registration of co-operatives under the current Law are seen as being too cumbersome and overly complicated. Moreover, the transition requirements under Decree 16/CP appear to add to the complication by prescribing a number of preliminary steps, such as the identification and valuation of assets, before registration documents can be submitted and registration obtained.

Put simply, the inclination towards reforms and the redirection of energies towards good governance on the part of governments and the co-operative movements in Asian developing countries will open windows of opportunity for an enabling environment for co-operatives. However, this cannot be left to chance. It must be implemented and constantly reviewed. Governments could either “abandon” co-operatives or launch an entirely new approach that is more member-driven and participatory. On the one hand, they will need encouragement; on the other, they will need direction. On the part of co-operatives, the preoccupation with growth could give way to inward-looking co-operative movements in the region. Where learning from others could be useful, this internal preoccupation could downplay every opportunity for coherent growth of co-operatives as a sector, and for systemic growth of co-operatives as a whole. The risk of failure of co-operatives as a system is real enough for this not to be left to chance.

Hence the need for constant review of existing legislation and policy cannot be emphasized enough, because legislation must enable and “empower” co-operatives to self-regulate following a mutual scrutiny of the appropriate standards to be adopted. The government role should primarily be to supervise and regulate by applying effective operational performance standards for co-operatives.

Major strengths and weaknesses of the co-operative sector in the Asia Pacific Region

While focusing on PRSP-related Countries, we also need to assess the influence co-operatives from developed countries have had on many PRSP-related Countries. The co-operative realities existing in ICA's PRSP member countries are by and large patterned after successful models seen in countries such as Japan and Korea, not to mention those in Europe and North America, especially in the Financial and Agricultural co-operative sectors. The replication of successful models from “North to South” is laudable, but the overall tendency to seek instant results has been the greatest flaw.

Individual self-discipline of members have not been instilled by proper adaptation and training, and with heavy subsidization by governments of PSRP countries in the past who want to gain quick results, the stop-gap and fast track measures have contributed to serious failures in many co-operatives. The latter is particularly true among many agricultural co-operatives receiving financial support from their respective governments without the capacity building and proper democratic control measures within the co-operatives.

The multi-purpose agricultural co-operatives (MPAC)⁽¹⁾ are often seen to be a typical Asian model although these co-operatives also exist in other regions. The MPAC conduct multiple functions such as marketing, supply, finance, guidance and other services within the same organization. Governments in PRSP-related countries have often championed the desirability of multi-purpose versus single-purpose co-operatives. They do so primarily upon witnessing the successful agri-coop (MPAC) model in Japan and/or Korea, and on the belief that having co-operatives as effective vehicles to uplift the socio economic conditions of poor rural peasants.

In Japan and Korea, the success of the MPAC was indeed the result of effective institutionalization by the State, in close collaboration with the Agricultural Co-operative Sector itself. Governments have been strongly involved as a major player for implementing national agricultural policies. They employ various legal/administrative measures and subsidies/loans, ranging from the macro policies such as the price maintenance scheme covering a bulk of farm products, the selective expansion/reduction of production, the staple food control system for price and distribution, the financial stabilization scheme, the structural reform of farmland etc. to micro policies such as modernization of farm facilities. Co-operatives have

often been designated as the sole agent to implement the promotional measures. They have also acted as subcontractors to channel the public money to farmers. There exist measures with direct impact on agricultural co-operatives, i.e. laws for rehabilitating ailing co-operatives, creating federations or promoting mergers etc. Thus they have been 'institutionally' ensured to benefit from these promotional measures and subsidies.

In most PRSP-related Countries, however, the process of institutionalization has been fraught with bad governance, and poor human resource capacity in terms of lack of training and ineffective use of funds at farm-gate level have led to massive failures of the MPAC in these developing countries such as can be seen in Indonesia, Sri Lanka, Nepal, Philippines, Laos and Cambodia.

In contrast, the credit union movement in Asia albeit still small, emerged and evolved from local communities and low-paid workers that combined financial services with a social mission. Credit unions grew in PRSP-related countries without government support, and are currently redirecting their efforts to provide micro-finance services to the poor.

The rationalization of micro-finance through credit unions is grounded on a rediscovery of the power of savings, and designed to catalyze entrepreneurship among the poorest of the economically active people in the community. Combined with their democratic ownership structure, credit unions could well be strategically positioned in the marketplace to serve the poor in rural areas. Through the formation of micro-finance self-help groups, the SHG will eventually be part of the ownership structure of credit unions.

Worker and Shared Services co-operatives are also on the rise, and the recent experiments in the Philippines with the Kaakbay model have shown encouraging signs of success. These "new age" co-operatives are clear examples of bringing displaced and/or poor workers into a common micro enterprise platform. ICA and ILO are the best placed institutions to replicate successful models with a pro-poor orientation and thrust.

In terms of other strengths and weaknesses of co-operatives in the region, the following highlights could be offered:

Strengths

Size and scope: Cooperatives are in all probability the most widespread form of popular organization in most of the Asian countries. All of these cooperatives

subscribe to the international cooperative values and principles contained in the ICA Co-operative Identity Statement. The latent social and economic capital in the cooperative sector is phenomenal if governance and human resources and management can be improved

Economic performance: The cooperative sector's contribution to the total national output of their country, with the exception of strong ones like Japan, Korea, New Zealand and India, has been modest but in most countries it is increasing.

Market segment: Cooperatives are strongest in mobilizing savings from the lower income and poor groups and in catering to their needs for financial and other relevant services. The most successful cooperatives are of the savings and credit types, although the Asian consumers and agricultural sectors are still being consolidated (or rehabilitated) to re-emerge with new strength (The Australian and New Zealand Agricultural Co-ops remain strong). Credit cooperatives have a proven track record as effective conduits for servicing the poor.

Co-op Resilience: The resilience of financial co-operatives (including insurance co-ops) was demonstrated during the financial crisis in Asia. Whereas banks were faced with the rush of withdrawals from their clients, financial co-operatives in hard-hit countries like Thailand, Korea and Indonesia continued to generate savings from members since 1998 in an unprecedented way.

Existence of federations and unions: Cooperatives have vertical and horizontal structures for expanding their economic linkages and cooperation with one another and as sources of support services and information. Here again human resource development is key for the future realisation of potential.

Weaknesses

While the aggregate number of co-operatives show an impressive size and scope, most **co-operatives in developing countries tend to remain small and under performing:** With the exception of a few in countries like Japan, Korea, India, Australia, New Zealand and Singapore, most cooperatives remain small and are not able to reach the critical mass to realise economies of scale. The challenge of capitalization is always present. While the most logical way is to encourage viable mergers and consolidation as a way to achieve fewer but better cooperatives, the cultural trait among leaders in rural communities

remains a major barrier. The recent experiment by people-based co-operatives at SANASA in Sri Lanka and NATCCO in the Philippines is an interesting case in point.

In addition to that, the proliferation of state sponsored cooperatives is due in large part to the **intervention of politicians** and other agencies that regard cooperatives as vehicles for their own programs or projects. In addition, improper infusion of external assistance has in numerous cases, led to opportunism and loss of self-reliance among coop members.

The situation is further compounded by the petty rivalries and **lack of cooperation among cooperatives**, both at the local communities all the way to the national federations.

Weak and fragmented federations and unions a side from their unstable membership base, are often unable to deliver support services and integrate the economic activities of their members. This leaves primary cooperatives at the base with limited support services in terms of education and training and management consulting.

One critical weakness is in the area of provision of **co-operative management development, education and training** for common cooperative members and staff. Common members undergo pre-membership education training, which in many coops is a requirement for membership. There are no systematic and continuing education programs for common members to develop a strong sense of ownership in the cooperative.

Generally, there is a **lack of strong leadership across the system and structures** that has the capability to promote and implement effective integration among sectors and advocacy to governments.

There are **insufficient policies, procedures and professionalism** within many co-operative structures to

manage risks, and conduct effective marketing and distribution, auditing, management, consulting services, and education and training.

Resource mobilization: The poor can save! Many cooperatives in developing countries are still not able to maximize the allocation of available resources within the cooperative movement itself. Co-operatives catering for the poor can actually maximize the use of Self-Help Groups and provide Micro Finance to the enterprising poor by setting up a facility to do so. Only credit unions have the centralized system and mechanism to manage liquidity across cooperatives, and reach out to the very poor through Micro Finance.

Employment creation and social benefit nets.

While official statistical information on the number of jobs created through co-operatives in the PSRP countries in the region is not readily available, it is safe to assume that a significant portion of co-operative members are employed by way of two categories of employment: paid labourers or micro entrepreneurs.

The latter is being more actively promoted by workers co-operatives and financial co-operatives (credit unions). Loan products are designed for short turnaround time, and the regularity of loan cycles – combined with regular savings – make this service brand and market asset a breeding ground for repeat business by members. This creates member loyalty to the loan products of the co-operative and stores up social capital as a result. The real challenge is to replicate and multiply pro-poor models of training and lending that has proved very successful in some countries.

At the institutional level, Fig 3 shown below is the actual membership base and target group among the poor as publicized by the Asian Confederation of Credit Unions. It shows their membership and associates in the

Figure 3

COUNTRY	MEMBERS DEC. 2001 OF DEC 2002	POOR MEMBERS AS REACHED	# OF POOR WOMEN DEC 2005	TARGET OUTREACH
Bangladesh	106,580	53,064	42,451	265,320
Indonesia	295,924	207,146	145,002	414,292
Nepal	37,672	29,920	17,952	149,600
Philippines	1,490,264	1,023,171	477,322	1,500,964
Sri Lanka	810,373	688,817	358,184	1,033,225
Thailand	2,169,832	278,604	153,231	306,465
Laos	4,500	4,500	3320	30,000
Cambodia	8,000	8,000	7,823	50,000
Vietnam	973,000	3,500	1,700	150,000
Total	5,895,863	2,296,722	1,206,985	3,899,876

region, with its segregated data for the target group among the poor (especially Women).

At the individual level, the following case of Sri Mulyani is quite revealing, as it shows how her co-operative offered her the opportunity to become self-reliant, taught her leadership skills and qualities, and exemplified the concept of Decent Work:

Sri Mulyani is a mother of three kids. Her husband's income as a daily labourer cannot meet their household expenses. In 1998, she ventured in selling fried sweet potatoes to increase their family income. She started with a capital of Rp. 25,000.—(US \$ 2.40). The business helped earned additional income to meet family expenses. The business did not prosper because of lack of management skills and financial discipline. In 1999, she changed her business to a small food shop with a working capital of Rp. 40,000 (US \$ 4.25). To her surprise, she ended realizing that her working capital had been consumed by unnecessary expenses.

She joined the Micro Finance program of Sumber Daya Credit Co-operative and became a group leader. Sri Mulyani learned family budgeting based on credit union thrift principles, as well as enriching her skills in managing her small business. At present she is maintaining a simple cash flow of her business to ensure that she is not using the capital for personal expenses. She is now setting aside a minimum of Rp 1000 (US \$ 0.11) for savings and amortization for the working capital loan she received from her credit co-operative. She has realized the importance of savings and a discipline to do it. She also learned group skills as a group leader; and understands co-operative values from her practical experience.

Her husband is earning Rp. 300,000 (US \$ 35) a month for doing hard labour and Sri Mulyani is earning Rp. 2,100,000 (US \$ 247) per month, which is more than enough to take care of the family expenses of around Rp. 460,000 (US \$ 54).

Of late, the minimalist approach of financial services is being greatly enhanced by a more integrated approach through financial co-operatives. This has generated more enterprise development activities that are implemented in conjunction with social service-related activities and women empowerment activities. As a result, it opens employment opportunities providing decent jobs to co-operative members and other SHG clientele.

Co-operatives in developing countries are still

considered micro players in the marketplace, although the integrative nature of co-ops through their vertical and horizontal structures has allowed them to create the critical mass necessary to become sustainable and viable institutions. The Amul Dairy and the Fertilizers Co-operatives in India, the SANASA and MPCS in Sri Lanka, the NATCCO network in the Philippines, are just a few examples how the poor and vulnerable groups in rural communities are strengthened in their micro enterprise undertakings.

The multiplication of jobs created by co-operatives is a source of strength for rural communities, because their being integrated in an institution that protects their decent work will build resilience from the pressures of the dual economic markets created by globalization.⁽²⁾

In other words, rapid growth does not necessarily guarantee rapid poverty reduction from this micro perspective. There is empirical evidence that capital-rich institutions capture the convergence of capital brought about by globalization. The poor have little access to such capital until such time that debt-based financing was created and made available to this poor segment of societies, especially landless women. Micro Finance Institutions are indeed trying to fill this gap, but more recently have been active in promoting and mobilizing savings from MFI clients. Co-operatives are therefore ideal to add value to micro finance by rediscovering the power of savings to the debt-based approach. Credit must be taken together with savings as an intimately intertwined system.

Labour-intensive methods of production are indeed creating employment in many PRSP-related Countries providing abundant labour force among the poor. But at the same time this well-tested model does not guarantee that the meagre income of small employees are well managed at the individual level to sustain their livelihood in the long term. Co-operative is essentially the most effective extension to this model that integrates these under-employed and low-paid workers into a member-based, more sustainable, institution. It is a social safety net for both the co-operative members as well as the SHG clientele being promoted by NGOs and a number of MFI development banks.

Co-operatives and civil dialogue

Co-operatives have a natural affinity for the desire to retain the "civil" qualities of our traditional societies and hence create new meaning to community in the globalizing world. But with contemporary civil society organizations increasingly moving into non-traditional domains criticising militarism, violence, and the

degradation of the environment, co-operatives often find it difficult to enter the fray due to their neutral stance in politics. However, such party neutrality may help make their contribution more effective. Co-operatives have much to offer because they continue to support members with quality socio-economic services based on ethical and moral considerations, all critical ingredients for civil society. This approach corresponds to a common vision of civil society organizations that within a diverse society must be bound by a set of core values.⁽⁵⁾ Individual members, and not the co-operative enterprise itself, are therefore being encouraged to play their part in political life to help mitigate the ill effects of the dual economic markets being created by globalization.

Perhaps the most powerful partner of co-operatives in civil dialogue would be the trade unions. As membership organizations, co-operatives and trade unions share a common history. They both originated from the struggle of workers to confront social inequities and to improve living conditions through collective action. Close collaboration between them have largely transpired within local and national boundaries in just a few countries, the latest being in Nepal and Vietnam, but efforts are on-going to bring such cooperation and dialogue at the international level as well.

However, unlike trade unions, co-operatives as legitimate institutions in civil society are often less heard or seen by global players and networks outside their own system. Not by design or intent, but by the sheer fact of the intensity of building a member-focused enterprise based on economic democracy tend to drive co-operatives to look more inward rather than outward. The participatory process in democratic governance, and hence slower process in decision-making, is a strength and weakness at the same time when it comes to reaching outward to civil society. That said, it has been proven that the life expectancy of co-operatives – as also trade unions – tend to be much longer compared to their non-governmental counterparts or private competitors.

To enter the public policy domain, therefore, the Co-operative sector interacts actively with trade unions and various UN agencies.

The latter has been well advanced through the Committee for the Promotion and Advancement of Co-operatives (COPAC), an inter-agency committee established in 1971, which currently includes three United Nations agencies and three international NGOs, including the International Co-operative Alliance. The advocacy role played by COPAC in promoting the

autonomy and independence of co-operatives is deemed critical, because UN agencies as close allies of the ICA and their member governments, can help mitigate the dominance of state intervention, and support cooperatives as institutions that organize self-help, promote solidarity and mobilize their own resources. However, ICA collaboration with the ILO has a special meaning of its own and has been particularly intensive.

As mentioned earlier in this paper ILO at its convention in 1966 ratified Recommendation 127, recognizing the important role played by co-operatives and also provided guidance to governments, workers and employers to help create an enabling environment for co-operatives to grow and play its role in civil society. The focus was on developing countries. The new ILO Recommendation 193 approved in June 2002, is being focused not just on developing countries, but has a more universal mandate, spelling out the universal character of co-operatives, and the flexibility in applying co-operative organizations in all sectors of activity and to focus on ensuring that enabling conditions exist for co-operatives to function and thrive. The important issue of autonomy, the special characteristics of co-operatives - its values and internationally recognized principles - were discussed and have led to a clearer understanding of the co-operative enterprise.

Apart from working closely with the ILO, ICA members also collaborate with International Financial Institutions and NGOs in optimizing delivery of the fashionable Micro Finance programs to the poorer segments of society in developing countries. The successful case of policymaking in India is a prime example of how co-operative members and other partners are empowered to dialogue with all government ministries to create a more enabling policy for co-operative development. The design of future dialogue with governments as led by ICA ROAP would hopefully empower co-operatives in other countries to embrace a similar bottom-up approach.

In both philosophy and practice, the co-operative sector is becoming stronger as a proponent of open public policy discourse, especially after the ongoing dialogue with governments through ICA ROAP Co-op Ministers Conferences, espousing the value of participatory democracy, and the strength of co-operation and partnerships. These principles and the practical applications of the co-operative model are an integral part of the declaration at the last Ministers' Conference in Nepal. An important expression of co-operatives' compatibility with, and value for, ICA

partnership with the ILO, is their strong partnership with respective governments in Asia for the promotion and strengthening of co-operatives in developing countries.

Strong co-operative systems, as demonstrated by successful ones in India, Sri Lanka, Philippines and Thailand, are important triggers to support sustainable development, reduce poverty and contribute to more participation in policy making.

Co-operatives as change agents

The slow pace and cyclical pattern of economic growth in many PRSP-related countries in Asia has contributed to the cyclical poverty in these countries.

The paradox and irony of what we call poverty is that it is always present in the midst of plenty -- with excessive inequalities as a result. With an estimated 800 million people in Asia still living in dire poverty, it further reflects the unbalanced and erratic economic growth. While the poverty incidence declined in the aggregate in most developing countries, the absolute number of poor people increased. Governments in Asia have to grapple with their weak fiscal position and consequently cut spending for social services, making it harder to stimulate economic growth and expansion. They need partners such as the co-operative institutions for their outreach to the poor in rural areas.

But as described earlier, co-operatives as micro players cannot by themselves advocate their strength as change agents in poverty reduction programs unless they work hand in hand with developing partners such as trade unions, NGOs, bilateral and various UN agencies. Take the case in East Timor. Hanai Malu Foundation is a secondary institution for the credit co-operative movement in East Timor, set up by way of popular participation by primary credit co-operatives in 1994 and subsequently incorporated on 24 April 1996 under Indonesian Cooperative Law, hence named as Pusat Koperasi Kredit Hanai Malu (PUSKOPDIT HANAI MALU).

It was therefore, legally recognized. It had a focused program for entire community throughout East Timor. In August 1999, just before the destruction, Hanai Malu managed to set up 27 primary co-operatives, covering 12 districts of East Timor, with a membership of 5,917 and member's saving/deposit has reached Rp.1.7 Billion, and total assets of Rp.2.25 Billion. In addition, 15 primary co-ops became part of the Mutual Benefit Program and 20 primaries as members of the Central Liquidity Fund of the national Credit Co-operative

Federation of Indonesia (CUCO Indonesia).

Following their independence in 1999 the number of the poor in Timor Leste increased, whereas any previous links with CUCO Indonesia severed. The influx of NGOs, bilateral and multilateral agencies offering to help the poor communities in Timor Leste did little to respond to past successes of Hanai Malu, but offered different development programs to help their plight through micro finance and other welfare schemes. Instead of rehabilitating past success, fresh but conflicting agendas of development agencies have done little to revive a poor but vibrant community that already believed in self-help and in a savings-based enterprise.

This case study is disappointing, because without having to reinvent wheels ICA and ILO could have captured the opportunity to work together with other development partners and the local government to rebuild poor local communities in Timor Leste through a proven model of SHG, labour organization and Co-operatives.

Collaboration at the grassroots level is as important as collaboration between international development agencies addressing macro issues. *Reducing poverty requires the creation of growth and dynamism at the level of the poor people themselves, where they can take their own initiative and improving their own situation.* Poverty reduction is not merely a one-way support from economic growth to disadvantaged people, but also an important factor that lays down a relatively level playing field for development, provides additional abundant labor force, and ensure the stability in the "take-off" period.

ICA ROAP and ILO are natural partners to convince governments and other multilateral agencies about the imperative of the bottom up approach. But governments must create the enabling policy environment for co-operatives to be able to do so. In some cases, such as in Indonesia, additional benchmarks must be created to ensure legal compliance and enforcement for co-op officials and leaders. Organizations such as ICA and ILO could be change agents to ensure that external support is only supplementary and that these funds actually reach the poor beneficiaries.

Conclusions and recommendations.

1. The weight and diversity of co-operatives in Asia and the Pacific, especially in PRSP-related Countries, provides a meaningful guide to the international development partners that the co-

operative sector is indeed a force to reckon with. They act as agents for empowerment, and through ICAROAP and its members enhance the capacity of poor people to influence state institutions that affect their lives. Together with partners such as the ILO, ICAROAP and its members are “agents of change”, strengthening member participation in socio-economic and socio-political processes, as well as local decision-making;

2. The existing policy environment is increasingly more favorable for co-operative development, especially in countries like the Philippines, Nepal, India and Malaysia. However, while positive trends of reform are happening in many Asian countries, the ongoing process of reform should not be left to chance. Review and reality checks need to be undertaken in the field through technical assistance provided by ICA ROAP and ILO, and supported by international development agencies;
3. While co-operatives can take pride in their strength in numbers, and provide an integrated structure that contributes to economic performance of the poor, some weaknesses are also quite apparent: a. Most co-ops in PRSP-related Countries are small and weak, lacking adequate capital; b. Political intervention by governments and politicians is still present, albeit subtle; c. Lack of horizontal integration is crucial and must be addressed; d. Federated structures remain weak and must be empowered by more resources from members, not solely from external sources; e. The need for more training and education of managers and leaders is crucial.
4. Jobs created through micro lending and micro insurance should not be undermined. The enterprising poor have been captured by MFIs, but credit co-operatives and credit unions as integrative institutions provide ample scope for sustaining the target clientele of MFIs. ICAROAP, ILO and MF Banks such as BRI, Land Bank, etc., and the Asian Development Bank must engage in a collaborative effort to conduct research-based development targets where co-operatives can add value. The experience of the Asian Confederation of Credit Unions could be tapped here.
5. There is a great need to enhance the collaboration between co-operatives and trade unions; it is recommended that a policy framework be created or enhanced between ICAROAP and ICFTU, with the support of ILO:
 - a) To research and document employment creation through co-operatives among the poor;

- b) To identify the potential, and survey the availability of decent jobs for unemployed or underemployed women and youth;
- c) To develop measures to prevent vulnerable groups within their respective organizations from falling back into poverty.

A special program, with multiple projects, on the creation of social safety nets by co-operatives and trade unions among the poor is required. A strategy should be crafted to transform survival-based micro enterprises among members to growth-based enterprises.

6. An important expression of ICA partnership with ILO is the recognition being given by governments and trade unions in their quest for mainstreaming co-operatives to the otherwise marginalized communities in the wider marketplace and society. This should be advanced through the empowerment of co-operative CEOs, lay leaders/members to embark on a greater dialogue with civil society organizations, thereby involving more people in policy making on Decent Work and the PRSP process.
7. ICA and ILO are natural partners that should convince international agencies from reinventing wheels when it comes to rebuilding poor communities through Decent Work in micro finance and micro enterprises. The case in Timor Leste is as relevant as in Cambodia, Laos, Vietnam and other transitional economies where co-operatives could become change agents for development – despite failed attempts in Cambodia and Laos in the past due to excessive government interference.

In conclusion, support to co-operative development is a long-term proposition, and should be undertaken with a view to building sustainable, economically viable and socially responsible organisations. Co-operatives can play a significant role in development strategies if they are allowed to focus on providing economic and social benefits to their members, rather than serving as mere instruments for implementing national development strategies. In other words, co-operatives are vital change agents for sustained poverty alleviation, a significant testimonial for the PRSP process.

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Management Education and Development. Co-operatives and credit unions in economics and business texts: changing the paradigm

John Chamard

Abstract

Neither economics nor management textbooks spend any appreciable time or space on co-operative forms of business. The dominant paradigm is investor-owned, for profit businesses competing for market share and profit. As a result of this, few graduates of business programs are well prepared to manage in a co-operative environment.

Yet co-operatives represent a large portion of the U.K., U.S., and Canadian economies, so competent management is important for the overall economy as well as for co-operative owners, employees, suppliers and customers.

The sense among co-operative leaders is that business program graduates (whether undergrads or MBAs) have a very limited appreciation of how to manage co-operatives, while those imbued with the co-operative spirit but without formal business training may have limited management skills. To redress this problem, a number of co-operative leaders have come together with Saint Mary's University in Halifax, Canada to offer a web-based, masters level program in management of co-operatives and credit unions.

The program involves twelve one-semester courses and a thesis. It targets mid-career managers of co-operatives and credit unions.

This paper describes the program, how it is shifting the graduate business program paradigm, and the creative way it is being financed.

Key words.

MBA, Management Development, Co-operative Management Development, Distance Learning.

Introduction

Lynch et al. (1989) reported that co-operatives were de-emphasized in introductory economics textbooks used in the United States.

Parnell (1996) argued that because the co-operative form of business has been largely ignored in primary,

secondary, and post-secondary school texts it has become a "much maligned and often neglected option."

Hill surveyed twenty-five introductory economics textbooks used in Canada for their content concerning co-operatives. Four of the 25 were U.S. texts, ten were Canadianized versions of originally U.S. texts, and the balance were Canadian. He expected to find co-operatives dealt with under alternative business forms, or comparative economic systems, or under money and banking, or in a discussion of who controls the firm. (Hill, 2000, 282). What he found was that while almost all texts mention credit unions, only one discusses why they exist. Non-financial co-ops fared less well. About half of the texts do not mention them at all, and when there is a mention it tends to be cursory. The largest coverage in any of the texts was one page. As Hill put it, "Clearly, in most introductory textbooks, co-operative economic organizations are either entirely ignored or receive only a passing mention. (Hill, 2000, 283).

A survey of the most popular introductory business texts used in Canada (see Table 1) shows a similar pattern. Of the six texts surveyed, one had no mention of co-operatives or credit unions, two had about two pages of material, and the balance some lesser amount. Of the two texts with the largest coverage of co-operatives, one had two pages in a twenty-nine page chapter on "Forms of Business Ownership," the other used half of the space allocated to co-operatives describing the move of one large Canadian farm co-op to privatization and applauding the bankruptcy of a Japanese co-operative which had allegedly gouged its members. In short, the treatment of co-operatives in Canadian introductory business textbooks ranges from non-existent to hostile. Only Fuhman (2000) has anything like an unbiased, non-cursory treatment of co-ops.

A recent survey of introductory business texts deposited in the United States Library of Congress (see Table 2) reinforces these findings.

Table 1
Coverage of Co-ops in Canadian Intro to Business Texts

Author/Title	Coverage	Comment
Boone, Kurtz & Knowles (1999) Business: First Canadian Edition – 1999 Update (Toronto: Harcourt)	One paragraph + part of a table	
Daft and Fitzgerald (1992) Management (1st Canadian Edition) (Toronto: Holt, Reinhart and Winston)	No mention of co-ops	
Fuhrman (2000) Business in the Canadian Environment (Scarborough: Prentice Hall)	2 pages including chart of largest co-ops	Generally positive; 2 of 29 pages in chapter on Forms of Business Ownership
Griffin, Ebert & Starke (2002) Business (4th Canadian Edition)(Toronto: Prentice Hall)	One + pages, noting move to privatization	A direct copy, not updated, from an earlier (1996) edition
Nickles, McHugh, McHugh & Berman (2000) (Toronto: McGraw, Hill, Ryerson) Understanding Canadian Business (3rd Edition)	One page including table showing largest co-ops	Included in 29 page long chapter on Forms of Business
Pride, Hughes, Kapoor & Canzer (1999) Business (Canadian Edition)(Toronto: Houghton Mifflin)	page + a table of Canada's top co-ops	Includes insights like, "The co-operative's members pay membership fees which cover its operating costs." (p. 118)

Table 2
Coverage of Co-ops in Canadian Intro to Business Texts

Author/Title	Coverage	Comment
Berg (1968) The Face of Business (New York: AMACOM)	No mention of co-operatives or credit unions	
Bounds and Lamb (1998) Business (Cincinnati: Southwestern)	No mention of co-operatives or credit unions	
Bouvé and Thull (2001) Business in Action (Upper Saddle River, NJ: Prentice Hall)	No mention of co-operatives or credit unions	Contains 25 pages on selecting the proper form of business ownership and exploring mergers, consolidations and acquisitions
Craf (1957) Introduction to Business Consumer co-op stores page (New York: Henry Holt)	Mutual companies page Co-op associations one page	Neutral treatment
Deep and Brickloe (1974) Introduction to Business: A Systems Approach (Englewood Cliffs, NJ: Prentice Hall)	page on co-operatives	
Ferrel and Hirt (2000) Business: A Changing World (Boston: Irwin / McGraw Hill)	page on co-operatives page on credit unions	The total is less than one page in two chapters totaling 51 pages out of 497 in the book
Glos and Baker (1972) Business: Its Nature and Environment (Cincinnati: Southwestern)	One page on co-operatives page on credit unions page on mutual companies	Dismissively neutral
Hart (1970) Introduction to Business in a Dynamic Society (London: Collier Macmillan)	No mention of co-operatives or credit unions	
Hodgetts (1977) Introduction to Business (Boston: Addison Wesley)	page on co-operatives page on credit unions page on mutual companies	Neutral
Koontz and Fulmer ((1978) A Practical Introduction to Business (Homewood, IL: Irwin)	page on co-operatives page on mutual companies page on mutual companies page on credit unions	Positive treatment of credit unions, neutral on co-operatives and mutual companies

Lowry and Weinrich (1994) <i>Business in Today's World</i> (Cincinnati: Southwestern)	2 pages on advantages and disadvantages of co-operatives	Almost 2 of 29 pages in the chapter "Legal Forms of Business Ownership" Good coverage, neutral treatment
Lynn and O'Grady (1978) <i>Elements of Business</i> (Boston: Houghton Mifflin)	page on co-operatives and mutual companies	Neutral treatment
Mescon, Bovée & Thull (2002) <i>Business Today</i> (Upper Saddle River, NJ: Prentice Hall)	No mention of co-operatives or credit unions	
Meyer (1980) <i>The Face of Business</i> (New York: AMACOM)	No mention of co-operatives or credit unions	
Miller and Fareses (1993) <i>Understanding Business: A World</i> (New York: West)	17 lines on Co-operatives Nothing on credit unions	29 pages on business ownership
Poe (1980) <i>An Introduction to the American Business Enterprise</i> (Homewood, IL: Irwin)	page on credit unions Co-operatives mentioned as part of the credit union item, otherwise not	Neutral treatment
Rudelius, Erickson & Bakuls (1976) <i>An Introduction to Contemporary Business</i> (International Thompson Publishing)	page on credit unions	Positive treatment
Zikmund (1995) <i>Business the American Challenge for Global Competitiveness</i> (Burr Ridge, IL: Irwin)	page on co-operatives	23 pages on Forms of Business Ownership in a 589 page text

The dominant paradigm for both introductory economics and introductory business is investor-owned, for-profit businesses competing to maximize shareholder wealth. This is an unfortunate paradigm for a number of reasons:

- Co-operatives have over 700 million members in 100 countries (Williamson, 1994). So they are an economic force that cannot or, at least, should not be ignored.
- In the U.K., the Coop Group has 70,000 employees and an annual turnover in excess of £7 billion. This is significant by any standard and, while The Coop Group is the largest co-operative in the U.K., it is by no means the only one (Co-op Group).
- In Canada, 10,000 non-financial co-operatives employ over 150,000 people and the largest of them had in 2001 revenues of CDN \$3.3 billion (Agriculture Canada).
- In the U.S., the top 100 co-operatives had 1996 sales of over US\$ 100 billion. More citizens are co-op members than own stock market shares, while over 2 million residents of New York City live in co-operative housing (Thompson, 1997). Based on size and economic reach alone, co-operatives are a significant feature of everyday life, are significant employers, and should be understood by graduating students.
- As Hill (2000, 287) points out, the discussion of co-operatives can "raise a variety of interesting positive and normative questions" that should be part of a business student's introduction to economic understanding. Among these are: the extent to which democracy should be part of our economic lives as well as our civic lives; how do economic units actually behave outside of economic theory; what impact does the form of business have on economic incentives; are there alternative economic systems beyond pure capitalism or central planning; in the real world, how does the co-operative form impact on power in the market place?
- John Stuart Mill raised many of these questions in the mid-19th century. So it may be time to make some effort to acquaint business students with the arguments that surround them. As Mill put it:

The form of association, however, which if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and work people without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves. (Mill)

- Co-operatives have an abiding need for competent managers who embrace both the principles of co-operation and the latest in managerial best practices. This need was recognized almost 80 years ago:

. . . we have two theories regarding the administration of co-operative businesses, and they differ sharply. . . . “We are interested in starting a store . . . and we intend to get the best technical expert that the business world has to offer . . . [or] . . . if we buy up the superlatively efficient managers of Private Business . . . We have the body and form of Co-operation and have lost the spirit. (—, 1924)

And is echoed in a recent Australian paper:

The board needs to be careful that it does not assume that its role is to manage the co-operative and that the manager’s role is to manage the business. This creates an unhealthy division that will not necessarily be noticeable in the short-term but will have long term unintended consequences. There should be no separation between “co-operative” and “business.” Instead, there is a need to recognise that co-operative managers need to integrate co-operative values within their management practice.

Griffith (2003)

Current offerings

There are currently three types of courses / programs available for post-secondary school students with an interest in co-operatives:

- Courses in functional techniques for co-operative employees and supervisors. Organizations such as the Co-operative College in the U.K. (which offers, for example, training programs for retail co-operative sales clerks) or the Credit Union Institute of Canada (CUIC) (which trains employees of credit unions in technical aspects of their jobs) do a great service to the co-operative sector by facilitating employee upgrading.
- Single courses that can be taken as part of MBA or B.Comm/BBA programs. These give students the flavour of co-ops in much the same way that a single course in insurance or tourism might scratch the surface of those specialty areas.
- What can best be called “co-op appreciation” courses typically offered as electives in a B.A. program. These courses are useful in spreading public appreciation of the role of co-operatives and

how they can serve the interests of citizens and their communities.

Alas, none of these types of offerings answer the managerial needs of co-operatives and credit unions as they struggle to survive and prosper in an increasingly competitive and multinational world. Parnell (2000) writes eloquently of these needs:

Senior managers of large scale co-operatives, directly recruited from investor-owned businesses frequently, rarely have access to any appropriate development or training; as a consequence they are often left to discover for themselves how they should function within a co-operative organization. Many never learn what it means to properly manage a co-operative undertaking, often with disastrous consequences.

Davis and Donaldson (1998) concur:

“Co-operatives are different enough from mainstream management to require their own principles, concepts and training materials.”

And as sound a retail capitalist as Edward Filene had this to say about co-operative stores:

“A good co-operative manager must be as familiar with the ideas and principles of co-operation as he is with the business principles of store management.”

Yet there was not, to the best of my knowledge, any program in English that combines the principles and practices of co-operation and business in a way that would produce tough-minded managers imbued with the co-op spirit.

Why not? Although there are a large number of co-operatives spread around the English-speaking world, they are not so geographically concentrated as to be instantly recognizable as an obvious educational market. Moreover, the research and teaching skills needed for a viable program (especially at the post-graduate level) are not to be found in a single university. They, like co-ops, are spread throughout the world.

This led the advocates of the new paradigm – a tight blend of co-operative values and managerial techniques – to come together to push for a program that reflected the new paradigm. It was concluded that such a program could only succeed if it drew on both students and faculty from around the English-speaking world. The advocates, through their respective co-operatives and credit unions came together to form the Co-operative Management Education Co-operative (CMEC) of which more later.

The program

To meet the expressed needs of co-operatives and credit unions, a new program, reflecting the new paradigm, was developed. It is hosted by Saint Mary's University, Halifax, Canada and has attracted students from Canada, the U.S., and the U. K. The second intake will be in September 2004.

- Program: Master of Management – Co-operatives and Credit Unions
- Degree Granter: Saint Mary's University
- Target: Mid-career managers of co-operatives and credit unions. The first class includes candidates from the U.S., the U.K. and Canada, from banking, credit union, insurance, retail, and primary producer co-operatives.
- Language of Instruction: English
- Admission Requirements: Undergraduate degree or significant managerial experience in a co-operative or credit union that might be weighted into degree equivalency; current employment by a co-operative or credit union; willingness of current employer to allow reasonable time off for study; willingness of current employer to facilitate use of the workplace as an object of study.
- The Program: Eleven half-courses (11 x 3 semester hours) plus a study trip, plus a full course thesis (1 x 6 semester hours). All courses are purpose built for the program. Course titles are shown in Table 3.
- Delivery Mechanism: Distance education, web-based delivery using WebCT. Candidates take four half-courses per calendar year.
- Program Developers and Faculty: Drawn from academic institutions in Australia, New Zealand, the U.S., the U.K., Ireland and Canada.
- Financing: Program development is being financed by co-operatives and credit unions through CMEC (see below). Program delivery is on a full cost recovery basis.

Financing program development

As most universities that have been involved in web-based course development can attest, development of web courses is a costly proposition. It may be thought that delivery cost can be reduced later as less skilled course administrators take over course delivery from more skilled and more costly

Table 3

Program Summary

Philosophical Origins and Historical Evolution of Co-operative Governance and Business Practice
The Emerging Global Economy and Society from a Co-operative Perspective I
Comparative Co-operative Practice I: Variety and Range of Co-operative Business
Co-operative Financial Analysis and Management I
The Emerging Global Economy and Society from a Co-operative Perspective II
Field Research: Study Visit to an Exemplar of Excellent Co-operative Business Practice
Comparative Co-operative Practice II: Co-operative Innovations and Best Practice
Technology, Innovation and Co-operation
Marketing the Co-operative Advantage: Co-operative Education, Member Relations and Marketing
Co-operative Financial Analysis and Management
The Co-operative Management Approach I: Governance, Planning and Strategy
The Co-operative Management Approach II: Leadership, Personnel and Management Style
Thesis: Co-operative Audit
Details on these courses can be found at www.smu.ca/mmccu

academics (Is my bias against universities that try to eliminate academic positions showing?). But there is rather more up-front cost when technical web skills must be included and when, as with this program, academics are working "outside the box."

The cost of developing the Saint Mary's Master of Management – Co-operatives and Credit Unions program could never have been covered from internal sources even if the university had been prepared to front development costs in the expectation of recovering later from what could euphemistically be called "teaching efficiencies." In fact, Saint Mary's had and has no intention of replacing the professoriate (and there is a strong faculty union to keep it that way), and the delivery of the program is on a full cost recovery basis with no significant "profit" expected.

Happily, the individual co-operatives and credit unions that first approached Saint Mary's to create the post-graduate level program have undertaken to finance the program development effort. They began by forming the Co-operative Management Education Co-operative (CMEC) which has now grown to include individual, co-operative, credit union and educational institution members from Australia, New

Zealand, Ireland, the U.K., the U.S., and Canada. (see www.smu.ca/mmccu for a list of members). A major fund raising initiative is under way, with well over half of the target now pledged.

It is obviously very gratifying to begin program development with a strong and tangible demonstration of demand for the program. The fund raising also serves as a means of encouraging enrollment in the program. On the one hand, the publicity surrounding fund raising makes the existence of the program known. On the other hand, co-operatives and credit unions that have contributed to the development fund have a clear vested interest in sending their own staff to take the courses.

Conclusions

The program is an interesting example of partnering universities and the public to achieve a variety of diverse goals.

From the perspective of the co-operative sector, an internationally developed, world-class program is available to help co-operatives and credit unions to compete successfully in a globalizing world. The program encourages, indeed personifies, co-operation among co-operatives across industry and political boundaries.

For academics and universities in general the program is an opportunity to develop skills in co-operating across institutional and national boundaries. The notion of accumulating learning from a variety of sources and then distributing it to scattered students is not yet commonplace but may become so.

For Saint Mary's the program helps us make the logical skill set progression from creating individual web-based courses to developing whole programs based on distributed learning. It also opens up a significant new international market.

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Ushirika. A co-operative telecommunication consortium

Owen Koimburu

Introduction

In his book *'Managing The Co-operative Difference, A Survey Of The Application Of Modern Management Practice In The Co-operative Context'* (ILO, 1999) Peter Davis cites the following reasons for the apparent inability of many of the world's co-operatives to survive in the market place:

Co-operatives have been slow to develop in the fastest growing technologically based leisure, information, manufacturing and pharmaceuticals sectors:

Co-operatives are characterised by the absence to a substantial degree of entrepreneurial spirit or culture leading to missed opportunities and lack of innovation:

Only a small proportion of primary co-operatives operate at a national level and even fewer can trade internationally. (1)

It is in this context that I want in this article to examine the significance and the impact of the recent third mobile phone awarded to Ushirika Communications Limited (Ushirika), and initiative led by consortium of six national co-operatives in Kenya, and Econet Wireless International based in South Africa.

The purpose of the organization

Ushirika was formed immediately after this consortium of Cooperatives and Econet Wireless International Ltd won a tender for a third GSM license that will allow them to operate a third mobile phone here in Kenya. The aim of the consortium to participate in the venture is to enable the Kenyan Co-operative movement to have a share of this business, which has proved quite lucrative and has a high earning capacity thereby improving the earnings levels of co-operatives. Ushirika was therefore formed to provide a vehicle for co-operators to be mobilized through their co-operatives to invest in this novel venture using a viable business model.

Membership

Membership will be from all types of co-operatives including primary, secondary and national co-operative

organizations and from all co-operative sub-sectors. Ushirika has been established by all national co-operative organizations including: The Kenya National Federation of Co-operatives (KNFC), Co-operative Bank of Kenya (CBK), Kenya Union of Savings and Credit Co-operatives Organisation, (KUSCCO), Co-operative Insurance Company, (CIC), National Co-operative Housing Union (NACHU), Kenya Rural SACCO Societies Union (KERUSSU), and the Kenya Planters Co-operative Union, (KPCU). These co-operatives will serve as promoters of the venture on a trial basis to mobilise societies from all co-operative sectors to raise the required capital to put into the new license. Individual Societies will buy shares through their federal co-operative societies, which shall channel the funds through Ushirika.

Interim board of management

Being the promoters of the organization the national co-operative organizations will form the interim board of directors and after member mobilization will organize elections in the provinces to have provincial delegates and seven provincial representatives. The interim board will mobilize membership of Ushirika Communications Ltd and provide stewardship of the company and will also appoint members to represent the co-operative movement in Econet Wireless Kenya Ltd.

Ownership of Econet Kenya

Ushirika owns 81% of Econet Wireless Kenya while Econet Wireless International owns 10%, Corporate Africa and Rapsel Ltd each own 4.5% each. From here it is evident that the Ushirika group will own the majority shares of Econet wireless Kenya and will also exert influence and control and hence is expected to advance co-operative values.

Purchase of shares

Ushirika will sell shares to both co-operative organizations and individual co-operative members. Each share will sell for 500 Ksh equivalent to 6.58 US\$ and an individual member will have not less than two shares while co-operative societies will be expected to purchase shares according to their financial strength.(2)

Immediately after being announced winners, a team of co-operative leaders and managers from the national co-operative organisations, who are coordinating the Share Drive, has been visiting the provinces to inform cooperators on the procedures of acquiring shares in the co-operative project. The districts visited included Nairobi, Central, Western, North Rift, South Rift, North Eastern and Coast. According to Apollo Kariuki the KNFC CEO who is also acting as the spokesman for Ushirika, the potential investment in this and similar ventures by the co-operatives is substantial with 2.5 million SACCO members, 5 million in the producer co-operatives, 10,000 in consumer co-ops and 100,000 in multi purpose co-ops and about 30,000 in housing co-ops. One of the impediments to a smooth running of co-operatives in Kenya and Africa in general has been the unfriendly legal frameworks that have existed since independence and which have more often than not encouraged corruption.

In an attempt to revive the troubled co-operative sector Kenya's newly democratically elected Government has instituted provincial tribunals, which shall arbitrate between co-operative disputes. According to the Minister for Co-operative Management, these tribunals will try to settle disputes that have been there for up to three years. These disputes had contributed largely to the collapse of many of Producer and, Savings and Credit Co-operative Societies. The tribunals will work in line with the proposed new Co-operative Act in order to streamline the largely moribund major agricultural institutions. Steps are at an advanced stage to putting a legal framework and policy guidelines and the Attorney General's office is expected to provide qualified prosecutors to handle such cases. The new Act will in addition incorporate the newly enacted Public Officers Ethics Bill, and the new Anti Corruption Act. In this connection all co-operative management committees and their families were expected to declare their wealth by December 28 2003.

Expected economic impact of Econet Wireless Kenya Ltd

According to the fact sheet issued by Ushirika as a pre-runner to the share issue, when operational this company will be expected to achieve the following benefits:

- Provide competition to the existing service providers in this telecommunications services and hence make it cheaper to run co-operative business. The consortium has a commitment to provide cheaper tariffs to co-operators.

- The venture also aims at establishing an enhanced income earning capacity for co-operators through better return on their investment and create opportunities to engage in related activities
- Create additional jobs directly and indirectly especially in related areas of activities. It is envisaged the accessibility to the rural areas will be easier due to availability of payphones throughout the country (initially Ushirika will install 4000).
- Enhance income growth of the country and also boost the foreign flows of capital in form of direct foreign investments. This will be complimented by quality service necessitated by competition that is anticipated.
- Increased membership into KNFC plus a positive image for the organization. Ushirika is also expected to gain a foothold in more co-operatives, and the general public who will in turn be sold on the co-operative style and philosophy.
- Boosting their product lines by introducing newer lines like sale of SIM cards, airtime and handsets which will be sold by co-operatives plus a new access to the rural areas.

Financing the project

Econet Wireless Kenya intends to raise 2.1 billion Kenya Shillings for the operating license by teaming up with institutional Investors as underwriters to form capital. The firm will also borrow from banks, export Credit Agency and sign partnership deal agreements with equipment suppliers. Ushirika has appointed First Africa Capital Limited as lead financial advisor to the group. (3). The firm has already launched the purchase of shares by member SACCOS. They hope to offer 5.7 million individual SACCO members through their cooperative societies. In lauding the initiative by Econet Kenya, Wanjiku Mugane the Managing Director of First Africa Capital said that the unique involvement of co-operative movement in Econet Kenya gives it access to capital to finance a significant part of its needs, such as license and working capital. It should be noted that SACCOS alone have a member base in Kenya of close to 2.5 million members controlling about 75 billion in savings and investments and this is about 10% of Kenya GDP (4).

When it comes to market penetration Mugane said that it was more challenging to open a business in a well established market with a wide and established network of operators than in a green field The issue is whether the existing operators are earning returns sufficiently large enough to allow a new entrant to

bring in more capital and earn a decent return on it. Safaricom the leading mobile provider in the country has just announced its un-audited results for the six months ended 30th September 2003. This shows an operating margin of 30% which was unchanged from that of the 6 months ended 30th September 2002 and a net profit margin of 17% up from 11% for the same period last year ended 30th September 2002. This performance translates into an annualized return on capital (ROE) of 34% assuming this performance is upheld up to 31st March 2004. Underpinning Safaricom's improved performance is its rapid growth of subscribers from 864,599 as at 31st March 2003 to 1,118,471 subscribers as at 30th September 2003, a six month increase of 37% annualized at 74%.

The high returns by Safaricom coupled with the high growth in this sector by the existing operators suggest that the market is still not fully tapped and that even a third operator will still have a decent return. The subscriber growth increase by 220% in five years shows the mobile phone demand is still very high. According to the Government publication Economic Survey and the data from the Communications Commission of Kenya, the current demand is between 4.7 mobile phones to a potential 9.4 million people which means 50% of the market is still un-reached. This means the two existing operators Safaricom and Kencel have between them roughly 1.5 million people in a 10 million market.

The proposed construction of a fiber optic cable linking the eastern Africa seaboard is expected to ease mobile telecommunications and this can only mean more business for the third mobile operator. The project will link the region to other international cables in South East Asia, Middle East and Western European Cable and Fiber Optic Link around the Globe (FLAG). When the cable is ready and working, international telecommunications operations between East Africa and the rest of the world are expected to reduce by about 50% to 70%. The eastern seaboard was the only one in Africa not yet covered by any other submarine network and hence has no direct link to international submarine cable network. Satellites provide the only way to carry international telephone and data traffic and the eastern Africa's lack of competitiveness has been attributed to this lack of fibre optic maritime link to the rest of the world. The cost of international data transfer via satellite is shs 385,000 (5,066 USD) per megabyte as opposed to shs 38,500 (507USD) per megabyte via optic fibre marine link.

Co-operators will gain immensely when this happens because it means that cooperatives will be able to

access the market information regarding price of commodities and or other goods and services at a fraction of what it has been costing and this translates to substantial savings. Another area that should benefit immensely is Human Resource Management. Bernard Kadasia the International Co-operative Alliance Regional Director East Africa when briefing the ICA President Mr. Ivano Baberini and its Director for Development Mr. Jan-Eirik Imbsen during their recent tour of the African co-operative movement touched on this. Mr. Kadasia said ICA was implementing projects in micro finance, agricultural marketing, information technology in east and southern Africa. This is an area where one expects the mobile phone will be very useful in linking the field staff to head office and commodity markets for the latest in price, labour costs, rainfall patterns and also the banking details and loan portfolio of the Loan Officers not to mention the delivery of internet learning. Farmers will now be able to access their product price structure at world markets even through the text messages via the mobile phones. He went on to add that the co-operative sector is key as it caters for 60% of the Kenyan population directly or indirectly. The movement had however gone through turbulent times through liberalisations and government interference for the better part of 1980s and 1990s. Distance learning courses could also profit immensely through the mobile telephone systems as it will now be possible even to download the results or course tutors comments, material and answers through the short text messages. This will include electronic learning as observed by Esther Gicheru Principal of Co-operative College in Karen, Nairobi, Kenya when addressing the same delegation. (5)

The mobile phones for co-operatives could be hooked up to the Internet and send mail and more surprisingly now could also be utilised for the development of the knowledge industry for the co-operative movement. With its 'Global Campus 21' Portal, InWEnt has created a wide offering of learning on the Internet and 'virtual co-operation'. The opportunities to use information communications and telecommunications (ICT) are extremely unequal around the world. The figures of the International Telecommunications Union (ITU), a UN organization gave for 2002 the following picture: of every 1000 inhabitants of Africa about 6 had an internet access, in Asia 32, Germany almost 300 and in the USA 350. There is thus a huge digital divide between the developed and developing countries. Moreover whoever wants to use the internet has to be able to read and in Kenya for example the literacy rates is 60% for men and 40% for women. It is therefore necessary to expand the literacy

level and at the same time and thereby benefit from discussion groups and training on this platform in the following areas for the co-operatives that are able to access it by the mobile phone facility acquired, includes change management, knowledge management, and marketing (6)

Governance

It is proposed that the board of directors of Ushirika will be fourteen who as is the practice with co-operatives will be elected directly by members. The governance structure will comprise the chairman, six vice chairmen representing the six national co-operatives *viz*: Co-operative Bank, Co-operative Insurance Services, Kenya Planters Co-operative Union, Kenya Union of Savings and Credit Co-operative Organisation, National Housing Co-operative Union and the Kenya National Federation Co-operative. There will also be seven provincial representatives in keeping with Kenya's national administrative structure dividing the country into seven provinces with each having a provincial co-operative apex body. The management has not been set up but there is currently an all-Kenyan secretariat at the KNFC secretariat, which is chaired by the CEO at the KNFC and draws its other management staff from the other national co-operative CEOs. This is an area where Ushirika will have to be very careful. It should be noted that KNFC does not possess any financial or human resource capability of its own outside its member societies.

Leadership failure has for long been the Achilles heel for many co-operatives in Africa and the only way that Ushirika can make a difference is by adopting pro-change management style that is customer focused and results oriented. If they have to survive in the harsh and competitive environment of the mobile phone and have cutting edge advantage over the two existing networks then they have to have a different style of management other than that previously adopted by co-operatives in years gone by. In his book *Leadership. Theory and Practice (1999)* Richard Daft identifies eight characteristics of a charismatic leader: likableness- he has to inspire confidence so that subordinates find him worthy of identification and imitation. He should also possess trustworthiness and passionate advocacy. When it comes to relationship to *status quo* the charismatic leader creates an atmosphere of change, and when it comes to future goals he has an idealized vision that is highly discrepant from the *status quo*.

Another distinguishing characteristic of a charismatic leader is that he has strong and inspirational articulation of vision and motivation to lead, and when it comes to competence he uses unconventional means to transcend

the existing order. The behavior of this leader is unconventional and as for influence he transcends position, and personal power is based on expertise and respect and admiration for the leader (7)

This is the sort of leadership style that Ushirika will need to embrace if they are to survive in the marketplace. In order to create a market niche for themselves and build on the existing co-operative market they must re-engineer themselves and lead the pack in innovation and change in the way they appeal to their existing market and to further penetrate that market. The leadership must be customer based and results oriented in order to sign up new clients and even attract new members from the existing providers by better services. One major challenge facing this third operator is the fact that they will have to target the lower income market, in the rural areas, since the existing providers have taken most of the more lucrative high-end market. The technical partners in the venture (Econet Wireless International) recognize this drawback and are aiming at the rural /low-income bracket where they aim to install about 4000 payphones throughout the country to create a market niche for themselves.

KNFC as key stakeholder in Ushirika

During my interview with Kariuki (CEO at KNFC) the following are some of the salient features captured about KNFC, the organization that is playing such a key role in this venture.

Mission statement

Being the spokesman/advocate for the co-operative interests. To enable co-operative unity, and to play an advisory role to the Government

Vision for the co-operative organization

To see KNFC recognized and adequately consulted in areas of policy development for the government and the country in matters of co-operative interest, and legal policy formation.

Strategic net work and resources available for this venture

KNFC as an umbrella body will be able to use members of all its affiliated companies like Co-operative Bank, Co-operative Insurance Company and other regional co-operative bodies who have country wide networks and branch offices and are therefore able to promote their activities all over the country. They have at their disposal member savings and deposits as well as collateral for borrowing and the goodwill accumulated over the years among the co-operative movement and related organization.

SWOT

In a SWOT analysis of KNFC, Kariuki identified their strengths as follows: national network of member co-operatives, large membership base, operational bases at the grassroots levels and KNFC, member’s personal endowment, and financial strengths of these same members.

Among KNFC’s weaknesses, Kariuki identified them as follows: A membership that is drawn from low income groups of the country, poor communications and transport network, non-professionalism of co-operators and general decline in co-operative movement activities, members shares may not be available for large scale investment as they might be tied up in existing loans.

Challenges.

During our discussions with Mr. Kariuki it was clear that the move will not be without challenges at the implementation stages and he enumerated them as follows in order of their priorities. Against each challenge Kariuki suggested the following strategies they plan to deploy in order to minimize the impact of the challenge.

Challenge	Strategy
Inadequate critical mass	Targeting the rural population
High fixed costs associated with setting up of a mobile provider	Funding from equity more than from debt
Retaliation from market leaders who have large financial power.	Lower tariffs to be charged thereby attracting more members
Spending large sums in sales promotion to shore up a weak product.	Initial research showed a demand for the product and an unmet market niche. So this will be exploited
Price war to capture the market without any cost expense as competition has parent company backing	Advantage of a discounted license fee charged by the regulator to take into account Ushirika’s late entry into this mature market will benefit them.
Going after high end market without the ability to service it effectively	Collaboration with Econet International who have experience in promotion and marketing in high end market

10. Further questions

Question

Are you hoping to enhance the co-operative values of self-help, self-responsibility, democracy, equality and solidarity through this initiative and if so, how?

Answer

Yes because Econet Wireless will be run like a co-operative in that membership will be drawn from co-operatives, except in the raising of equity which will be done along the lines of a company. In addition the Board will be democratically elected by members as provincial representatives to sit on the board.

Question

Are you hoping to enhance the co-operative principles of voluntary open membership, democratic mutual control, member economic participation, autonomy, education, co-operation among co-operators and concern for community through the provision of a third mobile provider, and if so how?

Answer

Yes in that membership in KNFC will be voluntary to individual co-operators, and also the Board of Ushirika will be democratically elected by members, and will have provincial representatives.

Subsequent events

The court has temporarily halted the licensing of this third mobile provider following an appeal by an unsuccessful bidder Kenya Telecommunications Investment Group (KTIG), a company largely made up of Kenyans living abroad. They had bid \$ 55million as opposed to Econet’s US\$ 27. However Econet won on technical proposal by scoring 32 out of 40 as opposed to KGIT’S 19. When I put this question to Kariuki he was of the opinion that the suit by KGIT is frivolous as their technical bid was so low and there was no firm commitment they would raise the needed capital for the license. The suit will be heard early next year (8).

Conclusion

In his book *Co-operative Values In A Changing World* Sven Ake Böök called for a diversified and pragmatic approach to co-operative finance arguing that it is not practical to depend on member deposits to finance all co-operative projects if the co-operative sector will have an impact for the future.

“There is need to get access to capital for expansion of co-operative activities, to gain expert knowledge and to enter into new and innovative projects, especially internationally”(9)

So long as the leading principles of co-operative movement *viz*; member democracy, participation, and a high degree of autonomy and identity are embraced this should be encouraged.

This mobile phone venture according to Kariuki is the first of its kind and sets the pace and ground for similar joint ventures between co-operatives and the private sector, such ventures are likely to uplift the living standards, access to technology and returns on member’s funds in developing countries and as tool for poverty reduction and should be encouraged. The participating co-operatives should however guard against a possible loss of the co-operative identity. They must not allow themselves to be passive observers of an un-even market place, which denies co-operators access to goods and services. Co-operators should aim at exploiting strategic networks with like-minded producers because co-operators have a vast customer base which desires affordable goods and services especially in the areas of technology, health, and leisure.

Perhaps more co-operatives in the future will respond to Dr Davis’ observation and Ushirikas example and we shall see more innovative co-operative groups gaining leverage in the high technology sector.

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'Buongiorno colleghi'. Turning around disability and disadvantage. An Italian social co-operative.

Yair Levi

Introduction

Gian Luca (18) is a member-user in one of the 'social cooperatives' of Italy, where he works as a goldsmith. Each morning he travels to town, enters the building of the cooperative and salutes with a warm 'Buongiorno colleghi!'. He suffers from Down's syndrome, yet this doesn't prevent him from feeling equal to his other fellows, member and non-members of the cooperative: 'I come every day to work...we make the general assembly and I vote with all the others'.

Located in Macomer, in the central part of Sardinia, the 'Project H' cooperative started as an association but decided soon to convert into a cooperative so as to benefit from the, albeit modest, share capital and the wide support accorded to the social cooperatives by the community and state system in Italy. In 1994, at the time of our study (Levi e Montani, 1995; Levi, 1995). 'Project H' had 21 members of whom 6 mental disabled, working in ceramics, leather, goldsmithry and the maintenance of summer holidays. The project is part of a larger network of cooperatives dealing with the production and provision of welfare services.

Social co-operatives in Italy

Started in the late 1970s, the social co-operation was legally sanctioned in Italy by the Law of November 8, 1991 establishing its aims and modes of operation. The population addressed consists of 'disadvantaged' people such as those with a physical, mental or sensorial disability; ex-drug and alcohol addicts; convicted people with possibilities of out-prison rehabilitation and the elderly. By 2001 there were in Italy about 5,600 social co-operatives employing about 150,000 people, out of whom 23,300 are volunteers. About 40% of the co-operatives are dealing with the introduction to work of diverse categories of 'disadvantaged' people, the majority of co-operatives dealing with the provision of services to the disabled, mostly non-members, by co-operatively organized healthy activators (Borzaga and Zandonai, 2002). In our sample of 15 co-operatives, out of the 79 interviewees 32 were mentally disabled (Down's syndrome, autism and lack of oxygen at birth) and 47 healthy people, all engaged in productive activities. Among the disabled 23 percent and among the healthy 60 percent were members.

Study findings

Of particular interest for the purpose of this study are the following findings:

- eight categories of stakeholder-participants were derived from a trichotomous construct (disabled: yes/no; member: yes/no; remunerated: yes/no) in turn collapsed into four main categories: 1) the disabled-member (25.3%); 2) the disabled non-member (15.2%); 3) the non-disabled member (51.9%); 4) the non-disabled non-member (7.6%);
- there are two kinds of 'users' in the same cooperative: 1) the non-disabled who is the activator and, at the same time, the 'employee' of the disabled who is at the origin of the cooperative; 2) the disabled who is the beneficiary of the services secured by the non-disabled and is the co-producer of the co-operative's final output. Although there are non-members in the two kinds of users, all the stakeholder-participants are active users, i.e. patrons of the co-operative, leaving no room for "free-riders"
- unlike in a conventional co-operative, there is a group of participants (the disabled) who, with few exceptions, are unable to fulfil managerial tasks. On the other hand, among the non-disabled, the all-too-frequent differentiation between 'central' and 'peripheral' members is obviously absent. Social co-operatives "violate" two such classic co-operative principles as homogeneity of membership and a single-stakeholder system;
- the need to prevent intra and inter-co-operative differentiation and paucity of economic resources limit the distribution of surpluses and the payment of an interest on the share. The nonprofit ethos of the participants, however, brings many of them to view the distribution of surpluses and the payment of an interest as practices alien to the co-operative spirit. This further helps to deepen the perception of difference between their co-operatives and other, conventional, ones. Thus reinforcing the internal esprit de corps:

...there is no interest and there has never been any, a member cannot make a loan to the co-

operative...; remuneration of capital is resisted; it has never happened to me to see a 'manifest' remuneration of capital; surplus, if any, is always reinvested, the law speaks of the non-distribution of surpluses...were surpluses distributed, it wouldn't be any longer a co-operative; there is no distribution of surplus because, by reinvesting it, the intended beneficiaries benefit indirectly through the non-distribution (various activators interviewees).

- a convergence of benefits contributes to a redefinition of roles among the participants: though not always aware of what the co-operative is all about, the disabled are helped from a state of inactive and marginalized to one of gainful active persons through their participation in an egalitarian and fraternal ambiance. As to the non-disabled, a process of personal enrichment takes place consisting in a re-evaluation of the self:

we learned from them what it does mean not to be able to understand or know everything; I learned from them how to be less demanding, how to see their limitations and also mine (various activator interviewees).

The social co-operatives particularly suit the needs posed by a "no-work" society (see Rifkin, 1995) in a number of ways such as the ability to:

- provide employment to a variety of stakeholders motivated by a wide common denominator;
- care for people from among the most needy and marginal segments of society;
- combine salaried and voluntary work in a well defined legal framework;
- offer employment based on temporality of roles, both to the disadvantaged and the activator participants;
- provide opportunities for part-time work in a variety of activities to the satisfaction of the participants.

In areas that lack Italy's social policy framework one cannot help but reflect that one way co-operation between co-operative's could be realised by some of our big financial services co-operatives and co-operative agri-businesses would be for them to adopt a social co-operative as part of their corporate social responsibility (more co-operatively termed their co-operative social solidarity).

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Community media and co-operatives

Sanjay Verma

Introduction

Worldwide there are clear indications that community media have in recent times emerged as a strong alternative to the mainstream media which is purely driven by commercial considerations. Social objectives are the cornerstone of community media. Community media empowers people rather than treat them as passive consumers. It nurtures local knowledge rather than replace it with standard solutions. Ownership and control of community media is rooted in the communities in which they serve. Community media has due regard for human rights, social justice, environment and sustainable approaches to development.

Community media is the best alternative to connect the rural communities who are unable to understand the various facets of information provided by the commercial media. Community media offers a means for public participation and for defending cultural diversity. Community media through news and views provide a strong platform for active involvement of all sections of the poor community, dissemination of community messages related to the field of development, culture and entertainment, etc. The main channels of community media are community radio, video collectives, popular theatre, local television channels.

Co-operatives are the organizations which are deeply embedded to the communities in which they serve. Co-operatives provide a strong democratic medium to empower the people. By empowering the people, co-operatives help eliminate poverty, sustain environment, provide employment and enrich social standards of the people.

Community media and co-operatives work on the same principle of empowerment. If empowerment is a strong common denominator for both of them, then a strong case exists for both of them exploring avenues to work together. The mainstream media coverage of issues is dictated by political and commercial considerations. A bias toward political and sensational issues is definitely witnessed. Even in the case of co-operatives, those issues which are controversial and have political overtones are constantly highlighted. In this scenario, the co-operatives do not fit into the strategic considerations of mainstream media. In the

community media case the co-operatives will have following advantages;

- Community media will provide co-operatives a strong grassroots rural communication medium which will also provide them with a constant feedback mechanism which will be useful for them to review their operational strategies at the grass roots level.
- The poor and downtrodden, which form a major constituency for co-operatives, will by their involvement in community media ventures have a strong medium to ventilate their grievances as it is generally felt that the benefits of liberalization have not percolated to the lowest strata of the society.
- Social dynamism of the co-operative sector and its ability to wield the communities together can be best presented by the community media. Through comprehensive grassroots level reporting community media can highlight the role of co-operatives as a strong medium for social change. The beneficiaries of cooperative development in the rural areas are the best reporters to describe the socio-economic transformation themselves. They need a medium of communication which understands them and is a sympathetic medium in this regard. Community media provide that medium.
- Community media will strengthen the democratic base of co-operatives as community media provides a platform for full participation of all sections of the society. Fostering of open discussion and debate is also facilitated by the medium of community media. Co-operatives in the times to come will have several opportunities to prove themselves in various areas of socio-economic activities. This can materialize if their democratic base is strengthened. Community media is one such medium, which can be utilized effectively in this regard.

A vision of the future for community media as a co-operative promotional, developmental and educational tool

The co-operative organizations both business and promotional should think of starting community radio as an effective medium for wider dissemination of their

programmes and activities and assessing their impact among the rural folk. The contents of the programmes may include community and personal messages, educational programmes for development including the aspects of health, environment, gender, and culturally relevant programmes as well as programmes giving information on co-operative business activities and strategy, meetings, events and elections.

- Starting of community publications consisting of news and views may also be a good strategy adopted by the co-operative organizations for communicating with the target group with which they are concerned.
- Low power local television channels which can catch the psyche of the rural communities can also be used as a powerful mode of community media.
- The promotional agents may be involved in these type of ventures so that people in rural areas understand the significance of starting community media ventures. The promotional agents must be provided with adequate training in the field of community media, its concept, methodology and implementation strategies.
- Professional agencies/consultancies involved in the field of grassroots communication may be involved in these exercises which is very important for gauging the ground realities and infrastructural challenges.
- Research projects in the field of community media in the co-operative sector should be encouraged so that sector specific and area wise picture may be visualized and its likely impact.

Transparency should be the prime consideration before devising community media initiatives in the co-operative sector. Unless freedom of expression and operational ownership is provided to the communities, any serious headway cannot be made as far as full impact of community media in the co-operative sector is concerned. Effective lobbying must be done with the government so that policy initiatives which encourage or promote community media by co-operatives are undertaken. There must be effective networking among co-operatives at all levels for conceptualizing and initiating of community media initiatives

Conclusion

There is immense scope for community media to flourish in the co-operative sector in India and many other regions at a time when the mainstream media has failed to disseminate the messages of co-operative

development in an effective manner in the rural areas. Image building is the dominant need for the co-operative sector today. Community media is a strong vehicle for this. A visionary and farsighted approach by co-operatives at all levels is necessary to give a practical shape to the concept of community media.

Davis on co-operative management: an exposition and reflection ⁽¹⁾

Prof. Isaac Bleger

Translated with permission from "La cooperación", Sep. 30, 2003.

Introduction

The readers of "La cooperación" must already know the ideas of Dr. Peter Davis, Lecturer at the University of Leicester, UK. He has written on the relationship of Boards of Directors, members of co-operatives and their executive personnel engaged in the management of co-operatives. Here I intend to summarize the criteria which make up a co-operative and also develop some other related points, according to the same author. The purpose of this article is to develop, in summary, the criteria we often use to picture a co-operative, and offer a critical and different vision, according to the point of view of the author.

First, I shall make a short note of Dr. Davis' major ideas on the subject of how co-operatives are being organized and managed.

- Co-operatives are instituted as a response to the economic, social and cultural needs of its members. These have freely created an enterprise on the basis of common property governing it in a democratic fashion.
- This enterprise exists to solve the problems raised by the members' environment, in ways they cannot manage individually alone.
- Members own the co-operative and the members of the Board they elect are their trustees.
- As members of the co-operative or as a part of its Board of Directors, they act as mere laymen in the office of management. As such they need the knowledge and experience of persons professionally trained in these kind of tasks, in order to receive from them a guidance on the best ways to provide for their own interests.
- It is necessary to keep in mind that co-operatives function in an environment made up by other enterprises. Some of them are their providers or use the services of the co-operative. As such they can be associated members or not associated, non-members. All these people, enterprises and sectors of society receive the name of "stakeholders". These are all those interested in the life and development of the co-operative (just as they would be in any other enterprise) as well as in the

community at large. But they cannot directly influence the co-operative's decisions.

- Such as things are and taking into account the possibility of conflicting interests, it is necessary to find criteria of the highest level to regulate its workings. Dr. Davis and his co-author John Donaldson call these "values": pluralism, mutuality, individual autonomy, distributive justice, natural justice, centeredness on people and the multiple (and differentiated) roles of labor.
- It is necessary to recognize the originality of co-operatives as compared to other kinds of enterprises. Their principles and values require criteria, strategies and techniques germane to the common character of property and democratic government. From this it becomes obvious that the managers and employees of co-operatives should be familiar with their values and principles in order to find proper and adequate solutions.

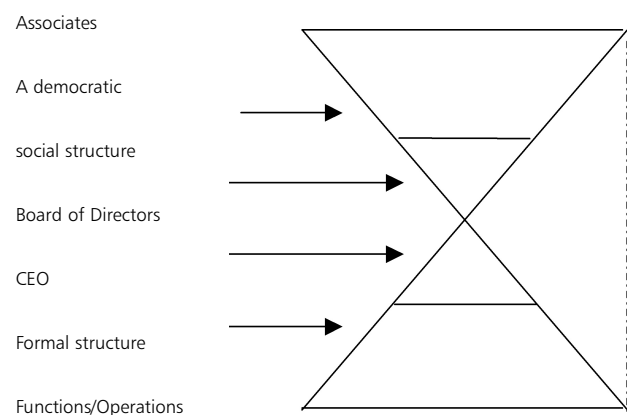
The structure of co-operatives

In order to foster a correct understanding of this matter, the following are the diagrams corresponding to the subject here exposed.

This "dual" structure (Fig 1) is the most widely known and it is very much in use in many co-operatives. It is represented by two triangles meeting at their summits.

Figure 1

The diagram represents two possible structures of a co-operative.



The triangle on top is the “social organization”, the assembly of members, the board of directors and at the top the President. The other one (bottom), which corresponds to “the enterprise”, has a CEO, or general manager, at the top, the middle level departments leaders, and the wider zone of employees and collaborators.

The social sector is made up and ruled by the values and principles of co-operativism, contained in the “Statement of Co-operative Identity” such as approved by the International Co-operative Alliance in the 1995 International Congress.

The sector pertaining to the enterprise, on its part, is in charge of the engaged employees whose ideas and techniques are the same, in general, as those in a private lucrative enterprise. Davis would say that according to this scheme a co-operative business is just the same as any other enterprise, not taking into account their peculiar characteristics which are the common property (by all members) and the aims they pursue.

The main difficulty with this vision Davis argues is the permanent conflict between the representatives of the membership and the employees, which needs to be kept under permanent control. Davis is critical of those that suggest “special lay committees” of members (of the Board or co-opted among rank file members of the co-operative) to oversee and control the activities of employees. Through the knowledge and the experience they acquire these lay committees may become the real directors of the co-operative, following their own very personal interests and desire for positions and power, over against the “purposes” and aims of the members at large.

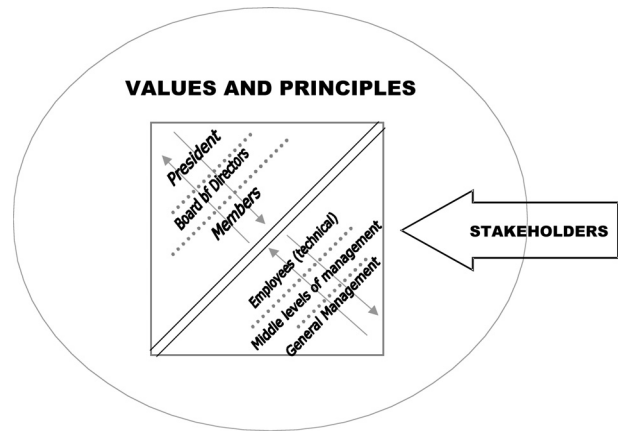
There is also and always the risk that the members of the Board or the President himself impose their own criteria and personal wishes. However, as co-operatives increase in size and sophistication the threat becomes one of increased managerialist control and manipulation of lay boards and declining member involvement and participation.

There are different solutions suggested in the literature on the subject: overseeing councils of control, subcommittees or executive committees made up by members of the co-operative, according to the different activities. As a rule these include employees or the CEO himself. But very often the risk does exist and is to be found in practice.

Davis argues for a majority elected board led by a CEO appointed/developed for business knowledge and vocation to lead the board with a co-operative

value based strategy. By using marketing methods, TQM, HRM and other approaches in a co-operative context and purpose the co-operative value based management re-engages with the base of the co-operative and effectively lead employees and members in a unitary co-operative culture.

Figure 2
The monist diagram



The proposed diagram for the enterprise of a “monist” structure respects the images of the two triangles, but these face each other by their bases and not by their summits. Stakeholders appear in the diagram, although they do not belong in the structure. The whole diagram is enveloped by the principles and values, according to Dr. Davis’ vision.

The idea of joining the triangles by their basis follows the criterion by Davis that hired employees are responsible for providing to the members the technical elements they require for solving the problems they have. Members are the real owners of co-operatives. The relationship between members with the employees and technicians is of a primordial character, and not the one between the President and the CEO. The latter using the latest management techniques and technologies evolve goods/services and strategies in response to information arising from the members/customers. Shared co-operative culture cements lay and professional in a facilitating community based business.

Literature on the subject abundantly denounce the personal positions of the CEO/Presidential hierarchy, over against the interest of members.

Nevertheless, as it is indicated by the vectors within each triangle, this is just a general diagram. The design of these relationships is yet to be defined.⁽²⁾

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Footnote

- 1 Papers were published in the 11.28.2000, 3.28.2001 and 12.26.2001 issues.
- 2 In his new book Davis tries to define the joining of the bases in terms of a Co-operative Social Capital Management (CSCM) framework.

Turning Goals Into Results. The Power of Co-operative Principles - a reflection on an application of Jim Collins's catalytic mechanism.

Sonja Novkovic

Abstract

The paper explores Jim Collins' 1999 managerial technique termed catalytic mechanisms in the co-operative context. It is argued that co-operatives possess an array of potential business strategies in their co-operative values and principles, but managers do not necessarily turn them into an organizational advantage, nor strive to create catalytic mechanisms, in part because their entrepreneurial role is downplayed in user-oriented organizations. If co-operative organizations effectively use co-operative principles as catalytic mechanisms, managers have a better chance to build successful businesses, and preserve the co-operative identity in the process.

Key words:

Catalytic Mechanism, Co-operative values.

Introduction

This study explores Jim Collins's 1999, 1997 managerial technique and proposes an application of his method in the co-operative context. Collins's analysis of "great companies" and their success is a convincing tale about powerful managerial tools, which seem to already form an integral part of every co-operative. Therefore, the claim made in this paper is that Collins's managerial devices – termed catalytic mechanisms - have a natural environment in a co-operative setting. If applied carefully and persistently they will help build a successful business, while preserving the co-operative identity and co-operative values. In fact, there are examples of successful co-operatives that do apply such mechanisms, as is the case for successful investor-owned businesses in Collins's study, only the investor-owned business has to search for goals and mechanisms that will make business sense and create an identity for the company. Co-operatives on the other hand, have an idea about their co-operative identity from the start, and need to cultivate it through maturity by turning it into a business strategy.

The purpose of this paper is to offer a practical framework for development of effective co-operative management techniques, by offering a discussion of potential catalytic mechanisms for co-operative

businesses, and to investigate some elements that constitute a path to effective management solution for co-operatives. Collins's approach is summarized in section 2, whilst section 3 describes some problems co-operatives typically face in their mature phase, and in section 4 I examine the co-operative principles that may be turned into catalytic mechanisms. Some conclusions follow in section 5.

A summary of Jim Collins' approach

Collins centred his work on companies whose performance turned "from good to great". He examined over 1400 companies and found that for the most successful firms in his study the ingredients of success are: 1. a big long term goal the company wants to reach, which spans over decades, and 2. mechanisms in their daily business that will automatically lead to that goal (the catalytic mechanisms).

In defining the goal, the company core values and purpose have to come through. Building the mechanisms, on the other hand, is an evolving process that must include ideas from all members of the firm and may take time to develop. "Mechanisms force things to happen that reinforce company's core purpose, converting that purpose into action." (Collins, 1997)

Among the examples of those great companies with specific goals and catalytic mechanisms are Granite Rock, and 3M. Granite Rock is a company whose goal was to ensure complete customer satisfaction. To reach that goal, they introduced the short pay policy, where customers can choose not to pay for a delivered product if they are not satisfied with it for any reason at all, and without obligation to return the product. Short pay was a catalytic mechanism by Collins's definition because it automatically led to improvements in areas where improvement was needed and brought the company closer to achieving their goal of providing full customer satisfaction. Another example is 3M. Their mechanism was the 15% rule – they gave to their researchers 15% of free time to work on inventions of their choice, rather than spend all of their work hours developing ongoing projects. This led to an increase in the number of innovations and produced a continuum of great new products, which is this company's long term goal.

Some characteristics of a catalytic mechanism are that it distributes power from the center down (which is a potential problem for some managers), and that it “has teeth”, i.e. it is a device that has the enforcing power. This mechanism “...puts a process in place that all but guarantees that the vision will be fulfilled” (Collins 1999, p. 76). Another characteristic of this mechanism is that it automatically ejects the wrong kind of people, i.e. attracts the right kind. The right kind is defined as the type of individuals who share the firm’s core values. In Collins’s words: “The old adage “People are your most important asset” is wrong, the right people are your most important asset. The right people are those who would exhibit the desired behaviours anyway, as a natural extension of their character and attitude, regardless of any control and incentive system.”(p.77). Finally, a good catalytic mechanism, according to Collins, produces an ongoing effect – under the condition that it evolves, it may last for decades.

Catalytic mechanisms are “specific, concrete and powerful devices that lend discipline to a vision”. The process of building catalytic mechanisms requires an ongoing effort:

- some existing policies may need to be abandoned to stay in line with the chosen goal, or some seemingly good opportunities will be ignored if not in line with the goal;
- the mechanisms should not be copied, they should be created by individual companies instead;
- all members of the organization should be involved in the creation of these mechanisms to provide fresh ideas and points of view;
- catalytic mechanism must be allowed to evolve to remain effective;
- a few mechanisms combined may produce even better results.

The power of catalytic mechanisms is that they become the way to control one’s decisions. Decision making becomes clear and transparent for all involved, including the employees who in fact participate in the creation of catalytic mechanisms.

Co-operative governance problems

The key for co-ops not to fail as co-ops - where failure as a co-op need not imply failure as a business (Griffiths 2003) - is in maintaining their identity and preserving their values in the long run. They have to keep their members enthusiastic and excited about their co-op. In fact, this is no different from keeping employees of any firm enthusiastic about their work, but here members

are owners and, theoretically, it should be that much easier to keep them involved. However, often times after years of changes, growth, membership turnover, and market pressures, the co-operative identity may be lost on new members. Some members may become cynical at the mention of co-operative values if those values lose substance over time.

Another side of the problem are management practices which can create conflicts between business operation and co-operative principles. Co-operatives often hire managers who do not share in the purpose and values of the organization. Partly, they are not asked to, and partly, their business skills are valued more than their co-operative skills, since it is the former that the co-op typically demands. Co-operative businesses are businesses after all - they hire managers who can deliver on a business plan, who are knowledgeable about competing in the market place, and with skills to manage a particular type of business, not necessarily a co-op. Therefore, a sound business decision, particularly in a global corporate environment, may require a decision which will not be in line with co-operative values. This is often quoted as one of the reasons why co-operatives tend to convert into investor-owned business.

Generally speaking, the entrepreneurial role for a co-operative management is limited because of its defensive nature, limited access to capital, the horizon problem and costly consensus building (Cook, 1994). With some exceptions, co-operatives are typically on the defensive, rather than engaging innovative managerial techniques and strategies.

According to Mintzberg (1971), managerial roles consist of three categories: interpersonal relationships, transfer of information, and decision making. Cook, 1994 elaborates on these roles, particularly in describing the decisional role differences for the co-operatives. Collins’s approach presented here may facilitate those managerial roles: since catalytic mechanisms are developed by all members of the organization, this process builds and strengthens interpersonal relationships, as well as aids in the transfer of information in a clear way. Decision making becomes transparent since all involved are aware of the process, and aware of their organization’s priorities, and of the mechanisms to help them reach their common goal.

The co-operative solution

International Co-operative Alliance (ICA 1995) provides the essence of co-operative identity in the form of co-operative values and principles. The co-operative values (self-help, self-responsibility, democracy, equality, equity and solidarity) must be in the core of the company long

term goals if it is to survive as a co-operative. Those long term goals will include the purpose of setting up a co-operative – the common goals of the members, be it their economic, social, and/or cultural needs. Co-operative principles (ICA 1995) are “guidelines by which co-operatives put their values into practice”. Those guidelines will be followed closely by each co-operative business, by definition.

As co-operatives mature and establish themselves in the market place, the market forces tend to dominate the co-operative values since often there is a trade-off between the degree of co-operation and the extent of market pressure. If we turn co-operative principles into catalytic mechanisms successfully, we will have created the natural mechanism, acceptable and transparent to all members, that can function as a bond for the members, and at the same time induce the manager to endorse the co-operative culture of the members and help put it into practice.

Some examples of successful co-operatives who put their co-operative identity into practice are Inkwork Press (Marszalek, 2003) whose goal is “green business”, and the Co-op Group in Britain, behind the “Fair Trade” initiative. Their long term goals may be defined as a wish to preserve the environment, while they educate consumers and influence other businesses and community in the process (Inkwork); or righting the wrongs of corporate free trade by affecting the distributional impact of globalization (The Co-op Group). Inkwork has, among other mechanisms, implemented one that ensures at least 80% recycled content in their paper supply. They then had to go to great lengths to find a supplier who can guarantee their requirement. This is a catalytic mechanism by Collins’s definition, since it automatically guarantees that they will come closer to fulfilling their long term goal. “Fair Trade” is another example of co-operative principles turned into catalytic mechanisms to achieve their long term goal, no matter how ambitious.

The process of building the catalytic mechanisms is ongoing, it must be updated and changed over time, it gives members a chance to voice their views about the goals of their co-operatives and preserve what they hold dear. If they are employees with heterogeneous sets of values, through this process they have to find a common goal – “go green” is not restricted to a co-operative, as any investor-owned business may opt for this strategy, but it follows naturally for a co-operative, as it folds into its principles and its values. The whole organization shares the goal – it should not have to depend on a manager’s vision, but it needs the manager to be on board to lead in the business strategy, and a manager

who will be passionate about this goal for the organization.

On the practical note, the role for the board of directors, besides its control function (Bruun and Oleson, 2002), is to hire the right kind of manager. This enquires keeping the job description transparent, and expectations of the manager’s qualities in line with the process of building the vision for the co-op, and mechanisms to achieve it. Co-operatives must use their own principles, ensure that their manager follows the process, and that he or she is good at motivating the members, employees and all involved in turning their business into a success story. Collins (2001) describes those types of managers as “ambitious for their companies and not for themselves”. The Board, with the manager, should ensure that the process of defining the organization’s purpose and building and revising catalytic mechanisms is institutionalized, by giving powers to committees or members who will oversee and promote different aspects of the agreed-upon process, thereby taking the power away from the manager.

Possible steps towards creating an effective co-operative business are: Step 1: involve members to define the purpose and core values of the organization, and then define the goals of the co-operative in a democratic process; Step 2: “brainstorm” about the co-operative principle(s) that would best fit the requirements of a catalytic mechanism - an automatic mechanism which will deliver the strategy towards reaching the goals (such as the 80% content rule); Step 3: institutionalize the process to make sure that it is revisited on a regular basis – for example annually, and let those mechanisms evolve over time.

If/when a co-op experiences management change, they will automatically have to hire a manager who understands BOTH the business they are about to run AND the process of building a successful organization pursuing a long term goal via catalytic mechanisms. The organization does not have to have managers who share all co-operative principles *ex ante*, but they must deliver on motivating the employees and members through this annual workshops method, committees, or whatever form it may take. As long as the manager follows the rules presented, strengthening co-operative identity will become a part of the job. The catalytic mechanism will have been built in – an automatic trigger that ensures preservation of firm’s identity, goals, culture and membership. All decisions are measured against it – does pursuing a new market fit with the goal; does a new supplier fit with the goal; does a particular decision follow the mechanism – be it “Fair Trade” or “going green” - as members of a co-operative define. The Co-op

Group, for example, is applying its Fair Trade mechanism in all business decisions, and it had its investor-owned suppliers sign on to the Fair Trade principle in order to remain their customer. This mechanism ensures that they stay on the path toward their long term goal – consumer awareness and change in trade practices.

The manager is a very important part of the process, and, ideally, the process would be built in with a great manager who shares the vision. If that is not the case, an automatic system must be in place to integrate co-operative values into the core purpose of the business organization. Without it, a co-operative has a better chance at failing as a co-operative, even though it may survive as a business.

An additional note may be constructive at this point, regarding the measure of success. While an investor-owned business has a clear mandate to maximize profit, co-operative businesses have multi-dimensional objectives (see Cook, 1994 for example). Therefore, the process of determining the core values and purpose of the organization should be used as the platform to define those objectives (they will not be the same for all co-ops). The manager and membership cannot expect to base their measure of success on simple return on assets or return on investment, and there will be an important element of the consensus-building process when they have to agree on the set of indicators they will use to measure success.

Conclusions

There is a sense in the international co-operative community that co-operatives already have built in mechanisms that put them at an advantage over investor-owned firms, but it is difficult to formulate them. Collins's approach provides just that kind of formulation.

I have examined in this presentation Collins' framework as a natural management strategy for co-operatives. Collins describes a company's wildest dreams as BHAGs ("big hairy audacious goals"), where core values and purpose of the firm must be preserved as a long term strategy. Co-operatives, by definition, already have those values in place in the form of co-operative values. Collins goes further to define the catalytic mechanisms as BHAGs' foundations - specific, concrete and powerful devices that bring those goals to completion. Co-operatives have those mechanisms already built in, in the form of co-operative principles. The task then is to turn those principles into catalytic mechanisms and achieve success in realizing the goals of the organization.

The core purpose of many co-operative businesses includes social goals and community. They are not pressured by the bottom line in the sense of investor-owned firms, and they may have an advantage in pursuing their wildest dreams because of that. They just have to put the co-operative advantages into practice.

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Footnote

- ¹ The process should involve a neutral party who understands the organization, to take the process away from the manager, or the Board, and ensure fairness and transparency.

Destructive Trade

Jaroslav Vanek

Abstract

1. The point of departure of my paper is that the traditional theory of comparative advantage on which modern globalization is based is incorrect and not applicable to the present day conditions of world trading. Instead I propose a theory of destructive trade which explains much better what happens in world trading today, and whose conclusions are summarized below.
 2. The validity of my critique and alternative analysis has more recently been recognized by others: see the New York Times, op-ed page see Joseph Stiglitz, "The Broken Promise of Nafta," and Charles Schumer and Paul Craig Roberts, "Second Thoughts on Free Trade," 6 January 2004; and Bob Herbert, "Dark Side of Free Trade," 20 February 2004. Moreover, my paper was published in 2003. "Comparative Systems, Destructive Trade and World Distributive Justice," in T. Kato and J. Pliskin, eds., *The Determinants of the Incidence and the Effects of Participatory Organizations*, 2003. In the latter my analysis is far more detailed and complete, but the New York Times contributions certainly carry significantly greater weight, especially because they stem from a treatment of the most serious problems of the United States economy.
 3. Destructive trade leads to a world where a minority of the rich dominates a majority of the poor and what is worse, the situation tends to grow ever worse, the rich becoming relatively richer and the poor poorer. Technically, the situation is explosive.
 4. The rich and especially the USA with dominant power tries to stabilize the situation by assuming the role of a policeman. But this as we can observe can only further destabilize the situation. One way out of the catastrophe would be to imitate modern welfare state policy, coupling policing with some minimal degree of distributive justice. This could be done if all military budgets in the world were transformed into funding of minimum wages for all.
 5. Even better, such redistributive policy could be combined with the application of a system of industrial and productive economic democracy
- instead of that of a profit-maximizing multinational capitalism.
6. The ideal potential for such a solution is seen by this writer in the case of China, which fulfills both the condition of critical mass and the condition of a historical evolution which might make it an optimal choice of policy.
 7. With a Chinese colleague who has written a book on the subject [Hengzhong Liu, *An Introduction to a System of Laboral Economy*, published in Chinese, 582 pp.] we are exploring the viability and feasibility of such a policy.

Key words:

Globalisation, destructive trade,

Introduction

Perhaps the most significant development in world economic policy of the recent decades is what we call globalization: more precisely, globalization based on free trade. The desirability of such a policy is taken just about for granted, because of the commonplace theory, known from all introductory courses of economics, as comparative advantage. This being an accepted "God-given" truth, it is very hard to question.

And yet, the purpose of this paper and its point of departure is precisely to offer such a basic critique. The critique is based on what I refer to as my theory of destructive trade. This will be summarized here, but has been developed much more carefully elsewhere. [1,2]

Our objective here, in dealing with economic democracy, goes beyond the theory of destructive trade and negation of free trade globalization. The first of our main points is to seek remedies for the identified ill effects of globalization.

It so happens that while there may be several remedial avenues, probably the most promising is based on the realization that co-operative work in the developing countries – as compared to profit-maximizing capitalism – can safeguard some of the rents of worldwide poverty for those who otherwise would work at starvation wages imputable to the overabundance of poor humanity in the world.

The explanation of how all this would work, and especially a concrete design of such a remedial action, is not an entirely straightforward matter. It will occupy the main part of this paper.

In concluding we must realize that true justice in the world – not the injustice of present-day multinational globalization – must entail other component parts than a co-operative effort which is our main subject. These “subsidiary” elements will also be outlined.

Even at this stage of our introduction, it must be said that our analysis is not utopian, rejecting or condemning the work of all capitalist multinationals. Rather we try to integrate them into a broader setting, which would be just, equitable, and especially efficient for all members of the human family, and not just advantageous for the few.

Of course it was a fantastic tragedy to see the World Trade Center go up inflames. But what must seriously preoccupy us is that the free trade globalization which was supposed to be symbolized or represented by the towers be repaired for the benefit of all.

Destructive trade and false globalisation

In its basic essence, the present-day policy of free trade globalization is based on the so-called theory of comparative advantage. The theory of comparative advantage is well known to all who have taken even basic courses in economics. It concludes that with full employment of all resources throughout the world, free international trade will lead to gains in output and efficiency for the world as a whole and no losses for any member of the trading community.

Of course, given such conclusions, free trade globalization should be commendable for the world as a whole. In fact, it should be even more strongly commendable on its assumptions, because under that theory it is the richest and dominant parts of the world which should gain least or not at all, and the smallest and weakest should gain most. Unfortunately these predictions, as is well known, are not verified by real world conditions, where the rich keep getting richer, and the poor poorer, or remaining as poor as they ever were.

Let us take a glance at the UNDP diagram shown in the figure on page 62, representing the state of the world as it looked in 1990. If we take the top 20 per cent of world population, representing nearly 90 per cent of world output and income, as the rich and dominant trading partner, the remaining world of the 80 per cent would have had to be gaining according to

the theory of comparative advantage.

But this did not happen by any means. In 1990 the ratio between the income of the richest and poorest 20 per cent was about 60 to 1; in 1960 it was about 30 to 1, and by the beginning of our century, about 75 to 1. And it must be noted that in our crude and approximate analysis these measurements pertain to populations of richest versus poorest countries, and not individual people within those countries. If the latter scale of measurement were employed, all these results, both the absolute levels and rates of change, would appear more dramatic.

Obviously another theory, if it exists, must be found to explain these dramatic phenomena and to help us to seek remedies to the tragedy of humankind we are witnessing today. This is what I call the theory of destructive trade.

The first thing to realize is that international trade can be a result of all kinds of other things besides comparative advantage. There was in history the slave trade. There was also trade in guns, gutta-percha and ivory initiated by the king of Belgium. The theory of destructive trade identifies with neither of these, but may be a kind of a modern version of these earlier ones. It is possible to explain what follows using the same formal analysis as that of the comparative advantage, and I have done so elsewhere. [1] Here let us note just what is most essential.

Suppose that humanity like that in the UNDP diagram is divided between a minority of the rich and a majority of very poor living near subsistence, corresponding to, say, a 10 cents wage. All economic happenings are governed by decision makers of giant international corporations who start out paying 10 dollar wages in the rich countries, but who observe that they can find virtually unlimited amounts of labor (billions) at 10 cents or other very low wage rates, as shown in the diagram. It will not take a degree from Harvard Business School to figure out that the best strategy is to shut down in the rich world and produce in the poor, importing all products therefrom and exporting machinery and well-protected technologies, and possibly food to feed the overseas poor labor.

This is a much better theory, not only because it reflects the trade and capital flows of today, but also because it is consistent with the trends indicated by the UNDP data.

The key conclusions of this destructive trade theory are that:

- 1) The only guaranteed gainers in the operation are

the owners of the corporations, with their top brass and management staffs.

- 2) Nothing guarantees any gains for the former employees in the advanced economies whose jobs are being destroyed;
- 3) Nor is there any guarantee of gains for the over-abundant labor in the poor countries. In fact they may even be losing if they have to lose their farm livelihood under competition with genetically modified agribusiness to work in maquiladoras, or risk their lives trying to emigrate into the top of the UNDP chalice. The inefficiencies that can be covered by our symbolic 10,000 per cent wage differential are so enormous that no one can say whether on net balance the destructive trade is beneficial to the world as a whole, even if the gains of the rich are discounted by the losses of the others.
- 4) Last but perhaps most important is that this type of world disequilibrium situation must be explosive in the long haul, pointing to disasters far worse than that of the World Trade towers. This is so because the forces governing destructive trade are the stronger, the greater the differentials between the rich and the poor. But destructive trade itself leads (as in the dynamics of the diagram) to ever more imbalance. It is as if the swings of a pendulum were increasing (not diminishing) with the distance of the pendulum from its equilibrium vertical position. Thus in our view, present-day globalization based on free trade is ill conceived,

and at best is beneficial to those who promote it. There is another form of global economic solidarity which is in harmony with the findings of the destructive trade theory, and this is what we want to speak of here.

Broad parameters of solidarity-based globalisation

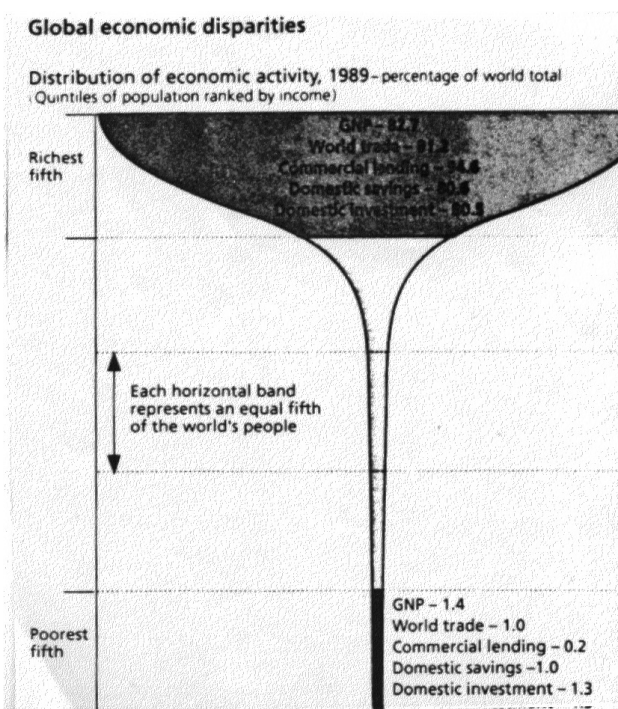
We live in a post-Cold War world with only one superpower left – the United States. This causes several difficulties if we look for a leader of the world solidarity solution. First of all, the United States seems to have assumed, or stolen, such a position, but because it primarily deals with law and order as a policeman, it turns out to be a heavily armed bully in the world.

A true leader of solidarity-globalization would have to assume also the other key role of world leadership, that of economic justice; as indeed without such a role, violence and terrorism in the world can only increase. The other main problem is that the remaining superpower, the United States, is far too provincial or on the border -- sometimes in world politics standing alone with Israel among some 200 nations. Obviously if there is to be a leadership for a global solidarity solution, it would have to come from somewhere within the fat top of the chalice in our diagram, and not from its margins.

It may be suitable to take the analogy with the national welfare states as they developed in the twentieth century, based on three key precepts: law and order, democracy, and economic justice. The leadership of a solidarity globalization must be based on all three.

It is the third leg of the solution, economic justice, that concerns us in this paper. In the capitalist advanced world, this is often thought of as the condition of minimum wage, social security, et cetera. But the minimum wage which we know so well is a child and product of capitalism, which in itself is undemocratic because power rests in the dollar and not in the person.

In our analysis, we take heed of the democracy principle and try to go beyond the minimum wage into the world where labor is not a marketable commodity but a free democratic agent working and creating value under market conditions of everything but itself. This is the substance of our discussion below. Thus all three conditions – law and order, democracy, and economic justice – are fulfilled simultaneously, and not merely the law and order of the present world.



The resources for the solidarity-based globalisation

Of course to begin to implement solidarity-based globalization one needs considerable resources. As we will see, the most functional ones are an integral part of our democratic economic justice solution.

But there are others also potentially very significant and logically inherent in the world situation of today:

1. If we start promoting true social justice – reversing the trends behind the Fig. 1 chalice – there will be gradually diminishing need for the presently horrendous military budgets in the world. The moneys spent on the military and military research can gradually be diminished and devoted to the multifarious tasks behind turning the guns into plowshares.
2. We should not forget that the enormous wealth and living standards of the top 20 per cent of humanity were secured from limited and non-renewable resources of our earth. In particular those are resources of energy, which at the time of fifty to one hundred years ago were building up America and the rest of the rich world, to the tune of one dollar a barrel of petroleum. Such resources will never again be available for the development of the 80 per cent of the poor. Using some objective calculation, it would be desirable to assess corresponding compensatory transfers from the rich to the poor; and that not on the basis of charity but on the basis of inter-solidarity rights.
3. Here I return to the arguments of destructive trade presented above, referring to a more careful discussion elsewhere. [2] It is unthinkable that in a rational world the 10-cent wage, or any other of that low magnitude, could be out-competing labor in the advanced countries at the level of 10 dollars an hour. It is imperative, at least for a limited, but quite extensive period of time (perhaps dozens of years) to protect domestic industries through import duties of appropriate size. BUT, the revenues of such protection should not go into the national government coffers of the wealthy, but be made available for the solidarity-based globalization strategy as our third resource.

Solidarity-based global order national considerations

We have already indicated that to deal with the injustice of the chalice diagram, we can be inspired by something like the minimum wage policy of the rich

countries. But our solution is not the minimum wage, itself the product of the capitalist system, which keeps producing and reproducing the chalice; but rather a fair income solution inherent in a democratic participatory economy. There are several key points to be made on this subject, and they can usefully be clustered under two headings of I. national and II. international. We turn in this section to the first of the two.

By “national” we understand all aspects of the democratic solution pertaining to a given national, regional or local economy of the less developed part of the world. Of course, the policies here discussed would have to be applied simultaneously in all of the low income countries as seen in the chalice.

There are two characteristics of the national democratic solution of formidable advantage to the task at hand. First, it so happens that we are not entirely in the dark from the practical point of view, there being a well-known and extensive and amply described experience of what we have in mind in the history and case of Mondragon. Second, it so happens that the optimal form of a democratic economy – such as that of Mondragon – is also optimal by far in the context of seeking a just and equitable global order based on international solidarity.

The essential aspect of any democratic economy is the existence of a support structure, and this support structure can play a number of essential roles for both the national economy and the quest for a just global order. It would take another place to expose all such roles: here let us focus only on the principal ones.

First of all, there is the administration of some fair target wage or income for the country or region. It cannot be a minimum wage, because labor incomes in the democratic solution are not wages. But a fair democratic labor income (such as 50 cents instead of 10 cents in the present world order) can be entered for all cooperative firms of the nation or the region administered by the support structure as a target, or “accounting” income in preparing plans or feasibility studies for all the firms of the region.

Second, because co-operative firms in the poor countries tend to be small, and lacking in human capital and business know-how, another combined role for the support structure is that of an “incubator,” project evaluator and designer, financial adviser and many others.

Third, also related to the primitive state of the poor economies, there is the role of functional education, whether related directly to productive activity or to

more formal classroom training.

Last but not least, the support structure, perhaps in co-operation with other support structures of other regions or nations of the poor world, must focus on energy, ecological, and technology aspects of the poor world. This task is one that the profit-maximizing multinational corporations, seeking their self-interest, are totally neglecting.

Solidarity-based global order: international considerations

What we have called the “international role” for the support structures is as significant as the national or regional roles. The first significance will be immediately apparent from the fact that the administration of the support structures must reflect all interests involved in them, not only the national but also the international factors.

Thus, first of all, it is understood that the free motivation of large international corporations (who today are the “sharks” of destructive trade) would be invited to act through the national support structures. This implies a more civilized action, participating in the governance, together and with the national factors in a common dialogue leading to more optimal and fair solutions for investment, technology choices, factor-proportions, and so forth.

Second, there would be the problem of optimal allocation of the scarce transfer-resources, as noted above, originating in 1) military budget reductions; 2) ecological equity transfers to the poor countries; and 3) partial protective tariff revenues (see above). Such transfers would be channelled through the support structures, under supervision of the donor countries to prevent corruption.

The most significant aspect of such transfer allocations would be to choose investments consistent with local employment needs (e.g. see administration of various Grameen banks), local renewable energy, irrigation, food, medical, educational supply needs, and so on. This would counteract – even if wage injustices were done away with -- the often unsuitable projects based on the multinationals’ profit motive.

In a similar manner, orientation to internal needs would also involve “capturing” domestic highly-skilled talent not to emigrate (as in the “brain-drain”) but rather work on innovations and technologies and organizational patterns (such as co-ops) most beneficial to the poor home-economies.

Conclusion

The intention of this paper was to offer a very broad view of inter-related major problems of globalization, and to outline possible remedies. The efficacy of such a brief statement should be obvious. Of course, each of the arguments made could be elaborated virtually sine limite, by this author or others, if such elaboration would be of interest.

- [1] “Comparative Systems, Destructive Trade and World Distributive Justice”.
- [2] “Destructive International Trade: from Justice for Labour to Global Strategy,” *International Journal of Development Planning Literature*, Vol. 13, No. 1, January-March 1998. [1] made available to the IAFEP conference.

Book Reviews

Food Supply Chain Management

Bourlakis, M.A. and Weightman P.W.A, ed. *Food Supply Chain Management*, Blackwell, Oxford, 2004. ISBN 1-4051-0168-7

This useful edited collection of papers on the UK food supply chain covers consumer buying decisions, upstream to stock and crop management at the far down stream end of the supply chain. Chapters cover such issues as third party logistics, temperature controlled supply chains, partnerships and alliances, the impact of new technology particularly in the area of management information systems and product development, and food manufacture. These chapters are supported by further useful chapters giving historical background and a contemporary overview of the forces shaping the US food industry. There is a chapter on the environment, and the growth in importance of the organic sector together with a discussion of the opportunities and difficulties that surround the sectors growth and development.

The breadth of the book is impressive. Although its structure and the inclusion of study questions at the end of each chapter suggest an academic /student readership target there is valuable information about the food supply chain for experienced practitioners interested in gaining insights farther up or down stream of their activity. The general manager of a co-operative operating at either the agricultural or consumer ends of the food supply chain may well find in the chapters on alliances, IT, the more general chapters tracing the forces shaping developments in this sector valuable insights towards the development of a strategy for the development of the co-operative business. I particularly recommend the book to co-operative board members or volunteers operating in this sector. It provides an excellent grounding in the basic forces and strategies influencing the sector today. The book's UK and US empirical focus does not, in my view, detract from its general relevance for co-operators in Latin America, Africa and Asia. Indeed the very existence of such developed consumer markets has meant that for generations the US and European food supply chain reaches all the way back to the paddy field and tea and coffee plantation as well as to the olive grove and orange orchard. The ability to shift suppliers with the seasons and the added variety of traditional dishes, vegetables, fish

and fruits etc has added to the richness and depth of choice available and underline the global nature of the UK food supply chain.

The book at every stage indirectly makes a case for increased co-operation by consumers and primary producers to meet the greater co-operation and concentration that they confront from the private sector restructuring of the food supply chain. Co-operatives in agricultural supply and procurement need to ask themselves if they should not be working more closely together to move from their present position at the low value added end to aspire to become "1st tier supplier intermediaries" (see fig 9.1 p139). In fact, in many areas consumer co-operatives could collaborate much more to ensure economies and quality improvements in their own procurement. The old co-operative dream of linking in social ownership production and distribution now has the logistics, the technology and the management systems and strategies to be realised. In fact co-operation is being extensively recognised as being more commercially viable than adversarial strategies and relationships. Private sector firms can operate such systems as collaborative planning forecasting and replenishment (CPFR). The British Co-operative Group have extensive collaborations in place and indeed in the Scandanavian countries cross-national collaboration is now leading to business integration in the consumer co-operative sector. At the global level co-operative managements are beginning to search for wider opportunities and one wonders what impact on the UK food industry would be made by the UK co-opertive group joining with the Scandanavians?

In the final chapter looking into the future and the research agenda that is implied by current developments the editors identify (quoting Balou *et al* 2000) three elements that are essential for stable management of inter-organisations relationships. (See p225)

1. A new inter - organisational metrics is required to define and measure costs among the various channel members.
2. An information sharing mechanism must be established to convey information about the benefits of co-operation between the channel members.
3. The allocation of benefits must be distributed fairly to all channel members, i.e. a proper and just

allocation method for redistributing the benefits of co-operation must be established.”

Perhaps the channel members should form a co-operative? Better still perhaps co-operators should start to co-operate and link up as collaborating channel members in the food distribution supply chain - it seems to be a good idea.

Reviewed by the Editor.

Women in the Irish Credit Union Movement North and South

McKillop D, McCathy O, Ward M, Briscoe R, and Ferguson C, *Women in the Irish Credit Union Movement North and South*, The Royal Irish Academy, Oak Tree Press, 2002. ISBN 1-86076-264-6

This is a very interesting book for readers from various parts of the world far removed from the Irish setting of the subject matter of this book. The significance of women as builders of credit unions and indeed many other forms of co-operative is increasingly being recognised and rightly celebrated. The book seeks to take the forty years experience of women in the development of credit unions in both the north and south of Ireland to inform the wider debate on gender. In this the research objectives are clearly met.

The core of the book are chapters three and four which provide a detailed account of the structural characteristics of the Irish credit unions (chapter 3) demonstrating that the movement is in a transition phase. Chapter four's survey of the gender mix indicates that 38% of credit union board members in Ireland are female. Surely a very creditable achievement.

The threats and opportunities that confront a movement in transition from volunteer to a more professional management and leadership is a useful moment to consider how new younger generations of professional women can take forward credit unions in Ireland without loss of the identity and community that earlier generations of Irish women had been so rooted in, and through which established such a success story for Irish credit unions north and south.

The issues of women however are only one important dimension of the evolving debate on gender and on community. Men in the new era and their role in community particularly in areas of high unemployment and with it a loss of their traditional roles needs to be considered too. It is often overlooked

that whilst some men are the ones in power in most organisations the majority of men are as excluded from power and are as exploited and manipulated as are women. Having a man in charge or having a women in charge is no guarantee of gender biased benefits for their subordinates. It is always a problem to discuss gender without discussing the class context. In many co-operative boards dominated by males in other parts of the world it is males from political or social elites that dominate and exclude men and women from participation, a point noted (p91) by one of the contributors to this excellent book.

Reviewed by the Editor.

Hierarchy or Values? What is Wrong with Management? A Response to Martin Parker, Against Management. Organization in the age of managerialism ⁽¹⁾

Peter Davis

That Martin Parker's book has not found its way to a wider audience is a pity although he would no doubt be a little embarrassed to be on the airport bookstands alongside everything (in the management literature) he is against. This is an almost unique work in the literature in that as the author proclaims he has come to bury management not to praise it. Many criticise management but to bury it well that's what I call ambitious.

"I am trying to argue that the particular version of managerialism that has been constructed over the past century is deeply implicated in a wide variety of political and ethical problems, and that it limits our capacity to imagine alternative forms of organizing." (Parker, p11)

This 'particular version' turns out to be modern management as a whole as it is generally taught in the mainstream business schools and management departments. For those managers and lay directors who are questioning their role and relationships with others in a co-operative organisational context the challenges in this book will have a particular resonance. The problems of defending co-operative identity in the face of the growing power of managerialism in large and even not so large co-operatives has been at the heart of research and debate in co-operative circles for over three decades.

Martin Parker defines management as an all-pervasive term that operates to legitimise and contain our thinking into a framework that ensures continuing control over us. In his view this control has many negative consequences for our humanity, society and natural environment. He commences with a reflection on the assumptions that underpin the concept. He challenges three assumptions that management is essential to ensure social progress; the necessary way in which human beings are controlled; and that management represents a paradigm shift from the dark irrational past to a democratic rational and transparent present and future. Parker follows this up with three definitions of management.

Martin Parker first identifies the word management with the academic discipline by that name. He also

considers the plural noun management as coming to mean anyone engaged in control and co-ordination of people and things. Management can also be translated into a verb as an act of management - a process. Both the noun and the verb imply in true Taylorite fashion the distinction of thinking from doing. Management has become detached from its origins in the processes of "handling"(p6).

There are many in the co-operative movement wedded to the positivistic idea that management is merely a neutral set of techniques and knowledge existing simply to serve the policy goals identified by the elected board. They will find Martin Parker's argument hard to accept. Others who see ownership as being critical not management may also want to dismiss the thesis as misguided. However, I believe many perhaps even a majority of co-operators today recognise managerialism more or less as Parker defines it as a real threat to economic and social systems, a force reinforcing injustice and undermining democratic culture and institutions, and as a particularly subversive threat to the integrity of modern co-operatives. However readers of this journal, many of whom may be largely ignorant of the Critical Management Studies literature but steeped in the co-operative tradition, will be surprised that a fourth definition of management is missing. I refer to the well known concept of collective management which stands against the very managerialism that Parker is critiquing. The absence of a mention of this alternative definition of management to the traditional definition suggests the emergence of a problem within Martin Parker analysis which I will return to later.

His book is particularly timely in the wake of the four years of analysis and soul searching that led to the adoption of the Co-operative Identity Statement at the ICA Congress at Manchester in 1995. This new restatement of what it means to be a co-operative arose out of a growing recognition that as the power and influence of professional management increases with the size and complexity of modern co-operative organisations so the co-operative content and identity weakens and can end in privatisation as with the plundering of the building societies.

From the co-operative standpoint the detachment of thinking from doing is in part a reflection of the separation of doing from ownership. The “missing” fourth definition in Parker’s analysis of management arises precisely here. In worker co-operative circles collective management refers to a particular form of management with a radically different location of the process and radically different objectives. Thus, I believe collective management must be presented as a fourth definition. Collective management is after all a form of management where the doing and the thinking are re-united. Whilst collective management includes coordination (most of life does) it’s proponents at least would see it as empowering rather than controlling. Anarcho-syndicalism and more recent exponents of self management strategies following the nineteenth century French worker co-operative movement are all about thinking through practical alternative frameworks. Mainstream management is seen as the coordination for wealth creation and distribution as a hierarchy for the control of labour by the owners of capital to extract the maximum return for investors. Parker may care to argue that collective management is not included in his definition precisely because its not part of what he is specifically attacking. Rather its one of those potential non-managerialist alternatives to the kind of management he wants to bury.

But here is the rub for Martin Parkers’ whole project. Finding alternatives to that hierarchical positivistic management has been the focus of some two hundred years of experimentation. The problem with Parkers’ analysis and with everyone who has sought to mount a similar critique – since Thomas Hodgskins’ first criticised the emerging management elite in *Labour Defended* far back in 1827- is not with the proposition so much as with the lack of an adequate solution. Parker of course recognises this in his chapter on Critical Management and is critical of some of the limitations of other attempts to critique management from both the McDonaldisation thesis perspective and the more pervasive business ethics and corporate social responsibility movement. But here he is picking easy targets. The more challenging agenda is to explain why the radical alternatives have failed. And failed they almost all have. I include here collective management, self governing communities, syndicalism and Leninist / Trotskyite / Stalinist and Moaist approaches. They have all failed to deliver an acceptable alternative that works in sufficiently wide ranging contexts, from various forms of market economy to state monopoly. Most have failed to effectively deliver justice and freedom both social and individual to mutually acceptable degrees in competition with the capital based and

hierarchically managed private firms. There are of course many explanations but none that deliver the alternative management structure and process that Parkers’ definition suggests is needed and project demands. Doing without large-scale organisation (small is beautiful) is not the issue either as collective management itself has never really successfully operated at even small-sized organisational levels beyond about 12 to 20 people. Sooner or latter there needs to be agreements, contracts and enforcement. No amount of networking delivers on this and good communications and democratic structures do not overcome conflicts of interest either.

No social movement or intellectual or artistic one has ever grown or succeeded for long simply by being defined by what it is against. Nowhere has Parker defined what kind of alternative process to managerial hierarchy Critical Management Studies (CMS) stands for. That CMS is defined in terms that provides a basis for challenging established ideas and innovating new ones is clear and legitimate. Ultimately “real” academics are unlikely, for the very structural reasons Parker himself identifies, to go beyond this. Some will attempt successfully or otherwise to use their studies and field research at the service of pre-existing social, cultural and political movements. Generally such partisanship does not go down well within the ranks of the academy, casting in many eyes doubt concerning the legitimacy of the academics credentials within the academy’s own discipline-based terms of reference. The dividing lines within CMS are made up on Parkers’ account by opposing currents and perspectives that are not always reconcilable. That CMS are potentially at least capable of creativity and positive development in critical analysis is certain but it is hard to see a coherent framework for change under the banner of CMS. The best that can be hoped for, and as Parker seems to admit is yet to happen, is that some members will disengage from the intellectual debate for long enough to consider the application of their researches in practise. But social movements that challenge social systems have a big idea behind them and a model for its implementation. CMS is unlikely to produce either given the philosophically opposed paradigms it embraces and the academic imperatives for career and peer recognition that subtly discipline its membership.

One aspect of the problem of finding an alternative to hierarchical positivistic management, which in this reviewers opinion is at the heart of much of the last two centuries of failed experimentation, is that it is much easier to come up with good systems and processes than it is to come up with good people to operate them. As long ago as the 1820s the English Labour Economists

experienced the brutalisation of labour as a class. Some of which like John Francis Bray and Thomas Hogskins were part of the class they sought to represent. Education was not put into co-operative principles as a middle class Victorian project to help provide top down education for the masses in the true culture of the “which knife to use’ and other social graces category. Rather early co-operators saw education as the cutting edge. Anti-capitalist radicals of the age demanded improved standards of education and morality as a fundamental prerequisite for liberation of people at the very beginnings of the industrial capitalist system. Bray who experienced unemployment and the “tramp” first hand in the 1830s noted how such experiences brought out the worst and most brutish behaviour in most of the people whose daily lives were conditioned by it. The struggle for autonomy and self-management was a moral even spiritual struggle not just a class struggle. Why because to run your own affairs rather than have someone else do it for you is difficult, unsettling and sometimes even painful. No wonder the children of Israel wanted to go back to Egypt.

What Bray and others of his age recognised and what Roberto Michels also discovered nearly a century later is that people can be misled and corrupted often rather easily and cheaply. Workers are not exploited just because of a nasty controlling management working on behalf of a nasty capital owning class through coercion or through what the Marxists call cultural hegemony. No disappointingly it’s the people themselves who collaborate in their own slavery. This recognition led people like Michels and Mosely to despair and to fascism. Ultimately the defeat of managerialism is not a question of overcoming false consciousness, nor is it simply a reality to be exposed, deconstructed and critiqued. It is also centrally a matter of human frailty of character to be overcome. The idea of frailty of human nature may presuppose some absolute standard of good and evil, an idea which one feels is not an acceptable supposition at all from the perspective of Parker and the rest of his colleagues in CMS (steeped in whichever wing of the critical management studies approach). Character rather than economic machine, however, was seen as critical by what Marx and Engels wrongly characterised as Utopian Socialists.

There is no need to reinvent the wheel. There are alternative organisational structures the most sustained and universally successful being the co-operatives which Marx damned with faint praise in his address to the working men of London. Co-operative agribusinesses, financial services, consumer societies, worker, primary producer, and various other service providers have competed and continue to influence

markets for the benefit of people rather than profit and provide greater empowerment for millions amongst the worlds very poorest people. They provide a popular and flexible range of alternative ownership and management / governance structures based on democratic principles and provide in various contexts opportunities for self employment, community development and greater distributive justice. The good organisation(s) exist. They do not need to be re-invented. Their gradual evolution is based not on the inevitability of the economic machine, revolution and expropriation, but instead rooted in a shared interest and a solidarity based in social and economic conditions. The co-operative does not understand individual membership as a sacrifice for the greater good or as a negation of individuality and autonomy. Members are voluntarily so and join to serve their self interests as they define them. Within the co-operative there is accordingly grounds for tensions and disputes. But membership does assume that self-interest is served best by working with others in a democratic structure of governance. The technical complexities of the co-operative project however more often than not require a specialised hierarchy of management.

The reason managerialism is so threatening in the co-operative context is because co-operatives operate as islands of socialised production and distribution in a market and culture dominated by capitalism. Like other labour movement institutions they are a contested terrain where the “fifth column” operates often to great effect precisely because members are not vigilant and do not want to learn and grow or to develop their association. The labour movement has struggled ever since Micheles to overcome the problem of manager and leadership elites from effecting what used to be called “goal displacement.” Human frailty and lack of vision are the main enemy and it is an issue for the oppressed not the oppressor.

Co-operative value based management provides a set of values and principles which can guide the manager in co-operative applications and purposes without giving up the flexibility and speed of response to operate the co-operative competitively in the marketplace. Reforming and redirecting hierarchy in terms of its perceived purposes and culture may be more effective than demolishing hierarchy particularly when there is nothing else that seems to work to put in its place.

What we need to counter managements negative impact are essentially two things. Firstly, a democratically governed membership based structure (co-operative). This is in place. Second we need a vocational value based profession of management

rooted in the servant-leader model. There are people out there to be developed as managers who hold such values and have this vocation. Once the co-operative movement recognises the need for such people and organises to attract and develop them capitalism may have a fight on its hands. For academics like Martin Parker the possibilities of a radical management cadre may seem utopian. Left to itself I can agree but when organised within a dedicated professional association to maintain standards and purpose on the one hand and answerable to a democratic governance structure in its co-operative employer on the other I believe it becomes a realistic prospect and a vision worth struggling to realise.

Martin Parker's book deserves to be widely read in the co-operative movement given the dangers it points to and the radical stance adopted by the author. Complacency is our enemy and the lack of widespread debate on the nature and the possibility of "co-operative management" is a challenge I hope academics and practitioners interested in co-operation will act to meet in the pages of this journal in forthcoming issues.

Footnote

Parker Martin, *Against Management. Organization in the age of managerialism.*⁽¹⁾ Polity Press, Cambridge, 2002. ISBN 0-7456-2925-3 (pbk)



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