

Co-operative Business: the role of co-operative principles and values

Sonja Novkovic

This paper results from an online survey of managers and board members of predominantly Canadian co-operatives, where the role of co-operative principles and values has been examined, in an attempt to document their relevance to co-operative business practices. Co-operative management literature has emphasised the importance of bringing the co-operative difference into the marketing and management strategy of co-operatives, but in practice few co-operatives do that. We examine the differences across different types of co-operatives, and while our results are preliminary, they do indicate that some patterns emerge. There are differences in perceptions of managers and board members regarding both their acquaintance with, and application of, the co-operative principles. And while co-operative size matters in shaping the answers, so does the type of co-operative, the length of respondents' relation with the co-operative, and whether they are the manager or the board member. The most important value to all types of co-operatives in our sample is democracy, while the principle of concern for the community carries a lot of weight in defining the co-operative difference.

Introduction

This paper is motivated by the agency literature on co-operative management, where the duality of co-operative purpose is often underlined, as reflected in the board-management divide along those dual roles. Typically, the co-operative board of directors is expected to administer the 'co-operative' goals, with protection of members' interests in mind (Bruun and Oleson, 2002), while management, elected by the board, is responsible for 'business' goals of the co-operative (see Sexton and Iskow, 1988, for example). Increasingly, there is recognition in the literature that best co-operative practices unite the two roles, and base their management strategy on the co-operative principles and values (ICA, 1995). Cote 2003, Gertler, 2001, Griffiths, 2003, Novkovic, 2004, Novkovic and Power, 2005, and numerous others have in different ways argued the same: co-operatives need to base both their governance **and** their management on co-operative principles and values. The argument goes that if management goals include co-operative principles and values, the co-operative social role is automatically implemented¹. Increasingly, co-operatives participate and compete in the global market, either through international trade, by creation of international networks, or by virtual linkages based on technological developments, such as e-commerce. Once the local character of co-operatives is lost, or redefined, it is precisely the (universally applicable) co-operative values and principles that cross the borders and serve as a link, and a medium of association, between co-operatives globally. It is also evident that most

successful co-operatives have used their co-operative values to market the co-operative advantage (see for example Marszalek, 2003, Harvey, 2003, Novkovic and Power, 2005; Homer, 2005).

While the importance of the co-operative principles is obvious, their use in everyday business is less evident. Some co-operatives choose the co-operative structure for incentives it may offer (tax breaks, for example); other co-operatives enter due to market failure, and then mature and evolve under the changing business environment. As the environment is changing, and new (global) competition enters the market, co-operative members may become disenfranchised. Many case studies indicate that the gap between co-operative values and co-operative management is wide. Harris (2004) for example, questions social responsibility as a co-operative 'trademark', when so many investor-owned businesses are introducing corporate social responsibility and business ethics into their practice, and questions the leadership role of co-operatives in the social responsibility arena. That in turn calls for questions about the co-operative difference, and the role co-operative principles and values play in defining that difference.

With this research, we intend to address some questions related to meaning and application of co-operative principles and values: to what extent are the co-operative principles and values applied in daily operations, how aware of the co-operative principles and values are the members, managers and board members, and what is the impact of those co-operative principles and values on

co-operative businesses? To answer some of these questions, we used an online survey, whose original intention was to provide a measure of perception for the co-operative principles and values' impact on capital, cost, employee effort and member loyalty. While its use for that purpose is postponed to a later date, in what follows we present some descriptive statistics of our findings so far.

Description of the survey

We have contacted co-operative managers and board members across Canada, and to a lesser extent in the US, for participation in the survey. The survey was conducted online. Some of the contacts have been realised through co-operative associations, and it is therefore difficult to assess precise numbers of contacts. At the time of reporting, we have collected 77 responses, and our results are therefore rather limited, but some common characteristics and differences between sectors have emerged that we feel should be reported at this stage, even though this still is work in progress. We have been able to group the respondents in five groups - consumer co-operatives², worker co-operatives, financial co-operatives, agricultural co-operatives³ and housing and utility co-operatives. The questions are primarily related to the co-operative principles and values, and we ask some general questions to be able to group the respondents by sector, and by demographic characteristics.

General characteristics of the respondents

Out of the responses we have received thus far, the majority represent consumer and worker co-operatives. Next are the financial co-operatives

and housing and utility co-operatives. Figure 1 illustrates, while Table 1 lists some additional sample characteristics.

One can note that a large part of our sample consists of very small co-operatives (mostly worker co-operatives, even though some of the consumer, education, and housing co-operatives also belong to this group), with 15 members or less. An equally large number of respondents belong to very large co-operatives, mostly consumer, financial, and agricultural, with more than 100 members according to our classification, but most large consumer co-operatives in fact have thousands of members. Among worker co-operatives, the largest one in our sample has just over 300 members. Slightly over half of the respondents in the survey are board members, and 56% of respondents are male.

Market environment

We also explored the nature of the marketplace and competition. Under the assumption that most co-operatives enter the market due to some kind of market failure (see Sexton and Iskow, 1988 for example), it is interesting to examine to what extent the market conditions changed for the co-operatives in our sample. Increased competition may affect the priorities of the co-operative, and its managers. Table 2 summarises the responses. Most co-operatives in the group are local, and a shift in the nature of their market environment has occurred over time - 35% of co-operatives entered a competitive market, while 52% of them find themselves in a competitive environment now. A change has occurred for co-operatives who entered due to market failure - of the original 27% operating as a monopoly, 14% still do, while the

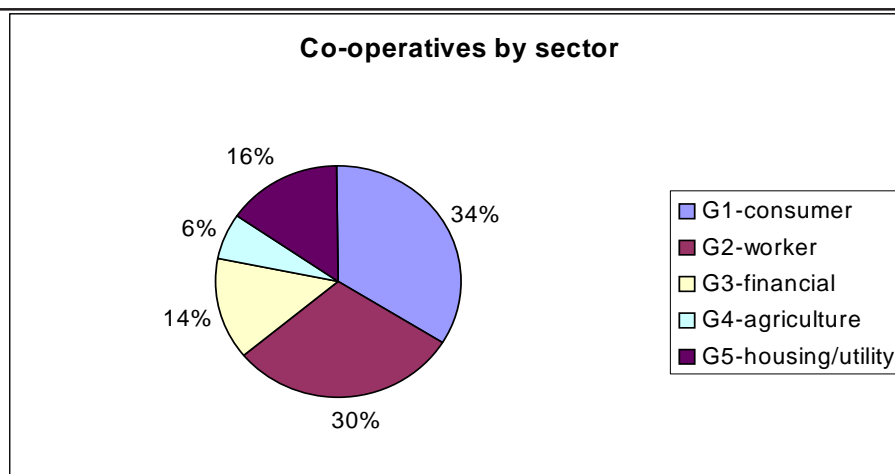


Figure 1: Types of co-operatives in the sample

Total number of respondents	77	Number	%
1.Type of co-operative by sector	Consumer co-operatives	26	34
	Worker co-operatives	23	30
	Financial co-operatives	11	14
	Agriculture	5	6
	Housing/utilities	12	16
2.Country of origin	Canada	65	84
	United States	12	16
3.Type of co-operative by level of decision-making	Primary	60	78
	Secondary	9	12
	Other	8	10
4.Co-operative size	Very small (1-15 members)	31	40
	Medium (16-100 members)	15	20
	Large (>100 members)	31	40
5. Respondents by their function in the co-operative	Managers	36	47
	Board members and other staff	41	53
6. Respondents by gender	Male	43	56
	Female	34	44

Table 1: Characteristics of respondents and representation of co-operatives in the sample

rest now operate in competitive markets.

The market environment has changed for co-operatives in our sample, from entry due to market failure, with little or no competition, to an increasingly more competitive market environment. One may speculate that this

change may be a part of the reason for 'identity crisis' in some co-operatives, but very few respondents in our sample report such problems (only 1% is likely to convert to an investor owned firm in the near future; 3% are not profitable; while 25% break even).

Market – geographic characteristics	Local		49%	
	Provincial		22%	
	Domestic		18%	
	International		10%	
Market - competition	Currently		When co-operative was first established	
	Many competitors	52%	Many competitors	35%
	Few competitors	34%	Few competitors	38%
	No competition	14%	No competition	27%
Labour market	58% operate in competitive labour markets		34% report few employment options in their region	
Capital market	Competitive (easy to raise capital)	Restricted (very difficult to raise capital)	New capital from members only	Dealing only with a credit union
	43%	38%	14%	5%
Consumer	34%	46%	20%	0%
Worker	31%	21%	30%	50%
Financial	9%	18%	30%	0%
Agriculture	12%	0%	10%	0%
Housing	12%	14%	10%	50%

Table 2: Market conditions in the product, labour and capital markets

58% of the respondents operate in competitive labour markets, while 34% find job opportunities very scarce. Of the latter, over a third are among worker co-operatives (38%), 24% consumer co-operatives, 19% financial co-operatives, and 11% housing and utilities. This result is not surprising, as one expects job creation to be one of the main reasons for formation of worker co-operatives. As far as the availability of capital is concerned, 42% of respondents operate in competitive markets, and have capital readily available, while 38% have very restricted access to capital. The rest rely exclusively on their members (13%), or credit unions (5%). About 20% of co-operatives in our sample raise additional capital by issuing non-voting shares. They belong to worker co-operatives (56%), consumer co-operatives (25%), and financial co-operatives (19%).

Attitudes toward the co-operative business

As an indication of attitudes of managers and board members toward the co-operative business, we asked if they view the co-operative as just another business, or superior/inferior to investor owned. We also asked if profit is their primary concern, in order to identify respondents who may have misplaced aspirations about the performance of their co-operative. Given the definition of co-operatives, and depending on the

sector, one would expect that profit is important to them, but not their main objective. Tables 3 and 4 summarise our findings related to these two questions.

As illustrated in Table 3, co-operative business is seen by majority of the respondents to be superior to investor owned for a number of reasons, and primarily because for their social roles and connection to the community. Only 4% of respondents think that the co-operative business is inferior to investor-owned. It is of interest to note that all the respondents considering co-operative business as inferior are managers in large co-operatives.

Co-operative business is just a business to a disproportionately large number of female respondents, and managers, while an uneven fraction of board members view it as a superior form of business.

Table 4 illustrates a summary of responses to question about the importance of profit. The majority of respondents think that profit is important to their co-operative, but not their main concern (66%). A significant percentage of respondents, however, deem profit the primary goal of their co-operative (20%), most of them are managers, and in large co-operatives. If one views solely the pursuit of profit as a misguided goal for co-operative organisations, this indicator may be a cause for concern⁴. It also supports the agency problem often mentioned in the literature, of division between managers and

	Co-operative business is just a business	Co-operative business is superior to IOF	Co-operative business is inferior to IOF
Total	14%	82%	4%
Managers vs board member responses	Managers 64% Board 36%	Managers 42% Board 58%	Managers 100%
Consumer co-op	27%	32%	67%
Worker co-op	18%	34%	0%
Financial	0%	18%	0%
Agricultural	27%	3%	33%
Housing	27%	13%	0%
Gender	Male 45% Female 55%	Male 56% Female 44%	Male 100%
Small co-operatives (1-15)	36%	45%	0%
Medium (16-100)	9%	18%	0%
Large (>100)	55%	37%	100%

Table 3: A summary of responses to question A6: How do you view your co-operative business?

	Profit is our primary concern	Profit is important, but not main concern	Profit is not important
Total	20%	66%	13%
Managers vs board member responses	Managers 69% Board 31%	Managers 43% Board. 57 %	Managers 40% Board 60%
Consumer co-op	31%	37%	20%
Worker co-op	25%	31%	30%
Financial	25%	14%	0%
Agricultural	19%	4%	0%
Housing	0%	14%	50%
Gender	Male 69% Female 31%	Male 59% Female 47%	Male 50% Female 50%
Small co-operatives (1-15)	19%	45%	50%
Medium (16-100)	13%	19%	20%
Large (>100)	69%	36%	30%
Table 4: A summary of responses to question A9: Importance of profit ("the bottom line") in operations of your co-op.			

board members regarding the business function vs social function of co-operative organisations. On the other hand, the fact that profit is the primary goal of such a large percentage of managers may also be an indicator of the widespread use of inappropriate measures of co-operative success. Since what is measured is also pursued, development of different performance indicators seems to be of great importance for co-operatives, if the sector is to remain viable and grow. One possible tool is Kaplan and Norton's balanced scorecard approach, applied by Oxford Swindon and Gloucester (see Homer, 2005), where a number of different social and economic indicators is developed to track multiple goals of a co-operative in parallel.

Profit not being important at all may also present a problem if one wants to maintain a healthy co-operative and a healthy business (see Homer, 2005). This answer may be reasonable in case of not-for-profit co-operatives, and it is no surprise that housing and utilities co-operatives in our sample represent half of the respondents in this category. When we look at the numbers further, the majority of co-operatives whose managers or board members responded that profit is not important to their co-operative are breaking even, indicating that they may in fact be not-for-profit.

Another interesting observation is that of all the respondents in co-operatives whose markets became more competitive over time

(representing 45% of our sample), all reported that profit is important but not their main concern, and all believe that co-operatives are a superior form of business. This would counter the argument that competitive pressure stands behind the changed focus of co-operative organisations, at least from the point of view of the management and board members. If this observation is supported by further evidence, one should then look beyond the pressures of globalisation (in the sense of increased competition) when looking for reasons for the disenfranchisement of co-operative members⁵.

Co-operative values and principles

A set of questions in the survey relate to co-operative principles and values, their meaning, perception of their importance, and impact on the co-operative. The majority of the respondents believe that co-operative principles and values are important for the functioning of their co-operative (93%). When it comes to the perceptions of co-operative principles and values application, 71% of the respondents believe that the co-operative principles and values are specifically used in the management of co-operative⁶, and 82% that co-operative principles and values are used in Board's decisions. We also asked how aware of the co-operative principles are the managers, board members and membership. Figure 2 summarises the responses. More than 50% of

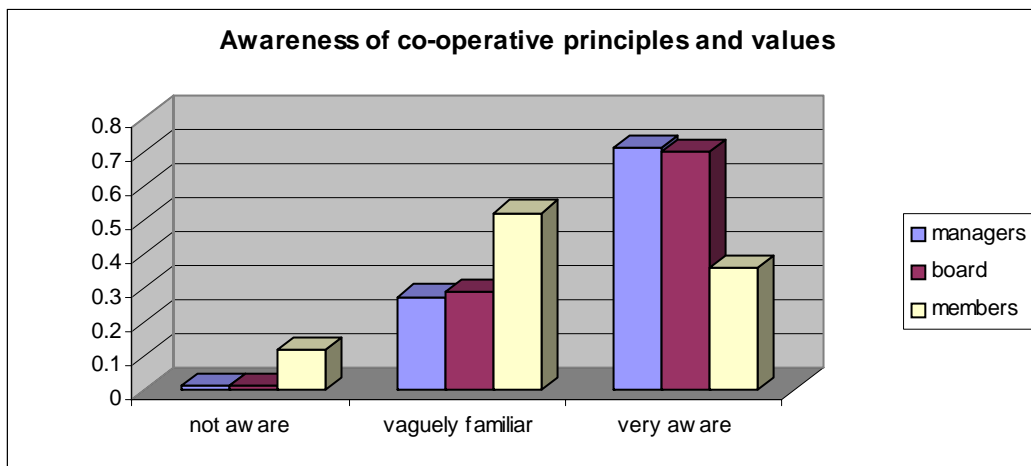


Figure 2: How well aware of the co-operative principles are the managers, board and co-operative members?

respondents believe that co-operative members are only vaguely familiar with the values and principles of their organisations. That percentage is 27% for managers and 29% for board members, possibly indicating a lack of trust by one third of the respondents in the ability of managers and board to put into practice the values of their organisation.

Co-operative principles

85% of the respondents say that **membership in their co-operative is voluntary and open**, while in 15% it is not. Respondents cite different legal and institutional barriers imposed on membership as main reasons for closed membership. **Democratic member control:** a large proportion of members do not vote to elect the governing body of a co-operative; in particular, this presents a challenge in large consumer and financial co-operatives. The largest percentage of members voting is reported by the worker co-operatives - this may be attributed to the special status of worker-members, who have a keen interest in all decisions of their co-operative,

but it can, at least in part, also be attributed to their very small size. **Autonomy and independence:** 93% of respondents say their co-operative maintains autonomy and independence, while at the same time 52% also report that financial institutions or creditors other than their members in some way affect their co-operative's decisions. To address the principle of **co-operation among co-operatives**, we asked if the co-operative is in any way associated with other co-operative organisations. The majority of respondents say that they are (70%), but there appears to be a profound difference between sectors in the meaning of those associations. For most co-operatives, linkages are materialised through their membership in trade associations, or provincial and national co-operative federations. Some of those relationships are superficial, and do not present any gains in scale economies, cost reduction, innovation, or other potential advantages of networks. The most significant networking seems to occur within the retail sector, among consumer co-operatives, and

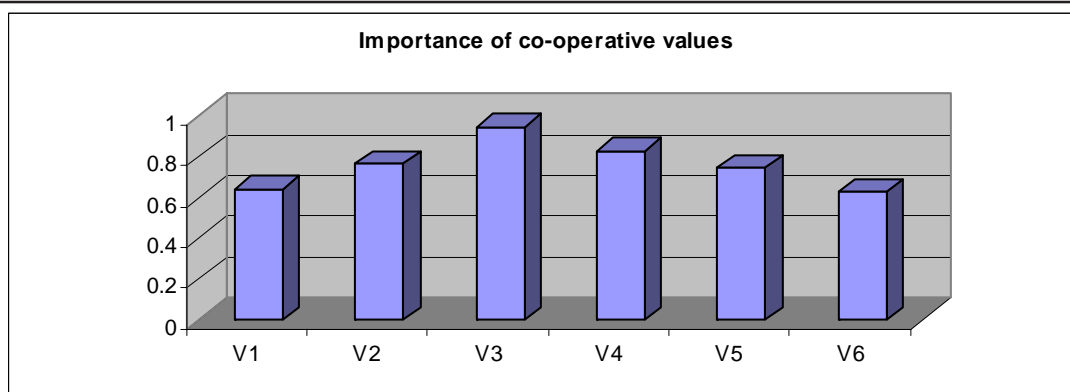


Figure 3: The importance of co-operative values: 1 Self help, 2 Self responsibility, 3 Democracy, 4 Equality, 5 Equity and 6 Solidarity.

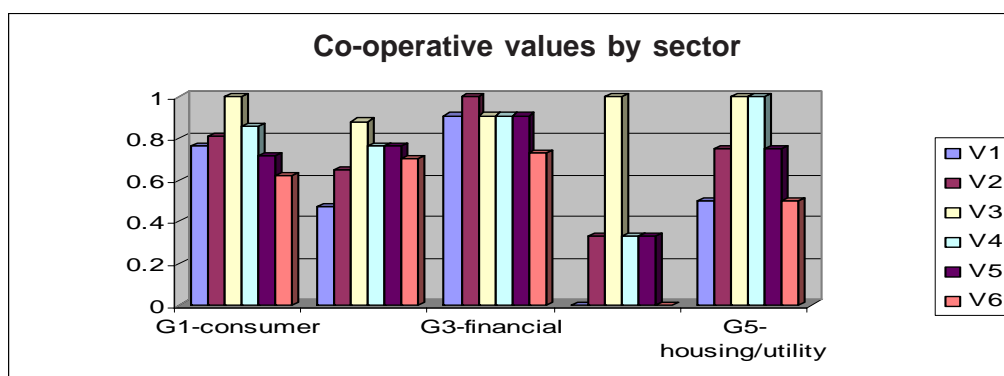


Figure 4: The importance of co-operative values: Self help, self responsibility, democracy, equality, equity and solidarity by sector (G1 consumer, G2 worker, G3 financial, G4 agriculture, G5 housing)

other co-operatives linked in the supply chain. Many financial co-operatives state their linkages to others, but the extent and impact of these connections is unclear from our survey, and needs further investigation. A somewhat higher percentage of respondents (78%) state that they do business with other co-operatives, while 83% do business with investor owned firms.

Education and training: all but two co-operatives in the sample are spending resources on education. When asked how those funds are distributed - is it on education of members, community, managers, or board members - the most frequent response is member education, second most frequent is board members' education, third are the managers, and lastly community education and other expenditures. Asked if they spend resources on "marketing their co-operative advantage" (see Webb, 1998 and Webb et al 2005, for example), 60% of the responses are negative. A number of respondents are not familiar with the concept, and indicate interest

in learning more about it. **Concern for the community** is an important principle for 95% of the respondents. The 5% who say that concern about the community is not important for their co-operative, belong to housing and/or utility co-operatives. All others deem this principle important, and say that their business decisions are profoundly affected by the concern for community. This is reflected in decisions such as maintaining presence in non-profitable locations, environmental concerns, offering employment to the marginalised population, buying locally produced goods, selling at reduced price in low income communities, and other. The forms of support for the community include various donations of their time, goods, and services, involvement in community development, financing community development projects, scholarship funds, and other methods.

Among the four ethical values, honesty leads in the level of importance across all types of co-operatives, with the exception of worker

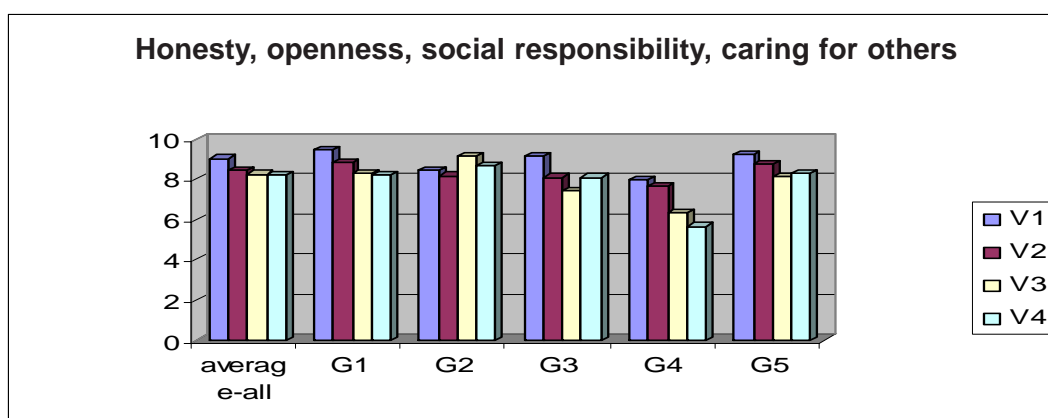


Figure 5: Ethical values of (V1) honesty, (V2) openness, (V3) social responsibility and (V4) caring for others. Average ranking on a scale 0 to 10 by groups of co-operatives (G1 consumer; G2 worker; G3 financial; G4 agriculture; G5 housing and utility).

Ethical value:	Managers		Board members	
	Average	Standard dev	Average	Standard dev
Honesty	9.27	1.31	8.85	2.15
Openness	8.58	1.96	8.32	2.19
Social responsibility	7.73	2.55	8.65	1.72
Caring for others	7.57	2.25	8.69	1.61

Table 5: Averages and standard deviations for managers and board members regarding the importance of ethical values to their co-operative on a scale 0 to 10.

co-operatives. The leading value to worker co-operatives is social responsibility. Generally speaking, there is a difference between the responses of managers and board members. While honesty and openness are on average more important to the managers (standard deviation is also lower), the other two values -social responsibility and caring for others - are more important to board members (standard deviation is lower as well). See Table 5 where we separate the statistics for managers and board members.

Co-operative values

Co-operative values, in order of their importance⁷ to our survey respondents, are:

- Democracy (V3)
- Equality (V4)
- Self-responsibility (V2)
- Equity (V5)
- Self-help (V1)
- Solidarity (V6).

Figures 3 and 4 illustrate.

Democracy is the most important co-operative value to respondents of our survey. All respondents in consumer co-operatives, agricultural co-operatives and housing and utility co-operatives cite democracy as an important value. Only among the financial co-operatives and credit unions democracy was replaced by

self-responsibility as the most often quoted co-operative value. Overall, equality is second most important, followed by self responsibility and equity. The last on the list is solidarity, even though it is listed as important by 62% of respondents.

Regarding the **ethical values** of honesty, openness, social responsibility and caring for others, we asked the respondents to provide ranking on a scale 0 to 10. Figure 5 illustrates average responses.

Survey respondents also added other values of importance to their co-operatives. The following is a list of some of those additional values: consensus in decision-making, transparency in decision-making, accountability, integrity, ownership and owner control, service to members, quality (of services, and of work), collective responsibility.

Measures of impact of co-operative principles on capital accumulation, employee effort, membership morale, and costs

Lastly, we posed a set of questions measuring the level of impact of the co-operative principles on capital accumulation, employee effort, membership morale, and costs. One would expect that adhering to co-operative principles may be costly (democracy in decision-making, or concern for community, for example), but its perceived fairness may increase effort levels of

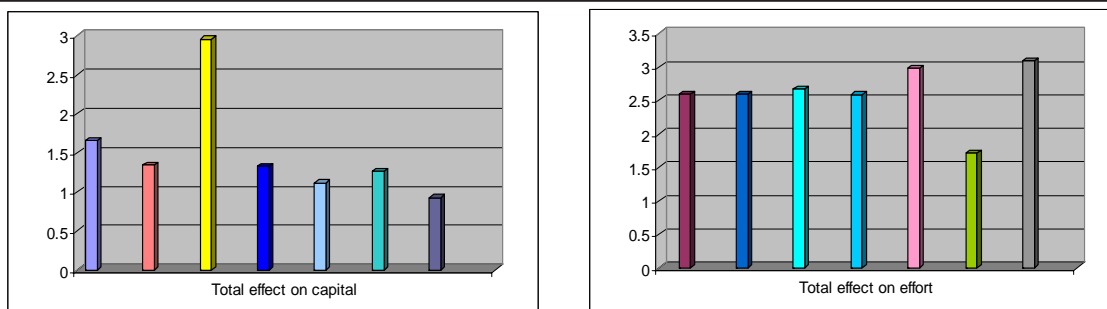


Figure 6: Effect of the co-operative principles (from left to right: P1 Voluntary and open membership, P2 Democratic control, P3 Member economic participation, P4 Autonomy and independence, P5 Education, P6 Co-operation among co-operatives, and P7 Concern for community) on capital accumulation and employee effort. Scale -5 to +5.

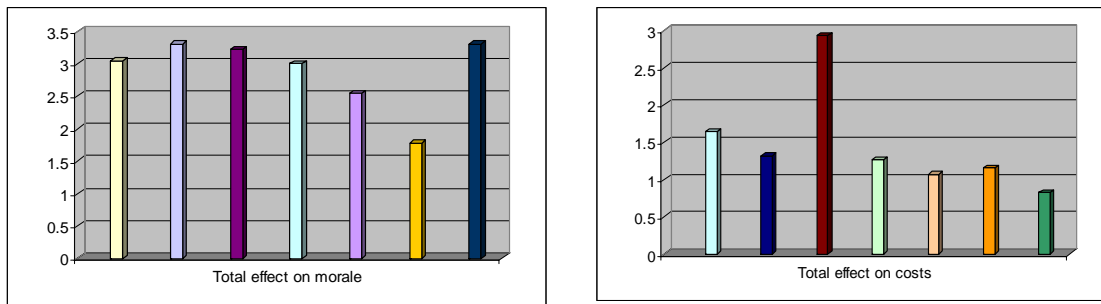


Figure 7: Effect of the co-operative principles (from left to right: P1 Voluntary and open membership, P2 Democratic control, P3 Member economic participation, P4 Autonomy and independence, P5 Education, P6 Co-operation among co-operatives, and P7 Concern for community) on members' morale and on costs of operation. Scale -5 to +5.

the employees, whether they are worker-owners or otherwise, and increase membership loyalty and morale. Some principles may also affect access to capital for co-operatives⁸. While there are numerous other indicators one can use, we devised these four as a benchmark for theoretical purposes. Further research should capture performance indicators in a more systematic manner that would be more useful to co-operatives, and devised by the co-operatives themselves. The balanced scorecard approach mentioned earlier (Homer, 2005) may be one of the available methods to do that.

The following are the summary results of those measures, on a scale from -5 to +5, measuring impact from large negative (-5) to large positive (+5). Figures 6 and 7 illustrate.

Effect of co-operative principles on capital: not surprisingly, of all the co-operative principles, member economic participation is perceived to have the largest positive impact on capital accumulation. While some negative responses were recorded, adherence to the co-operative principles is seen to be positive on capital accumulation overall. The smallest positive effect (and the largest negative) is that of the concern for community. Also significantly negative impact is recorded for democratic member control, confirming the claims made in the literature.

Effect of co-operative principles on effort: Generally speaking, co-operative principles are thought to increase effort levels, particularly the principles of concern for community and education. Some negative effects were recorded for co-operation among co-operatives, and open membership.

Effect of co-operative principles on membership morale: Adherence to

co-operative principles has the largest positive impact on members' morale. The smallest effect is brought by the principle of co-operation among co-operatives, and the largest by concern for community, democracy and member economic participation.

Effect of co-operative principles on costs: Doing business in accordance with co-operative principles is costly, according to our respondents. All seven principles record some negative impact on the company earnings, the largest due to principles 1, 2, 4 and 7 but overall the impact is still positive.

Conclusions

This paper investigates the role the co-operative principles and values (ICA, 1995) play in everyday business of a small group of co-operatives in Canada and, to a lesser extent, the USA. The respondents of our survey think that the co-operative principles and values are important, but less so if they are in management, than if they serve on boards of directors. This is in line with agency literature that claims there is a separating line between the 'co-operative values' and 'co-operative business'. Overall, there is a lot of room for improvement, if one's goal is to advance the co-operative image, define the co-operative difference, and base its management practices on the co-operative principles and values, in line with expectations of the co-operative governing body. There is also room for improvement if one is on a quest for development of 'ethical economies' (Gibson-Graham, 2003).

In defining the co-operative difference, our survey results suggest that democracy is a principle *sine qua non* for co-operative firms.

It then follows that it is important to preserve the democratic nature of co-operative organisations, particularly when they move to form second level co-operatives and associations. A fair, equitable, and transparent system of democratic representation must be sought in building those linkages, if they are to preserve the trademark of co-operation.

Concern for community (social goals) is clearly another key area that defines the co-operative difference according to results of our survey. One can argue that most profitable businesses, regardless of their type, finance community projects, and co-operatives are no different in that regard (see Harris, 2004). While they can do more, the responses to our survey indicate that the co-operative difference is primarily in internalising the externalities⁹. The difference between a co-operative and an investor owned firm is that the latter will typically not supply the product in an unprofitable area, it will not hire the less productive and marginalised population if a more productive labour force is available, and it will not buy locally produced inputs unless it is cheaper to do so. Our respondents have indicated that their co-operatives do all those things, and for those co-operative organisations community support is not just about the distribution of profits (and taxes), but about supply decisions that are fundamentally altered in light of their social goals. On the other hand, it is difficult to find a difference between co-operatives and investor owned firms when

their concern for community is realised by investment of a part of their profit into the community. This form of community support will be there only when there is profit to be distributed. A co-operative can, as a matter of principle, make a permanent commitment to donate a part of its earnings to community (as described in Gibson-Graham, 2003). An investor owned firm is likely to do that *ad hoc*. Nevertheless, very few co-operatives in our sample report to distribute surpluses to community as a set policy, while most of them report that they internalise community needs.

A lot more can be done in terms of a meaningful co-operation among co-operatives. Creating co-operative networks to market the co-operative advantage, to innovate and share technology, to secure financial support of co-operative development, are but a few possibilities.

Overall, it seems to us that to create a vibrant co-operative sector based on co-operative principles and values, Canadian co-operatives need to strengthen a few areas. In particular, more has to be done to reinforce member loyalty, build linkages and networks regionally and nationally, create financial institutions to support co-operative development, offer financial products specifically to co-operatives (this is relevant for credit unions), advertise and market the co-operative advantage, and make a concerted effort to distribute surpluses to advance democratic economic organisations.

Sonja Novkovic is from the Department of Economics, Sobey School of Business, Saint Mary's University, Halifax, NS, Canada B3H3C3. Financial support by Saint Mary's University Senate Research Grant 2004/05 is gratefully acknowledged. The author's thanks go to all survey participants, and to research assistants Viola Winstanley and Natasha Power. An earlier version was presented at the ICA research conference in Cork, Ireland, August 2005.

References

- Bruun, Anders and Brian Oleson (2002): "Contemporary Co-operative Governance", Canadian Co-operative Association, Institute for Co-operative Studies, 28-30 November, Kelowna, British Columbia
- Chaddad, Fabio and Michael Cook (2003): "Waves of Demutualization: An Analysis of the Empirical Evidence", paper presented at the "Mapping Co-operative Studies in the New Millennium" conference, Victoria, BC, May 28-31
- Cook, Michael L (1994): "The Role of Management Behaviour in Agricultural Co-operatives", *Journal of Agricultural Co-operation*, 9:42-58
- Cote, Daniel (2003): "The new co-operative paradigm: from theory to practice", paper presented at the "Mapping Co-operative Studies in the New Millennium" conference, Victoria, BC, May 28-31
- Fairbairn, Brett and Nora Russel, editors (2004): *Cooperative Membership and Globalization*, Centre for the studies of co-operatives, University of Saskatchewan
- Gertler, Michael (2001): "Rural Co-operatives and Sustainable Development", *Centre for the Study of Co-operatives, University of Saskatchewan*

- Gibson-Graham, J K (2003): "Enabling Ethical Economies: Cooperativism and Class", *Critical Sociology*, 29,2:123-161
- Griffiths, David (2003): "Why do Co-operatives fail as Co-operatives", The Co-operative Federation of Victoria Ltd, www.australia.coop
- Harris, Andrea (2004): "Co-operative social responsibility: A natural advantage?" in *Cooperative Membership and Globalization*, Fairbairn and Russel, editors, 84-101
- Harvey, John (2003): "Atlantic Tender Beef Classic: The Co-operative Atlantic Strategy-competing through quality", *The International Journal of Co-operative Management*, 1,1: 50-52
- Homer, Neil (2005): "Implementing a balanced scorecard at Oxford Swindon and Gloucester", paper presented at the *Symposium on Cooperative Accounting*, June 2-4, Saint Mary's University, Halifax, NS
- ICA News (1995) "Statement on the Co-operative Identity" No 5/6, <http://www.co-op.org/ica/info/enprinciples.html>
- Marszalek, Bernard (2003) "Inkwork Press: On the Path to Sustainable Worker-Owned and Managed Enterprise", paper presented at the conference *Mapping Co-operative Studies in the New Millennium*, May 28-31, Victoria, BC
- Mintzberg, Henry (1971): "Managerial Work: Analysis from Observation", *Management Science* 18:897-B110
- Novkovic, Sonja (2004): "Turning Goals into Results. The Power of Co-operative Principles-A Reflection on Jim Collins's Catalytic Mechanism", *The International Journal of Co-operative Management*, 1, 2: 56-60
- Novkovic, Sonja and Natasha Power (2005): "Agricultural and Rural Co-operative Viability: A Management Strategy Based on Co-operative Principles and Values", *Journal of Rural Cooperation*, 33, 1: 67-78
- Philp, Karen (2004): "The Challenges of Cooperative Membership, Social Cohesion, and Globalization" in *Cooperative Membership and Globalization*, Fairbairn and Russel, editors, 65-73
- Reynolds, Bruce (1997): "Decision Making in Co-operatives with Diverse Member Interests", USDA, RBS Report 155
- Sexton, Richard and Julie Iskow (1988): "Factors Critical to the Success or Failure of Emerging Agricultural Cooperatives", Giannini Foundation Information Series No. 88-3, Department of Agricultural and Resource Economics, University of California, Davis
- Webb, Tom (1998): "Marketing co-operation in a global economy", *ICA Review*, 91, 1: 82-95
- Webb, Tom, Lynn Benander, Lauren Cirillo and Christian Lagier (2005): *Marketing our Cooperative Advantage*, National Cooperative Bank Research Report, January-March, Greenfield, MA

Footnotes

- 1 In economic terms, with social impact viewed as an externality, co-operative business has the power to internalise this externality by its very nature, and equalise the social value with individual (firm) value, thereby reducing the social cost (or increasing social benefit), and producing socially optimal output levels.
- 2 This group includes retail, education and health co-operatives.
- 3 Agricultural co-operatives are the most under-represented group in the sample, and their summarised responses must be taken with caution.
- 4 30% of all managers in the sample say profit is their primary goal.
- 5 One can of course argue that increased competition creates more options, and drives the members away from co-operative patronage. Techniques to preserve member loyalty may then be advisable (see Cote, 2003, and Novkovic, 2004, for example).
- 6 Out of those who say that co-operative principles and values are used in management decisions, only 40% are managers, while 60% are Board members. In the survey population, the ratio is 47% managers and 53% board members, implying that managers are somewhat less confident that co-operative principles and values are used in practice.
- 7 We tabulate the frequency of responses, since each respondent could list more than one value.
- 8 The most often quoted reason for lack of access to capital in the co-operative literature is the joint asset ownership, and democratic decision-making.
- 9 A typical example is that of a community affected by a firm polluting the environment. If it is an investor owned firm, it will continue to produce too much, and pollute more, since its individual goal does not coincide with the social goal. If they form a co-operative, they will find a socially optimal solution, producing less, but not maximising the profit. The co-operative is said to have internalised the externality.