

## Book Reviews

### Co-operatives and the Millennium Development Goals

By Johnston Birchall

International Labour Organisation, Geneva. 2004. ISBN 92 2 116148 X

Reviewed by Rita Rhodes

What is wrong with co-operatives? It seems a valid question for all advocates of this organisational form to ask when we feel a constant need to make impassioned pleas concerning the role which co-operatives can and should play in public policy at national and international levels. In this context, *Co-operatives and the Millennium Development Goals* is a very well informed, and competently written example of its genre. The concern is that it is simply the next in a long line of its kind which seems destined to the same fate as its predecessors, to have a limited impact on the policies it seeks to influence.

Johnston Birchall demonstrates impressive knowledge of his subject matter, both with regard to the Millennium Development Goals (MDG) approach and the breadth and depth of the international co-operative movement. The publication does not pretend to adopt an objective, academic approach to its subject matter. Rather, it sets out the case for the role of co-operatives and effectively challenges the reader to either agree or disagree. In doing so the publication serves as a useful reference guide to the current state of the international co-operative movement and its relationship to international organisations and policy processes.

The book will increase the knowledge of co-operative novices and experts alike. For the uninitiated the opening sections explain the essential characteristics of co-operative-type organisations in an intelligible and lucid manner. For co-operative specialists the range of examples provided and the wealth of historical detail will almost certainly add to their knowledge and increase the supply of their own reference material.

However, the strength of the publication is also its weakness. For whilst there is a wealth of detailed and impressive evidence of the positive benefits of the co-operative form of organisation, this offers little in the way of scientific proof that co-operatives are more, or less, effective than any other form of organisation. Indeed, it would be quite possible

to fill a book with examples of how investor-owned companies have resulted in positive and uplifting benefits for their participants, but this would provide equally weak evidence, from a scientific point of view, that these forms of organisation should be afforded special status in pursuit of the Millennium Development Goals.

Indeed, the conclusions of the book appear to be somewhat contradictory. Birchall acknowledges that co-operatives should not be regarded as a panacea for all evils and that rather, it is a case of horses for courses when selecting institutional mechanisms to achieve public goals. On the other hand, however, he makes quite extraordinary requests for the extent to which governments should support co-operatives, going as far as saying that "they should encourage the population to join co-operatives and provide revolving funds for their expansion". As a result, I am left wondering whether these characteristics of the book are part of the wider co-operative problem. For the greater the ferocity with which advocates sing the praises of the co-operative form of organisation, it seems the more suspicious policy-makers become of these claims.

In this respect, the experience of the UK, used extensively in the book, provides an illuminating case example. Here, despite the relative success of the co-operative sector in many fields, policy makers show the same reluctance to embrace the term co-operative as do international development organisations. Despite this, and somewhat paradoxically, there is currently a greater level of policy support for co-operative-type approaches than at any time in recent memory. It is just that policy makers do not seem inclined to use the dreaded C word. In food and agriculture, the Government has embedded support for farmer collaboration in its Sustainable Strategy for Farming and Food. Public sector organisations at all levels are also trying to outbid each other in their support for social enterprise, despite being unwilling to admit that

most of these have essentially co-operative structures.

Perhaps it is time for co-operative advocates to adopt similar approaches at the international level. As the brand-managers of in-vogue social enterprise label have successfully pointed out, alongside the public, private and voluntary sectors, there is a fourth sector composed of organisations which trade for a social purpose. Many, but not all of these, are co-operatives. It would be difficult to think of any organisation form within the public, private or voluntary sectors which its advocates defend with the same zealous determination as the co-operative model. Is it not time, therefore, to begin to advocate the broader characteristics of co-operative organisation, such as social ownership, people-centred objectives and their enterprise-base, rather than their precise organisational form?

Johnston Birchall points out that one of the reasons why the world development community

turned its backs on the co-operative model was that many governments in developing countries placed too much faith in its ability to target and tackle socially and economically disadvantaged groups. In effect, they caused almost irretrievable damage to the brand in development circles through their misuse of the model. The key question is, therefore, whether it is more effective to continue to promote the co-operative brand, rather than the characteristics which we believe make it so effective.

Despite, or perhaps even because of, these reflections, the book deserves to be read. It does challenge the reader. However, whilst I am a believer in co-operative approaches – when the circumstances are right for them – I remain concerned that the arguments presented in the book are insufficiently robust to convince disbelievers or agnostics. I wonder, moreover, whether the co-operative brand can be sold at all in the manner in which Birchall would like to these groups.

**Human Resource Management in Co-operatives: Theory, Process and Practice**  
By Peter Davis

International Labour Organisation. 2004. ISBN 92 2 114329 5

Reviewed by Bob Quinney, former Management Tutor, Co-operative College.

The first question I asked myself when I was invited to review this book was, "Why on earth would it be necessary to write a book arguing the case for the Human Resource Management (HRM) or any other strategies of co-operatives, to take into account the distinctive co-operative identity and purpose?" Surely it is obvious that any organisation whose strategies and identity are contradictory will not survive. Imagine "Good Food Costs Less" at Harrods or liveried commissionaires outside the local Aldi!

Well, some time ago I visited the personnel and/or training officers of most retail co-operatives in Britain. I asked them all if they included in their management and staff training programmes anything specifically co-operative. By far the most common response was a puzzled (in some cases incredulous) look, followed by, "I've never really thought about it," or "What exactly do you mean?"

Only two answered unequivocally. One personnel manager was in no doubt that the less his employees knew about co-operation the better! He wanted them to know about "successful companies" like Tesco, Sainsbury's and Asda. The other, probably the last serving first generation co-operative training officer, and certainly the last to learn his co-operation at the feet of Arnold Bonner, said he would never run, organise or commission a training programme without including in it relevant aspects of co-operation.

While there are people in the co-operative movement, especially people with HRM responsibilities, who are unaware of the benefits of a co-operative attitude and approach and while there are people imported from the private sector with no induction whatsoever into anything co-operative, there will be a case for books such as this.

As I read the book I constantly asked myself two further questions. "If those personnel and training officers had read it, would their response have been more positive and would they have found anything in the book to help them develop a distinctly co-operative HRM

strategy. The answer to these questions is much less certain.

First of all they would have to have finished reading the book and I think some would have found it too hard-going. I felt when I was reading it as if I were on a literary roller-coaster. There were some level plateaus of clear, concise, stimulating exposition, some unexpected descents into routine summaries of other writers' theories, familiar to anyone with an elementary knowledge of management training, and rather too many precipitous launches into a stratosphere of esoteric concepts, rendered more complex and obscure by the unnecessarily tortuous, occasionally pretentious language used to explain them. Time and time again I put a marker in the book to remind me to return to a passage that seemed contrived, or that I was not sure I had understood. Try this short paragraph:

The HRM function can both develop and use to gain leverage: line management, training and development programmes, culture and the quality of relationships across the co-operative business. This in turn informs and qualifies the content of the structures and functions, role and task configurations and reconfigurations in the formal organisation operating in a flexible framework based frequently on cross functional interdisciplinary project teams. The technical, plant, process and research resources further facilitate the effective co-operative human capital.

The book primarily targets "co-operative managers, board members and all those concerned with the development of co-operatives." Most of those I know would want to take a break and a stiff drink after negotiating a few passages like that. Many, I fear, would not return.

The problem, I think, is that Dr Davis insists on over-stating a good case and over-embellishing what is essentially a relatively simple concept.

Having said that, for those prepared to stay

the distance, the book is both thought-provoking and rewarding. It selects, adapts and moulds elements of old and new HRM concepts, including Intellectual Capital and Learning Organisation theories, into a novel strategic framework referred to as Co-operative Social Capital Management (CSCM).

Those personnel and training officers who said they had never really thought about it or were not quite sure what it meant would be required to do some very hard thinking about their abysmally limited knowledge and assumptions, not only in relation to the co-operative practice of HRM but to HRM in general. If they thought hard and long enough their eyes would be opened to a radically different, co-operative approach to their job.

The answer to my second question is, therefore, also a qualified Yes.

To the third question I adopted a "today we are going to ..." approach. I learnt this many years ago from an old military officer turned trainer who had attended innumerable briefings by senior staff officers. As he listened he would imagine himself addressing his troops the following day: "As a result of yesterday's briefing, today we are going to ...". In the overwhelming majority of cases there was no more to be said. The briefing was of no practical value. My experience of most business meetings and many academic textbooks is the same.

The book is divided into three parts, Theory, Process and Practice but, leaving aside the mismatch between the contents page and the actual division, this separation serves no purpose. Every chapter of the book contains elements of all three and each concludes with a list of Action Points. Although many of these are rather obvious, they are nonetheless valid.

It would be difficult to envisage any co-operative enterprise that would not benefit from the application of some of them. The book also contains a number of highlighted "reflections", which would make some very good discussion points, and two detailed, useful Diagnostic Survey Questionnaires. What would have improved it immeasurably, I think, would have been the inclusion of examples to illustrate some of the less obvious points. Apart from the excellent and informative Co-operative Bank case study, to which a whole chapter is devoted, I can recall only one example (of bottom-up innovation) and it adds considerable weight to the understanding and impact of the point.

Almost certainly, some of the action points and practical ideas outlined in the book would be taken up by my focus group of personnel and training heretics, but I have grave doubts as to whether any of them would take on board and implement the Co-operative Social Co-operative Management package as a whole. The HRM function was one of the last to evolve in the co-operative movement and in many societies it has not yet progressed beyond the 'personnel' stage. CSCM is a radical, challenging concept and its successful implementation would, in most societies, demand fundamental changes in attitude and culture.

Logic would suggest that only the largest, most successful and innovative societies would have both the will and the resources necessary to bring about those changes. Experience, on the other hand, suggests that more fertile ground might be present in those smaller societies that have not yet outgrown basic co-operative values and where CSCM could be left to flourish unimpeded by the intervention of HRM and training professionals.

## **Co-operative Capital: A new approach to investment in co-operatives**

Co-operative Action, Manchester. ISBN 0 9548652 0 0. Price £14.99.

Reviewed by Edgar Parnell, former CEO, Plunkett.

This, the first publication of *Co-operative Action* (curiously undated) addresses an extremely important topic impacting upon the future development of co-operative enterprise in the UK. The book brings together much by the way of background information on the topic of co-operative capital and highlights many of the key issues but, unfortunately, the opportunity afforded the authors to come forward with proposals that could significantly improve the chances for existing and future co-operatives to access and retain capital seem to have been missed. The book's cover notes promise 'radical proposals' but disappointingly they are not, and some can only properly be described as 'retrograde'. Without denying the good intent of the authors, the book proposes some approaches that could prove to be perilous to any co-operative unwise enough to follow them.

One early proposal is that an 'ethical exchange' be established. This appears sound enough, although the evidence offered within the book suggests that its will be of more value to those 'neo-co-operatives' often described as 'social enterprises', which feature strongly in the book. It has always been difficult to understand why so many people involved in co-operative development have embraced a model of enterprise that has some co-operative characteristics, but without the essential democratic features. Perhaps the answer lies in the fact that a 'real' co-operatives is notoriously difficult to establish, especially by outside agencies and development workers, unless there exists a real need and a base of members truly committed to its purpose.

The authors acknowledge the fact that the financing needs of new-start co-operatives are on the whole quite different from those of established co-operatives, although how these two different needs are to best be met is not sufficiently well argued. Nevertheless, the proposal for the establishment of a "co-operative venture capital fund" presented in the final chapter, is likely to be warmly welcomed in co-operative circles. Co-operatives can never expect to attract more conventional forms of venture capital funding without losing

their co-operative identity, therefore, specialist-funding agencies are required.

The first five chapters of the book provide factual information and an interesting overview of many of the issues surrounding the topic of capital in co-operatives. However, the remaining three chapters appear to be the product of a kind of 'kangaroo logic' that ignores the information that has been presented earlier, jumping to conclusions that it has to be assumed were pre-judged. The case studies provided in Chapter 3, especially the one dealing with 'Poptel', clearly highlight the dangers of trying to involve outside, non-member, equity investors in co-operatives. Regardless, the book then moves on in Chapter 7 to propose an equity model for co-operatives that does just that. The only validation offered for this equity model is the examples of some co-operatives in Italy and one in Spain, about which only the sketchiest details are provided.

The co-operative equity model proposed seeks justification by reference to the International Co-operative Alliance (ICA) 'Statement on the Co-operative Identity'. The fact that this statement is a 'catch-all' designed so as not to offend any of the ICA's significant member organisations is acknowledged within the text, and as a result is not an appropriate basis. Much more specific operating principles for each type of co-operative are in fact required to ensure that co-operatives remain 'true' co-operatives; a good example of this are those adopted by the Credit Union movement. The underlying 'co-operative principles', namely that capital should not receive a reward based on profitability and that capital ownership should not be the basis of voting power, remain irrevocably sound.

The UK suffers from a dearth of co-operative historians able to remind co-operatives of those lessons that should never be forgotten, including the fact that when equity capital is held by non-participating members (meaning persons other than those that a co-operative was established to benefit) then sooner or later the ownership and control of the co-operative will be lost to the outsiders. Both UK and international co-operative history provide

countless examples while many more recent ones can be found among UK, Irish and Australian agricultural co-operatives and European consumers' co-operatives, as well as Poptel's cautionary tale.

Granted the book claims to address only the needs of co-operatives for capital ranging from £1 to £20 million. Nevertheless, the impression given is that the issues identified concern only small 'social' co-operatives operating on the margins of the economy. However, the financing issues that hold back the development of almost all co-operatives apply regardless of scale. The authors seem to have fallen into the trap of accepting some of the myths about equity capital that have currency with many co-operators. It is in fact **not** true that investors in general, whether ethically motivated or not, will only invest if they have voting power and a share in the profits. There is in fact a mass of investors who are happy to invest in any enterprise, on the basis of a fixed return in non-voting stock, provided to protect the investors' legitimate interests. The main problems for co-operatives, many of which are identified in the book, surround the fact that most UK co-operatives only have one class of capital and often this is not permanent and is not tradable (allowing exit when required). No mention is made in the book of the experience of UK Building Societies with near-equity financing in the form of permanent interest bearing shares (PIBS). This method of financing has not yet been fully developed nor has it been used in other forms of co-operative or mutual enterprise. However, PIBS are traded on conventional markets and offer a model well worth exploring for use in co-operatives.

The final chapter of the book sets out some 'Next steps' that are advocated as a way forward to solve the financing problems of co-operatives. The first two proposals seem to be more about promoting co-operatives as a model of social ownership rather than as

organisations that deliver tangible benefits to their members. The remaining actions proposed are designed to promote a co-operative venture capital fund, an ethical exchange and the alarming equity model for co-operatives. Disappointingly we are not provided with proposals that truly could address the capital issue in co-operatives without endangering their existence. For example that:

- No more time be wasted on tinkering with the Industrial and Provident Societies Acts but instead focus on getting a Co-operative Companies Act, along the lines of that enjoyed in New Zealand, where co-operatives account for 22% of the gross national product
- Any legislation: fully protects common wealth capital, ensures that all shares in a co-operative are permanent but convertible on exit, provides for the automatic transfer of shares held by non-participating members into non-voting, tradable stock and allows for the safeguards for outside investors but does not provide the opportunity to control the co-operative.
- Establishes a Standard of Reporting Practice (SORP) specifically for Co-operatives which will provide the clarity of financial accounting that is necessary for both members and outside investors to fully understand how well co-operatives are meeting their objectives.
- Discussions be opened with a range of financial market operators, with a view to ensuring that co-operative financial instruments become genuinely tradable.