

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

Raymond Saner¹ & Lichia Yiu², CSEND, Geneva

Abstract

Objectives. Cooperatives create goods and services and at the same time often contribute to the communities within which they are embedded in thereby adding social value to their business activities. The Economies of developing and Least Developed Countries (LDCs) are characterized by high levels of informality and related high level of unemployed, low skilled youth and minorities who tend to be excluded from participation in economic and social life. The objective of this paper is to conduct a literature analysis on cooperatives and their organisational growth challenges in developing countries and draw from this literature analysis conclusions in regard to future research topics.

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

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

Research limits. *Due to the lack of empirical and comparative studies on the growth challenges of cooperatives, policy advise to economic development decision makers remains to be done. A list of research questions for future empirical research has been included in the annex section.*

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

Originality of the study. *This study is a first critical assessment of the role that cooperatives could play in regard to economic and social value creation in developed and developing countries.*

Key words: *History and economic impact of cooperatives; social and solidarity economy; alternative socio-economic development model, potential impact of cooperatives for economic and social development in Developing Countries.*

1. Aim and research methodology of this study

¹ Raymond Saner is Professor Titular at Basel University and director of Diplomacy Dialogue, Geneva, He is a resource person for UN DESA HLPF in regard to SDG 2030 implementation.

² Lichia Yiu is President of the Centre for Socio-Eco-Nomic Development (CSEND) registered in Geneva since 1993, ECOSOC accredited with special consultative status. She is specialist in social economy and social policy.

Cooperatives create goods and services and at the same time often contribute to the communities within which they are embedded in thereby adding social value to their business activities. The Economies of developing and Least Developed Countries (LDCs) are characterized by high levels of informality and related high level of unemployed, low skilled youth and minorities who tend to be excluded from participation in economic and social life. The objective of this paper is to conduct a literature analysis on cooperatives and their organisational growth challenges in developing countries and draw from this literature analysis conclusions in regard to future research topics.

The methodology used for this study is both normative and narrative. Normative in the sense that the authors consider cooperatives as a very important and underutilized form of production and social integration for developing countries and in fact also for Advanced Economies exhibiting signs of increasing informality and structural stagnation. Narrative in the sense that the authors scan existing literature from the perspective of gaining insights as to the relevance of cooperatives for the objective stated above. The methodology used borrows from work done in the field of literature analysis by Anne Sigismund Huff et al (2009)

2. Introduction

Cooperative enterprises are major players in the global economy. They range from small grassroots initiatives to multi-billion dollar businesses and operate in all sectors of the economy. According to the most recent figures of the International Co-operative Alliance, the 300 largest cooperatives in the world have a combined turnover of USD 2.2 trillion³. Furthermore, a recent study indicates that 250 million people are employed or earn their living thanks to a cooperative enterprise.⁴

The International Co-operative Alliance states that cooperatives “are businesses owned and run by and for their members. Whether the members are the customers, employees or residents they have an equal say in what the business does and a share in the profits. As businesses driven by values not just profit, co-operatives share internationally agreed principles and act together to build a better world through co-operation. Co-operatives around the world are allowing people to work together to create sustainable enterprises that generate jobs and prosperity and provide answers to poverty and short term business practices”⁵

As stated by the Deputy Director General Asha-Rose Migiro’s remarks at the launch of the International Year of Cooperatives, 31 October 2011, in New York, three main values are embraced by cooperatives: 1) focus on the long-term through their use of local labour and capital; 2) solidarity and accountability vis-à-vis the broader community and its own members; and 3) inclusiveness with democratic decision-making processes and a focus on cultivating member skills and capacities⁶.

Cooperatives have proven to be more resilient to the deepening global economic and jobs crisis than other economic actors according to an ILO study⁷. Furthermore, a study by the European Confederation of Cooperatives found that the cooperatives’ long-term approach has helped them to anticipate and address changes in the context of the financial crisis⁸. Lastly, the International

³ ICA: *World Co-operative Monitor* 2014, <http://ica.coop/en/publications/world-co-operative-monitor-2014>

⁴ CICOPA: *Cooperative and Employment: a global report*, (2014). <http://www.cicopa.coop/The-study-Cooperatives-and.html>

⁵ International Co-operative Alliance website, <http://2012.coop/en/what-co-op>).

⁶ Deputy Secretary-General, DSG/SM/583, ENV/DEV/1237, OBV/1046. See

<http://social.un.org/coopsyear/documents/launchprogramme.pdf>

⁷ http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_105073/lang--en/index.htm

⁸ <http://www.cecop.coop/Beyond-the-Crisis-Cooperatives>).

Organization of Industrial, Artisanal and Service Producers' Co-operatives indicates that the “*good performance of cooperatives is a result of their capacity to combine security and flexibility while pursuing their mission of creating sustainable jobs*”⁹. *Cooperatives provide a very good case example of how countries could implement the Post-2015 sustainable social and economic development goals agreed by all member states of the United Nations.*

3. Definitions and types of Cooperatives

A cooperative is “an *autonomous* association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprises” (ICA, italic added).

The values upheld by the cooperatives are self-help, self-responsibility, democracy, equality, equity and solidarity. Consequently, a set of Cooperative Principles has been promoted by the International Co-operative Alliance. These principles are:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community

The world's largest co-operative enterprises represent collective revenues of USD 1.6 trillion¹⁰. According to the ILO. Financial cooperatives alone serve over 857 million people – 13 per cent of the world population while agricultural cooperatives produce 50 per cent of global agriculture output¹¹. In 2014, there are 328 cooperatives distributed in 27 countries with a turnover of over 100 million USD and a total turnover of 591.64 billion USD (See Figure 1). If this figure includes the financial performance of many small and medium sized cooperatives in both developing and developed countries, it will be even higher.

Fig. 1: Country by Total Turnover of Cooperatives over 100 million USD in 2013 (COOP & Euricse, 2014, p. 12)

⁹ http://www.cicopa.coop/public_docs/RaportCriseEN.pdf

¹⁰ International Co-operative Alliance (2010), “Global300 Report 2010: The world's major co-operatives and mutual businesses”, available from <http://2012.coop/sites/default/files/attachments/Global300%20Report%202011.pdf>

¹¹ http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang--en/index.htm

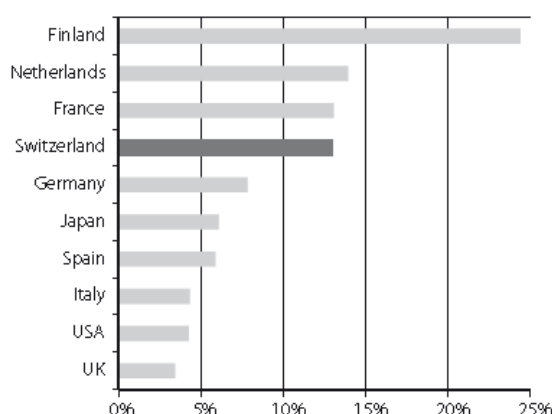
	turnover (billion USD)		turnover (billion USD)
USA	669.86	BELGIUM	29.47
FRANCE	377.13	SWEDEN	26.61
JAPAN	360.54	AUSTRALIA	17.48
GERMANY	291.73	SINGAPORE	14.41
NETHERLANDS	132.56	BRAZIL	7.22
SPAIN	85.21	POLAND	5.46
UK	83.48	INDIA	5.07
SWITZERLAND	78.62	IRELAND	4.88
FINLAND	66.13	COLOMBIA	4.46
DENMARK	64.85	ARGENTINA	3.63
ITALY	54.92	CZECH REPUBLIC	2.31
SOUTH KOREA	54.44	MALAYSIA	1.98
CANADA	51.19	SAUDI ARABIA	1.50
NORWAY	33.35	TURKEY	1.06
AUSTRIA	33.25	OTHER COUNTRIES	7.13
NEW ZEALAND	33.07		

Source: Exploring the Cooperative Economy, World Cooperative Monitor 2014
http://www.euricse.eu/wp-content/uploads/2015/04/WCM2014_web-FINAL.pdf

The ILO estimates that 100 million jobs are provided by cooperatives amounting to 20% more jobs than being created by the world's multinational companies and "The World Cooperative Monitor" (2013)¹² showed that Finland, Netherland France and Switzerland are the four top countries in the world where the cooperative sector generates more than 10% of the GDP (see figure 2).

Fig. 2: How important are cooperatives in various countries

Contribution of cooperatives to nominal GDP
(As at 2011)



Source: The World Cooperative Monitor 2013, World Bank

Cooperatives can come in many forms such as agricultural or farmers' cooperatives; Consumer Cooperatives; Housing cooperatives; Public service provision cooperatives; Shared services cooperatives or support services cooperatives; Worker cooperatives; Producer cooperatives; Labor cooperatives. Cooperatives can also be found in many sectors.

¹² International Co-operative Alliance & Euricse (2013), *The World Co-Operative Monitor: Exploring the Co-Operative Economy*. Accessed 15.01.2015 at http://euricse.eu/sites/euricse.eu/files/wcm2013_web_0.pdf

Product diversification and changes overtime can be observed in the annual monitoring report (see Figure 3). In some sectors cooperatives are the major actors. For instance in Brazil, 72% of cereal production is marketed by cooperatives, as is practically 100% of milk production in Norway (Taisch, 2014).

Fig. 3: Comparative size of the cooperative economy in different sectors (2012-2014)

Sectors	Agriculture & Food Industry	Insurance	Wholesale & Retail Trade	Industry & Utility	Banking & Financial Services	Other Services	Health & Social Care	Various Services	Housing
2012	26%	28%	21%*	7%	7%	4%	3%	-	1%
2013	32%	25%	18%	9%	6%	6%	3%	1%	-
2014	27%	27%	21	8%	5%	7%	3%	2%	-

*in 2012, this sector is labelled as consumer & retail.

Source: International Co-Operative Alliance and Euricse, The World Co-Operative Monitor, 2012-2014

Cooperatives offer alternative models of economic development based on inclusive growth. Examples in Europe are Mondragón (Spain), Migros, Coop, Raiffaisen (Switzerland), the Co-operative Bank of Kenya Ltd., Boliba Savings & Credit (Lesotho) that demonstrate the economic viability and growth potential of cooperatives.

In the developing countries, productivity, living standards and social cohesion are identified by the World Bank as three pillars that foster development¹³. Cooperatives contribute to three pillars however little is known as to how exactly cooperatives contribute to social cohesion and job creation and what are their business models. Cooperatives offer an alternative to the social vacuum caused by joblessness, poverty, social disturbances and underperforming or non-existing institutions which are badly needed in poverty stricken Low Income Developing Countries.

However, information is limited which could shed light on how the growth of cooperatives affects their dual functions (jobs and integration) to society at large over a longer period of time. Management, organizational structure, financing and marketing tend to change with the growing size of organizations be they private, public or cooperatives (Greiner, 1972). The same can be assumed to apply to cooperatives but research on the growth patterns of cooperatives are not available.

4. The role of cooperatives in international development and the social and solidarity economy

The concept of cooperative is embedded in a broader idea of social and solidarity economy (SSE), seeking the creation of new opportunities for transforming society, as a precondition for more social justice and fairer wealth distribution. This concept of re-organizing the relations

¹³ The World Bank, "Jobs", World Development Report 2013. Accessed on 03.01.2013 at http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf.

between the economy and the society seems to be evolving in the developed and developing countries. The countries with greatest acceptance of the SSE concept are: France, Italy, Spain, Portugal, Belgium, Ireland, Sweden, and Poland¹⁴. On the other hand, the EU countries with little recognition of the SSE concept are: Austria, Estonia, Hungary, Lithuania, Slovenia, and the Netherlands (Rosa Luxemburg Foundation Brussels, 2010).

5. Resilience of cooperatives during times of economic downturns

Cooperatives have been more resilient during periods of deepening global economic and jobs crisis than other economic actors. According to the ILO,

*“cooperative enterprises across all sectors and regions are relatively more resilient to the current market shocks than their capital-centred counterparts. However, as for other enterprise types, the situation of cooperatives with regard to the crisis varies with the degree of dependency on demand and external financing, the degree of their diversification and also with the sector”*¹⁵

Furthermore, a study by the European Confederation of Cooperatives found that the cooperatives’ long-term approach has helped them to anticipate and address changes in the context of the financial crisis. The study states: “Two important factors stand out to explain these achievements: the specific internal structure of these enterprises, and the systemic environment which they have built around themselves, especially in terms of financial instruments and inter-enterprise groupings”¹⁶.

Lastly, the International Organisation of Industrial, Artisanal and Service Producers’ Cooperatives indicates that the *“good performance of cooperatives is a result of their capacity to combine security and flexibility while pursuing their mission of creating sustainable jobs”*¹⁷).

Cooperatives have a dual purpose in fostering development and helping countries in times of crisis: 1) economic performance; and 2) offer opportunities for social integration. They offer a densely connected social network in lieu of a social vacuum resulting from insufficient and inadequate institutions they can also *“become a way for workers in the informal economy to realize their rights. And because they are membership organizations, they can be accountable. Workers must organize themselves. But they often need help. That is the role, and responsibility of the existing cooperative and trade union movements”*¹⁸.

Social cohesion is one of the three pillars (together with living standards and productivity) identified by the World Bank which foster development through jobs (see Figure 1). According to the 2013 World Development Report, job creation in the formal economy over the past decade has been three times as rapid as in the informal economy (World Bank, 2013). The World Bank report mentions cooperatives only one time even though, globally, cooperatives provide 100 million jobs and ensure the livelihoods of 50 per cent of the world’s population¹⁹. Considering the fact that in

¹⁴ Outside the European Union, the Government of Australia has developed a Good Business Guide for Cooperatives. See [http://www.commerce.wa.gov.au/ConsumerProtection/PDF/Cooperatives/Co-operatives_Good_Business_Guide_\(Jan_11\).pdf](http://www.commerce.wa.gov.au/ConsumerProtection/PDF/Cooperatives/Co-operatives_Good_Business_Guide_(Jan_11).pdf).

¹⁵ http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_105073/lang--en/index.htm).

¹⁶ <http://www.cecopa.coop/Beyond-the-Crisis-Cooperatives>).

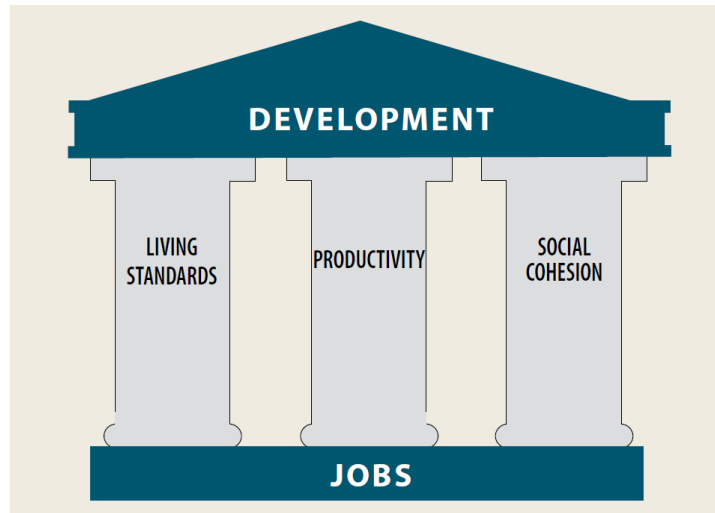
¹⁷ http://www.cicopa.coop/public_docs/RaportCriseEN.pdf).

¹⁸ International Labour Organisation (ILO), the International Co-operative Alliance (ICA) and the International Confederation of Free Trade Unions (2006), “Let’s organize! A SYNDICOOP handbook for trade unions and cooperatives about organizing workers in the informal economy”, available from http://www.ilo.org/empent/Publications/WCMS_094047/lang--en/index.htm

¹⁹ (http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang--en/index.htm

many LDCs and low income developing countries, a large majority of their work force still remains in the informal economy, cooperatives offer an alternative way to help overcome this situation by offering work participation and joint ownership.

Fig. 1: Jobs are transformational



Source: World Bank (2013), “World Development Report”, p. 8.

4. Cooperatives are very important socio-economic actors

Over one billion people around the world are members of a cooperative, according to the International Co-operative Alliance (ICA). The country with the largest number of individual members indirectly represented by the ICA is the United States with 305.6 million members accounting for nearly 30,000 co-operatives. The world’s largest co-operative enterprises represent collective revenues of USD 1.6 trillion²⁰. According to the ILO, Financial cooperatives serve over 857 million people - 13 per cent of the world population while Agricultural cooperatives produce 50 per cent of global agriculture output²¹.

Cooperatives have been prosperous and influential in some countries. For instance, social enterprises, many of them co-operatives, are legally recognized in countries such as Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom²². As identified in the ILO’s Handbook on cooperatives for use of Workers’ Organizations, there are different types of cooperatives. These are: Cooperatives offering a service to members; Financial cooperatives; Agricultural or farmers’ cooperatives; Consumer Cooperatives; Housing cooperatives; Public service provision cooperatives; Shared services cooperatives or support services cooperatives;

²⁰ International Co-operative Alliance (2010), “Global300 Report 2010: The world’s major co-operatives and mutual businesses”, available from <http://2012.coop/sites/default/files/attachments/Global300%20Report%202011.pdf>

²¹ http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang--en/index.htm).

²² European Confederation of Workers’ Cooperatives, Social Cooperatives and Social and Participative Enterprises - CECOP (2006), “Cooperatives and social enterprises: Governance and normative frameworks”, available from <http://www.cecop.coop/Cooperatives-and-social>

Worker cooperatives; Producer cooperatives; Labour cooperatives²³. The potential of cooperatives in terms of employment and service provision is relevant for developing as well as for developed countries.

One important outcome from the 2012 International Year of Cooperatives was the birth of “The World Co-Operative Monitor”, an initiative that has gone into the fourth year. This on-line survey based study provides important information on the current state of the cooperative economy to date.

Although the World Co-Operative Monitor (WCM) provides an excellent database for further research, there is no dynamic information available to provide insights on how such organisations are managed, specific operational and governance challenges and strategies in mitigating market conditions in doing business. Information on SMEs are scanty. Many of them operate in the grey zone of informal economy and many of them are cooperatives. Research in this segment of the cooperative economy is relatively unknown and has generated insufficient academic interests.

6. Theories contributing to the understanding of cooperatives

According to the World Co-operative Monitor²⁴, the following types of Cooperatives can be distinguished namely:

T. 1 THE WORLD CO-OPERATIVE MONITOR CO-OPERATIVE ORGANISATIONAL TYPES

Co-operative type	Definition
CO-OPERATIVE	An autonomous association composed mainly of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.
MUTUAL	A private co-operative type organisation providing insurance or other welfare-related services. Consider also micro-insurance and mutuals with both voluntary and compulsory membership.
CO-OPERATIVE OF CO-OPERATIVES/MUTUALS	Co-operatives composed mainly of co-operatives/mutuals that carry out an economic activity for the production of goods or the provision of services of common interest for their members. It periodically publishes its own financial statements.
CO-OPERATIVE GROUP	A co-operative group is: 1) is composed of organisations that operate as a single economic entity, 2) regularly publishes a consolidated financial statement, 3) includes mainly co-operatives, 4) acts according to co-operative principles and values, and 5) is controlled by co-operatives.
CO-OPERATIVE NETWORK	A co-operative network is: 1) composed of organisations that operate as a single economic entity, 2) does not publish a consolidated financial statement, 3) includes mainly co-operatives, 4) acts according co-operative principles and values, and 5) is controlled by co-operatives.
NON-CO-OPERATIVE ENTERPRISE	A non-co-operative enterprise in which co-operatives have a controlling interest.

Source: The 2013 World Cooperative Monitor, p. 3

²³ *International Labour Office / Guy Tchami (2007), “Handbook on cooperatives for use of Workers’ Organizations”, available from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_094046.pdf, pages 23-30 provide case examples of the different types of cooperatives. An in-depth analysis prepared by McKinsey on how cooperatives work and the opportunities they offer in our fast-changing, short-term focused environment is available from http://www.mckinsey.com/client_service/strategy/latest_thinking/mckinsey_on_cooperatives*

²⁴ (<http://monitor.coop/en/about-world-cooperative-monitor-project>)

Different theories have been used to attempt explanations of why cooperatives succeeded or failed in different countries. Borrowing from Birchall (2009) the following classification is useful to map the different academic disciplines which are relevant for understanding of cooperatives.

Tab. 1: Theories that explain why co-operatives succeed or fail based on Birchall (2009)

Type of Theory	Conditions for Co-operation	Outcomes
SOCIAL HISTORY	Solidarity derived from nationalism or political party, high level of general education, political enfranchisement, land reform, substantial equality of condition	The ability to create solidary institutions that are well governed and command allegiance. A preference for mutual over charitable forms of organisation
ECONOMIC HISTORY	formation of new classes (eg urban working class, small farmers). Expanding market society, dependence on money income, and need to access markets. Lack of competitors or threat of monopoly among competitors	Strong need among people in same market position to cooperate. Commitment to economic co-operation because alternatives either do not exist or are threatening to the livelihoods of people who have weak market position.
SOCIOLOGY	High levels of social capital, both bonding and bridging	Resources available to 'invest' in membership organisations and networks, with assurance of success and mutual benefit
ECONOMICS	Market failures - threat of monopoly, power of 'middlemen' or lack of markets. Low barriers to entry, weak competitors	The co-operative difference and co-operative advantage in business
POLITICAL SCIENCE	The collective action problem is overcome, through selective incentives and sanctions against 'free riders'.	Organisations are created and members recruited who have incentive to participate in governance
MUTUAL INCENTIVES THEORY (BIRCHALL AND SIMMONS)	People do respond to collectivistic incentives: sense of community, shared values and goals	Co-operatives achieve high levels of participation, and can develop a member participation strategy
SUPPORTIVE ENVIRONMENT THEORY (ATTWOOD AND BHAVISKAR)	Presence of promoters, good legal and fiscal environment. Govt support but respect for autonomy of civil society	Development of co-operatives unfolds in stages, with strong, autonomous organisations created
THEORY OF CO-OPERATIVE DESIGN AND EVOLUTION (SHAH)	Design principles are discovered that put the member at centre of the business. These are replicated	Strong co-operative sectors emerge that command loyalty of members and maintain member focus over time
THEORY OF OWNERSHIP (HANSMANN)	A stakeholder will take ownership if this combats market failure, and/or if the costs of ownership are low. The more homogeneous the owners the lower the costs	Cooperatives are only be found in some sectors and at some times, because they need a homogeneous group of members with common interests
THEORY OF VOICE (HIRSCHMANN)	If the cost of exit is high, members will exercise voice instead. Loyalty raises the costs of exit and promotes voice	Co-ops that foster loyalty through patronage refunds, give opportunities for voice, and demand financial commitment from members will survive

Source: Birchall, Johnston; (2009), A comparative analysis of cooperative sectors in Scotland, Finland, Sweden and Switzerland, Cooperative Development Scotland, C:DS., Democracy at work, US Federation of Worker Cooperatives, <http://institute.usworker.coop/resources/comparative-analysis-cooperative-sectors-scotland-finland-sweden-and-switzerland>

In order to put these theories into political context, it is useful to re-visit parts of the past history of the cooperative movement. What follows are excerpts of René Roca's summary of

Switzerland's cooperative movement²⁵. In Switzerland, the Allmend, i.e. the common grounds or commons, were central to the spreading and development of the cooperatives. These areas were used for pasture, as forest and desert ground and they were open to everyone. To establish their commons, the inhabitants of a village association - of one or more villages, hamlets or groups of farms - designated a specific area for collective economic use. A peasant family's work was thus divided into three parts: Besides the agricultural land and the residential area with gardens and homesteads the commons represented a third zone, which was jointly worked. Since the early Middle Ages the European nobility had sought to restructure the common lands constitution or at least influence it. In many places, including the territory of modern Switzerland, the cooperative principle could however be maintained. Due to the diversity of local conditions and human relations a variety of forms of cooperatives have developed over time.

The common Mark or Allmend alongside with house, garden and fields was essential for all villagers. Therefore, regulations on the use of the commons and on the management of arable ground seemed necessary. Such land utilization systems had been in use since the 10th century. A prerequisite for the use of the commons was often the long-term possession of a farm within the village district. Newcomers had to buy this right and pay an entry fee. By establishing and claiming definite rules the rural population was often able to resolve their conflicts via neighborly agreements. The cities also had a common Mark and enacted a similar legislation. In the hilly Alpine foreland the farms united and formed so-called Allmend cooperatives. In many places of the Alps so-called valley cooperatives were established - on the basis of the valley communities as rural associations - as for example in Uri, Schwyz, Glarus, in the Grisons, the Valais and the Ticino valleys.

The Nobel Prize in Economy laureate Professor Dr Elinor Ostrom studied the basic "constitution of the commons" in a comprehensive, world-wide study. Based on historical examples from different continents, she revealed the importance of the cooperative principle for our societies. Her study is a reminder of how people organize faced with scarce natural resources, in order to jointly solve complex problems. In her comprehensive studies Elinor Ostrom concludes that cooperation of those directly affected is better than state control or privatization if they want good management of their local commons and their resources.

6. Growth challenges_of cooperatives

Le Vay (1983) in his ground breaking article stressed the need to formulate a workable paradigm to understand the life cycle and dynamics of the cooperatives and suggested several embryonic notions concerning the evolution of cooperatives. They are:

- "Wave" theory that stresses the external economic context that determines the rise and fall of cooperative organisations. This school of thought is exemplified by Helmberger (1966, p. 1430)
- "Wind-It-Up" theory that postulates that cooperatives are transitory agents (p. 28). Once the cooperatives have achieved their purpose and members then become obsolete and "winding up" inevitable. This winding up action might involve competitors crowding out the cooperatives through more competitive pricing and service quality.
- "Pacemaker" Theory that emphasises the innovative nature of the cooperatives (p. 28). It hypothesises that a successful cooperative contributes to greater efficiency amongst the competitors in the same market. Therefore even when price and service adjustments occur, the cooperative is kept alive to fulfil the "pacemaker" role in specific market niche.
-

²⁵ <http://www.zeit-fragen.ch/de/ausgaben/2012/nr10-vom-532012/das-genossenschaftsprinzip-als-grundlage-der-schweizerischen-politischen-kultur-gestern-und-heute.html>).

Statz (1987) suggested an additional organisational evolution paradigm as “Mop-Up” Theory where static or declining markets may induce opportunistic behaviour which may involve forward integration via cooperatives (p. 89).

Looking at the life cycle of the agricultural cooperatives, Michael Cook (1995) came up with a 5-stage development cycle without going into the specificities of the organisational dynamics of cooperatives which in our view ultimately determines the strategic choices and outcome. The five stages broadly describe the motivation and market conditions that spur forth the forming of cooperatives and the competitor’s responses which eventually trigger either the change or downfall of the cooperatives in the agricultural sector. Cook’s work shed light on the difficulties that occur at different stages, but failed to describe in a consistent manner how the internal factors interact.

Cook’s findings contributed significantly to the general understanding of the growth patterns and strategic options of the cooperatives where agricultural cooperatives remain a major actors. It also points to fact that knowledge about the cooperatives is limited outside of the US context even though cooperatives have their roots in Europe. Cooperatives in many developing countries have been considered as key actors who make it possible for small land owners and landless farmers to be able to successfully participate in the market place.

A literature search of organisational research on cooperatives generated very limited results. Little is known about organisational growth patterns and internal organisational dynamics of cooperatives and how they adapt and evolve in different times at different locations. Cooperatives like Mondragon (Spain), Crédit Agricole (France) and Rabobank (The Netherlands) have survived ECB’s stress test well after the 2008 financial sector debacle even though cooperatives pursue a mix of social and economic goals in contrast to private sector enterprises whose main goal is profitability. The resulting strategic choices, logically, also lead to different paths and outcomes.

Little theoretical attention has been devoted to the cooperative sector so far with the exception of agricultural cooperatives who captured most of the research attention in the past years. Michael Cook (1995) hypothesized the future of agricultural cooperatives and examined the structural and strategic shifts in U.S. agricultural cooperatives and paid special attention to the producer-owned and controlled agricultural cooperatives.

Cook’s findings are not only significant in contributing to the general understanding of the growth patterns and strategic options of the cooperative sector where agricultural cooperatives remain a major actors. It is also important to examine the realities of cooperatives in non-US context and see whether they share similar patterns and choices. Factors include: leadership, autonomy control red tape; creativity direction delegation coordination collaboration. The organization as a system has different forms of assets, such as human, social, and physical activities and these are in relation to the world.

7. Under-representation of cooperatives in the international development discourse

In conditions of globalization and increased competition in the international markets, cooperative enterprises are faced with the need to connect across the national borders, in order to achieve the objectives of its members (Nikolić and Ševarlić, 2013). Due to the values and principles they embody, as well as the economies of scale they generate, cooperatives can contribute to reducing trade costs and enhancing the ability of firms from developing countries to connect to value chains, both regionally and globally. Cooperatives enable access to goods and services while, at the same time, promote fairer trade at competitive prices, inclusive employment and sustainable economic growth.

With expansion in South-South trade flows, cooperative-to-cooperative trade could be an alternative for developing and least developed countries that are still facing high trading costs to reduce them. Furthermore, co-operatives can be an important tool for the implementation of the post-2015 development agenda particularly the proposed SDG 8 which states: *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.*

More analysis is called for in order to shade light on the role of cooperatives and their contribution to development and more inclusive and more equitable growth. Taking into consideration the achievement of various forms of cooperative initiatives undertaken by local communities across the global and the success of the existing large and competitive cooperatives in the mainstream economy, the development potential of cooperatives has not been properly recognized and not mainstreamed into the trade and development discourse (Saner *et al.*, 2012).

The conspicuous silence about the cooperatives and their potential role in socio-economic development is observable by the apparent lack of knowledge about cooperatives by policy experts in the leading development organizations such as WTO, WB, UNCTAD, UNDP, OECD, the regional development banks, and the UN itself especially the departments focusing on LDCs and Development Countries.

In a 12 year (2000-2012) programme review of its promoting inclusive growth, Asian Development Bank (ADB) has identified two major factors, i.e., minimum 2% of steady economic growth and equitable access to economic opportunities that are crucial for inclusive growth, a code name of lifting the poorest out of poverty. (ADB, 2014).²⁶ Disappointingly, there is no mentioning of cooperatives in this report. This posts the question whether cooperatives are just considered another form of private investor-owner-firms (IOFs) companies without social utilities.

This “blind” spot can be corrected by looking at the 2012 International Year of Cooperatives. The official Calendar of Activities of the International Year of Cooperatives lists 54 activities in different parts of the world, some at national level some on specific themes in mostly developed countries and in a few low income countries. The relatively “cool” reception of this international *signpost event* indicated that the discussion and appreciation of cooperatives as complementary development strategies were not sufficiently noticed by development policy makers and experts. Besides being “celebrative”, these events contributed little to promote cooperatives as a viable complementary development option for low income countries²⁷.

Knowledge about the factors which determine sustainable growth of cooperatives in different economic sectors and different socio-cultural contexts would be useful for policy setting and provision of incubation in many parts of the world where poverty reigns and economy stagnates.

Similarly, more in-depth studies are needed to show how “large” and “mature” cooperatives use ownership, formal structure and business strategy to foster their competitiveness and sustainability in diverse business environments.

²⁶ ADB2014, Thematic Evaluation Study: ADB’s Support for Inclusive Growth, *Independent Evaluation*, TS-4, March. Accessed 15.01.2015 at <http://www.adb.org/sites/default/files/evaluation-document/36217/files/tes-ig.pdf>

²⁷ *The Committee for the Promotion and Advancement of Cooperatives (COPAC) is an inter-agency collaboration initiative on activities related to cooperatives. See <http://www.copac.coop/about/index.html>. A list of events organized during the 2012 International Year of Cooperatives is available from <http://social.un.org/coopsyear/calendar.html>*

8. Suggestions for Future Research

More analysis is called for in order to shed light on the role of cooperatives and their contribution to the social and solidarity economy. Taking into consideration the achievement of various forms of cooperative initiatives undertaken by local communities across the globe and the success of the existing large and competitive cooperatives in the mainstream economy, the development potential of cooperatives has not been properly recognized and mainstreamed into the trade and development discourse.

What follows is a list of research questions which have not been covered so far by academic scholars and would help policy makers assess the contributions of cooperatives to development namely:

Questions for future research on cooperatives

- What is the size and extent of a co-operative sector compared with the same sector in other countries? What accounts for the differences?
- What can be learnt from the experience of more successful co-operative sectors ?
- Which of the success factors are replicable in other countries and which are not?
- What has been the role of governments in promoting co-operatives? How important has it been compared with other growth factors?
- What were the essential factors which allowed a government to create a supportive environment for co-operatives?
- Where are the opportunities for growing the co-operative business model in developed, developing and least developed countries
- How are cooperatives embedded in the local socio-political environments?
- What do cooperatives contribute to local development and organize exchanges abroad? Do they generate new forms of economic actors (e.g. social economy, solidarity economy, shared economy)?
- Do cooperatives contribute to the accumulation of alternative economics through new financial tools (crowdfunding for example) that could lead to new ways of organizing societies?
- Could cooperatives promote a new form of business governance and a new form of ownership that could be applied to private sector enterprises?

Providing answers to the above list of research questions would shed light on what cooperatives could contribute to economic and social development be that in advanced economies or developing countries.

9. Reflection and Ways Forward

Overcoming the Silence

The conspicuous silence about the cooperatives and their potential role in socio-economic development is observable by the apparent lack of knowledge about cooperatives by policy experts in the leading development organizations such as WTO, WB, UNCTAD, UNDP, OECD, the regional development banks, and the UN itself especially the departments focusing on LDCs and Development Countries.

The official Calendar of Activities of the International Year of Cooperatives listed 54 activities in different parts of the world, some at national level some on specific themes in mostly developed countries and in a few low income countries. The relatively “cool” reception of this international

signpost event indicates that the discussion and appreciation of cooperatives as complementary development strategies has not been sufficiently noticed by development policy makers and experts. Besides being “celebrative”, these events contributed little to promote cooperatives as a viable complementary development option for low income countries²⁸.

A preliminary review of the Diagnostic Trade Integration Studies (DTIS) and the Poverty Reduction Strategy Papers (PRSP) of Least Developed Countries (LDCs) found an overall neglect of cooperatives. Mainstreaming cooperatives into the national development strategies of selected LDCs is very scanty (see table annexed). The 48 reports reviewed make few references to the role of agricultural and mining cooperatives in some national development strategies. In other cases there are only one or two references (e.g. the name of a Ministry or a cooperative listed in the document). Out of 48 countries, Rwanda and Yemen are the countries that included more references pertaining to cooperatives in their DTIS, while Timor Lest, Uganda and Zambia are the ones that included more references in their PRSP.

This initial review counted only how often cooperatives were mentioned in both key development documents of the 48 LDCs. What needs to be answered by future analyses is to what extent cooperatives are utilized as a mobilising vehicle in organizing the productive capacities at the community level and what are the enabling conditions necessary to foster growth. Similar to that of micro enterprises or micro financing entities, cooperatives are key vehicles to truly empower local communities to be entrepreneurial and socially enterprising. Should future document review show that cooperatives have not been included in DTISs or PRSPs, questions should be asked and answered as to why cooperatives are not included in these documents.

Mainstreaming Cooperatives!

Cooperatives have played an important economic and social role in developed as well as developing countries. However, the contributions of cooperatives are not as publically and internationally recognized and often times, cooperatives are treated as “invisible citizens” compared to the public and private sector organizations. The 2012 International Year of Cooperatives should have encouraged International Organisations and other stakeholders to assess without ideological bias what the benefits and constraints might be if cooperatives were to be seriously included in the current trade & development policy debates in developed and developing countries.

References

- ADB2014, Thematic Evaluation Study: ADB’s Support for Inclusive Growth, *Independent Evaluation*, TS-4, March. Accessed 15.01.2015 at <http://www.adb.org/sites/default/files/evaluation-document/36217/files/tes-ig.pdf>
- COOK M.L. (1995), “The Future of U.S. Agricultural Cooperatives: A Neo-Institutional Approach”, *American Journal of Agricultural Economics*, vol. 77, December pp. 1153-1159.
- Ditto, World Bank 2013.
- European Confederation of Workers’ Cooperatives, Social Cooperatives and Social and Participative Enterprises - CECOP (2006), “Cooperatives and social enterprises: Governance and normative frameworks”, available from <http://www.cecop.coop/Cooperatives-and-social>

²⁸ *The Committee for the Promotion and Advancement of Cooperatives (COPAC) is an inter-agency collaboration initiative on activities related to cooperatives. See <http://www.copac.coop/about/index.html>. A list of events organized during the 2012 International Year of Cooperatives is available from <http://social.un.org/coopsyear/calendar.html>*

- GREINER L. (1972), "Evolution and Revolution as Organizations Grow", *Harvard Business Review*, vol. 50, n. 4, pp 37-46. <https://hbr.org/1998/05/evolution-and-revolution-as-organizations-grow>
- HELMBERGER P.G. (1966), "Future Roles for Agricultural Cooperatives", *American Journal of Agricultural Economics*, vol. 48, December, pp. 1427-35.
- HUFF, SIGISMUND ANNE, (2009), "Designing Research for Publication" Sage publication, Los Angeles, pp 147-177
- INTERNATIONAL LABOUR ORGANISATION (ILO), the International Co-operative Alliance (ICA) and the International Confederation of Free Trade Unions (2006), "Let's organize! A SYNDICOOOP handbook for trade unions and cooperatives about organizing workers in the informal economy", available from http://www.ilo.org/empent/Publications/WCMS_094047/lang--en/index.htm
- INTERNATIONAL LABOUR OFFICE/GUY TCHAMI (2007), "Handbook on cooperatives for use of Workers' Organizations", available from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_094046.pdf, pages 23-30 provide case examples of the different types of cooperatives. An in-depth analysis prepared by McKinsey on how cooperatives work and the opportunities they offer in our fast-changing, short-term focused environment is available from http://www.mckinsey.com/client_service/strategy/latest_thinking/mckinsey_on_cooperatives
- INTERNATIONAL CO-OPERATIVE ALLIANCE (2010), "Global300 Report 2010: The world's major co-operatives and mutual businesses", available from <http://2012.coop/sites/default/files/attachments/Global300%20Report%202011.pdf>
- INTERNATIONAL CO-OPERATIVE ALLIANCE & EURICSE (2013), *The World Co-Operative Monitor: Exploring the Co-Operative Economy*", Accessed 15.01.2015 at http://euricse.eu/sites/euricse.eu/files/wcm2013_web_0.pdf
- LE VAY C. (1983), "Agricultural Co-Operative Theory: A Review", *Journal of Agricultural Economics*, vol. 34. December, pp. 1-44.
- NIKOLIĆ M.M., ŠEVARLIĆ M.M. (2013), *Cooperatives in International Trade of Agricultural and food products*, 135 EAAE Seminar: Challenges for the Global Agricultural Trade Regime after Doha, August 28-30, Belgrade, Serbia. Available at <http://ageconsearch.umn.edu/bitstream/160390/2/17-Nikolic,%20Sevarlic%20-%20EAAE%20135.pdf>
- OCZKOWSKI E., KRIVOKAPIC-SKOKO B., PLUMMER K. (2013), "The meaning, importance and practice of the co-operative principles: Qualitative evidence from the Australian co-operative sector", *Journal of Co-operative Organization and Management*, Vol 1, Issue 2, pp. 54-63, http://sydney.edu.au/business/__data/assets/pdf_file/0018/218430/Oczkowski_Krivokapic-Skoko_Plummer.pdf
- Outside the European Union, the Government of Australia has developed a Good Business Guide for Cooperatives. See [http://www.commerce.wa.gov.au/ConsumerProtection/PDF/Cooperatives/Co-operatives_Good_Business_Guide_\(Jan_11\).pdf](http://www.commerce.wa.gov.au/ConsumerProtection/PDF/Cooperatives/Co-operatives_Good_Business_Guide_(Jan_11).pdf).
- PURTSCHERT R. (2005), *Das Genossenschaftswesen der Schweiz*, Haupt, Bern.
- ROSA LUXEMBURG FOUNDATION BRUSSELS (2010), "Solidarity-based and Co-operative Economy and Ethical Business: Trends, Innovations and Experiences", available from http://rosalux-europa.info/userfiles/file/Solidarity_Based_Economy_in_Europe.pdf
- TAISCH F. (2014), "Lessons Learnt" in *Notenstein Dialogue*, August. P.1-8. Accessible at http://intbuslaw.org/wp-content/uploads/2014/09/notenstein_dialogue_august_2014.pdf
- SANER R., YIU L., FILADORO M. (2012), "Cooperatives for inclusive growth", *CSEND Policy Brief*, n. 10. ISSN 2235 8048, Geneva.

- STAATZ J.M. (1987), “Farmers Incentives to Take Collective Action via Cooperatives: A Transaction Cost Approach”, *Cooperative Theory: New Approaches*, Royer J. (ed.), Washington DC: US Department of Agriculture, ACS Service Report, n. 18.
- THE WORLD BANK, “Jobs”, World Development Report 2013. Accessed on 03.01.2013 at http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf,
- WORLD BANK (2013), “World Development Report”, available from http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf, pp. 8-28.

Web Site

- <http://2012.coop/en/what-co-op>
<http://www.cecop.coop/Beyond-the-Crisis-Cooperatives>
http://www.cicopa.coop/public_docs/RaportCriseEN.pdf
<http://www.copac.coop/about/index.html>
www.csend.org
<http://www.euricse.eu/en/worldcooperativemonitor>
http://ica.coop/sites/default/files/media_items/cooperatives_and_employment_a_global_report_en_web_21-10_1pag.pdf
http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_105073/lang--en/index.htm
http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang--en/index.htm
<http://monitor.coop/en/about-world-cooperative-monitor-project>
<http://www.zeit-fragen.ch/de/ausgaben/2012/nr10-vom-532012/das-genossenschaftsprinzip-als-grundlage-der-schweizerischen-politischen-kultur-gestern-und-heute.html>
<http://social.un.org/coopsyear/documents/launchprogramme.pdf>
<http://social.un.org/coopsyear/calendar.html>

Annex: References to Cooperatives in DTIs and PRSPs of LDCs

	Country	DTIS		PRSP	
		Year	Reference to “Cooperatives”	Year	Reference to “Cooperatives”
1.	Afghanistan	N/A	N/A	2008	5
2.	Angola	2005	0	N/A	N/A
3.	Bangladesh	N/A	N/A	2011?	12
4.	Benin	2005	2	2007	1
5.	Bhutan	2012	6	2004	1
6.	Burkina Faso	2007	1	2008	0
7.	Burundi	2003	0	2012	4
8.	Cambodia	2001	3	2006	3
9.	Cape Verde	2009	0	2006	0
10.	Central African Republic	2007	4	2009	3
11.	Chad	2006	2	2007	0
12.	Comoros	2007	1	2006	3
13.	Democratic Republic of Congo	2010	4	2007	5
14.	Djibouti	2004	1	2009	2
15.	Eritrea	N/A	N/A	N/A	N/A
16.	Ethiopia	2004	13	2011	0

17.	The Gambia	2007	0	2011	3
18.	Guinea	2003	1	2012	0
19.	Guinea Bissau	2010	1	2011	0
20.	Haiti	N/A	N/A	2012	0
21.	Kiribati	N/A	N/A	N/A	N/A
22.	Lao PDR	N/A	N/A	2008	0
23.	Lesotho	2003	0	2012	8
24.	Liberia	2008	9	2011	2
25.	Madagascar	2003	2	2009	0
26.	Malawi	2004	1	2012	20
27.	Maldives	2006	0	2008	0
28.	Mali	2004	0	2008	6
29.	Mauritania	2001	1	2011	2
30.	Mozambique	2004	0	2011	1
31.	Nepal	2010	9	2007	5
32.	Niger	2008	0	2008	5
33.	Rwanda	2005	54	2011	70
34.	Samoa	2010	0	N/A	N/A
35.	São Tomé e Príncipe	2006	1	2008	0
36.	Senegal	2003	0	2007	4
37.	Sierra Leone	2006	16	2011	0
38.	Solomon Islands	2009	3	N/A	N/A
39.	South Sudan	N/A	N/A	N/A	N/A
40.	Sudan	2008	1	N/A	N/A
41.	Tanzania	2005	10	2011	6
42.	Timor Leste	N/A	N/A	2005	46
43.	Togo	2010	4	2011	5
44.	Tuvalu	2010	0	N/A	N/A
45.	Uganda	2006	2	2010	36
46.	Vanuatu	2007	8	N/A	N/A
47.	Yemen	2003	14	2002	8
48.	Zambia	2005	0	2007	24

Sources: Enhanced Integrated Framework (EIF), http://www.enhancedif.org/EN%20web%20pages/Where%20we%20work/A_Z_countries.htm and International Monetary Fund (IMF), <http://www.imf.org/external/np/prsp/prsp.aspx>

Despite their well-documented socio-economic role, cooperatives remain understudied. Scant research exists on the organizational landscape of the cooperatives especially in low income countries and little information exists in regard to the importance of cooperatives in the discourse on socio-economic development in general and in international development organisations in particular.