COOPERATIVES’ CONCERN FOR THE COMMUNITY:
FROM MEMBERS TOWARDS LOCAL COMMUNITIES’ INTERESTS

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COOPERATIVES’ CONCERN FOR THE COMMUNITY: FROM MEMBERS TOWARDS LOCAL COMMUNITIES’ INTERESTS*

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Abstract
This paper discusses the relationship between co-operatives and their communities, one of the standard ways in which the “co-operative difference” is explained. What are the origins of this special relationship? Why and how did it receive so much attention during the 1990s, when the international co-operative movement undertook a large and sustained effort to articulate its basic values and principles? How does the theme of “community responsibility” relate to underlying notions of membership? What kinds of issues are raised when co-operatives seek to address community issues?

Keywords
Co-operatives, community, membership, 1995 Manchester Congress of the International Co-operative Alliance, co-operative history

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1. Introduction

In 1995, at its Manchester Congress, the International Co-operative Alliance (ICA) adopted a *Statement on the Co-operative Identity*, which included a revised listing of co-operative principles. The seventh principle in the list was entitled “Concern for community”, and it reads: “Co-operatives work for the sustainable development of their communities through policies approved by their members”\(^1\). Where did this principle come from? Why did it emerge at the Manchester Congress? Was it “new”, as some at the time thought and as others later have suggested it was? What is the historical record on the roles of communities within the co-operative movement? Where does the emphasis on community fit within the general pattern of co-operative thought? What are the connections between communities and co-operative conceptions of membership? What are the issues that those connections raise? What does it mean for how co-operatives function today? This paper will address these questions.

2. Where did the community principle come from? Why did it emerge in 1995?

The immediate background for including the “community principle” within the ICA’s list of principles in 1995 can be traced through a series of documents. The report that Alex Laidlaw prepared for the ICA’s Moscow Congress in 1980 might somewhat arbitrarily be chosen to start our consideration. To a significant extent, that report can be seen as an effort to mobilize the international movement so that it could better respond to the emerging problems confronting communities around the world. Laidlaw emphasized in particular the building of a “conserver society” in order to reduce the impact of individuals and communities on the environment; he called for the development of more co-operatively-based communities, particularly through housing and social co-operatives, as a way to meet current social and economic pressures (Laidlaw, 1980). These issues, notably the environmental issue, were re-emphasized four years later at the ICA’s Hamburg Congress\(^2\). Later, at the 1988 Stockholm Congress, the then President of the ICA, Lars Marcus, called for the international co-operative movement to address its most fundamental issues of purpose. He was concerned that the movement seemed to be losing its appeal in the face of growing competition from capitalist firms, which were then basking in a burgeoning though naïve faith in the power of the pursuit of untrammeled self-interest to resolve the world’s major problems. One of the issues he raised was “caring for others” (Marcus, 1988). He asked if it should be thought of as a mark of co-operative distinctiveness. It was a question that brought up the issue of how co-operatives related to their communities – close to home and (arguably) farther afield.

It was a question picked up by Sven Åke Böök, who chaired an ICA committee created in the aftermath of the 1988 Congress. Böök and his committee were charged with investigating what co-operators around the world believed were the main values

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informing their movement. Over the next three years, they participated in sessions discussing values questions that (according to ICA estimates) involved some 10,000 people around the world. In those sessions, questions concerning the relationships between co-operatives and communities were frequently raised, notably by young people and women, and particularly in such countries as Japan, Colombia, Sri Lanka, Canada, and Kenya.

For Böök, this common preoccupation with communities was a reflection of what he came to call the "co-operative spirit", which he believed should infuse co-operative "organisational cultures" (Böök, 1992). The discussions heard by him and his colleagues on the committee clearly demonstrated the desire for the mutual benefit of members and not just their individual benefit. Marcus’s query about whether “caring for others” should be a hallmark of the movement was clearly answered.

In the report he subsequently wrote, Böök stressed the importance of co-operatives striving for the social and economic emancipation of people, the creation of what he called a “humanistic economy” and an increased commitment to social responsibility, all ideas with significant implications for communities, and all concepts that demonstrated “caring for others”. As he idealistically wrote:

"All the basic co-operative values are permeated by responsibility for the community as a whole in the perspectives of social and economic justice (equity). The motives behind the formation of co-operatives, now as before, have been to contribute to a better society at large. Co-operatives are, by their basic constitutions, organisations for this: people take the economy in their own hands, take care of each other and search for ways to embrace wider parts of the community"³.

Following the submission of Böök’s report at the 1992 ICA Congress in Tokyo, another committee prepared documents on how to finalize the discussion of the essential co-operative values for the Manchester Congress three years later. That committee, chaired by the author, soon came to the conclusion that the values deemed most important should be emphasized as part of a document, an identity statement that addressed in a general way the distinctive nature of co-operatives. The committee created a definition of a co-operative, a rather obviously important dimension of identity, but one that the movement had been unable to agree upon for over a century. It engaged in a lengthy discussion on which values – of the many raised by the work of the Böök committee and discussed in the book that he wrote on the subject – should be emphasized. Finally, the committee revisited, altered, and augmented the basic principles as they had been developed in 1937 and 1966 and as they were viewed at the time, keeping in mind how they related to the values that had become obviously the most important for the international movement to emphasize. It is in that context that the community principle was written.

In preparing the Statement, the committee worked through some fourteen drafts, seeking consensus on the nature of the co-operative identity, not an easy task given

³ Böök (1992, p. 215). To some extent, this quotation suggests that co-operatives were essentially idealistic organisations. It should be read, however, in the context of the full Böök report, which frequently addressed very practical issues and insisted upon the need for providing members with good value and upon the necessity of effective management.
the diversity of the international movement. The committee received advice from a panel of fifty prominent co-operative experts from over thirty countries. Members of the committee met some 10,000 co-operators in various meetings held around the world. In all of these exchanges, “concern for community” was a common topic, a widely accepted principle that it was believed the international movement should acknowledge and implement in its work. There was no doubt by the end of the consultation process that the community associations of co-operatives and the co-operative movement were vitally important in the minds of engaged co-operators.

As a result, the committee framed the seventh principle and it indicated the significance of community ties in the values that it determined through a lengthy process were crucially important for the movement. Specifically, it included the values of “caring for others” and “social responsibility”, both of which have obvious community orientations. It also included “openness”, “solidarity”, “equity”, and “equality”, values that arguably imply, if they do not speak directly to, how co-operatives – and their members – should function within communities. To be open means that co-ops have to accept people (“without gender, social, racial, political or religious discrimination”) for whom they can prudently provide services. “Solidarity” means working with others. Though some suggested this meant only with other co-operators and co-operatives, many more involved in the sessions that discussed the Identity Page believed it also meant collaboration with other individuals and organisations with similar values and aims. “Equity” and “equality”, similarly, can mean (for some) the ways in which co-operatives strive to conduct their internal affairs with members and employees, but for many it also included the ways in which co-operatives deal with the non-cooperative world. Such values, it was argued, cannot be bottled up, to be used selectively in some contexts but not in others.

The community dimension of co-operative activities, therefore, is an important part of The Statement on the Co-operative Identity. It was one of the most obvious themes that emerged during the six year of discussions of the nature of the co-operative identity during the 1990s, the last time the international movement undertook a serious, sustained examination of the essence of co-operative organisation and theory.

3. Was the community principle “new”, as some believed, in 1995 and afterward? What is the historical record?

Because the community principle was an addition to the list of co-operative principles as they had been defined in the previous listings of ICA principles, it is, in one sense, reasonable to consider it a new principle. That does not mean though that is an aberration bereft of historical context. Rather, it is an articulation of a dimension of the co-operative movement that has been widely honoured throughout the movement’s history.

Within the British co-operative tradition, for example, it can be traced back to the work and thought of Robert Owen⁴. His efforts to turn the textile town of New Lanark

⁴ See Owen (1973, first published in 1912).
into a pleasant and rewarding industrial community, with good housing, a vital education programme involving early childhood and life-long learning, and the distribution of consumer goods at fair prices became an international model for community-building. It sparked numerous imitations in intentional communities (what are better known by the questionable term of utopian communities) in the United Kingdom, Europe, and the Americas. That impact continues through hundreds of intentional communities around the world\(^5\) and, to some extent, within the cooperative housing movement. It even had a direct impact on the Rochdale Pioneers, one of whose projects was the development of “a self supporting home colony of united interests” (Bonner, 1970, p. 522), one of their objects that for complex reasons has never received the attention it warrants. It also influenced the Pioneers and their associates in their commitment to education, reading rooms, lecture halls, public lectures, popular publications, and women’s guilds – all for the enhancement of communities as well as for the benefit of members.

Within the French tradition, the movement’s roots can be traced back to the French Revolution and to the social concerns that it unleashed: the visions of a “new” society, and the dream of democracy. Thinkers like Saint-Simon, Étienne Cabet, and Charles Fourier addressed in their different ways how communities should be structured so as to reflect aspects of that tradition and to better meet the demands of the modern age. Fourier’s work in particular had a significant impact on the development of intentional communities in several countries, communities that had a greater impact on the international co-operative movement than is generally acknowledged. During the turmoil of the 1840s, groups of workers in France formed worker co-ops that were local responses to the general march of industrialism and the consequent restructuring of class and institutional relationships – the rapid transformation of existing communities and the creation of new ones. All of these developments had a significant impact on the Paris Commune of the early 1870s and the development of Associationisme as a political and intellectual force. Charles Gide and the School of Nîmes at the turn of the twentieth century emphasized social concerns and community revitalisation through moral commitments. Their approach was very influential within the international movement for several decades (Gide, 1923; Draperi, 2008). The French tradition, like all traditions, was deeply embedded in its society and history.

Similar community concerns can be found in the historical development of other European movements. It is a perspective deeply embedded in Italy’s social, economic and political history, which has developed its own distinctive co-operative forms and energy\(^6\). The Germans emphasize the work of Raiffeisen and Schulze-Delitzsch and their struggles to provide community-based credit services for specific groups and classes during the 1850s and 1860s (Hesse, 2009; Prinz, 2002). The financial co-operatives they created played vital roles in the modernisation of the German countryside and in the economic development of the bourgeoisie.

\(^5\) For a listing of thousands of intentional communities around the world (those that are known and willing to be listed) see http://directory.ic.org/iclist/geo.php. The number of such communities that can be seen as evidencing a co-operative ethos has never been established – and doing so would be challenging, but the number would appear to be high.

Agricultural co-operatives as they spread from Denmark and Germany in the later nineteenth century can be seen as reactions to the crises facing rural communities as they were transformed by technological change, evolving agricultural practice, and the development of market economies. Their historic commitment to rural community building in Europe and in other parts of the world was noteworthy amid the cresting of different kinds of agrarianism from the late nineteenth century onward. It was reflected in their associations with rural education movements, women’s issues, social reform, and youth programmes. It can be seen in the ways in which rural co-operatives supported community banking developments, from the Raiffeisen movement in Germany and Argentina to the credit union movement of the Canadian Prairies.

National movements in other countries stress the community dimensions in their own co-operative traditions. Many of them, as in the case of Japan, Korea, and India pointing to the ritualized collaboration of their rural ancestors during periods of planting and harvesting (Madane, 2006; Burmeister, 2008). Today, the roles of co-operatives in rural communities and in urban neighbourhoods is obvious and important. African and Latin American co-operators recall the kin group and community traditions of their Indigenous peoples, the co-operative developments associated with European settlers, some of the imperial interventions into colonial life, and (in some countries) associations with early trades unionism (Wanayama et al. 2008; Develtere, 1992 and 1993). Many of the countries of the global South experienced their first great experimentation with formal co-operative development during their Independence periods, when it was linked to community development, nation building and their founding political leaders, though the results of those experiments, as in the case of most imperial (and early post-imperial) efforts, were mixed.

The connection with communities is a fundamental dimension of the history of the international co-operative movement. It is not a recent aberration associated with some intellectual fad of the early 1990s or a revelation suddenly announced one September afternoon in 1995.

4. Where does the emphasis on community fit within the general pattern of co-operative thought?

There is a tendency within the international co-operative movement not to emphasize the roles of ideas, what might be called co-operative ideology. This is largely because people involved with co-operatives tend to be preoccupied with practical issues – how to make a given co-operative or set of co-operatives more effective, how to compete within an unforgiving marketplace, how to secure the kinds of government policies that will allow the movement to grow.

Raising ideas, moreover, risks incurring divisions, given that the movement includes so many different kinds of co-operatives, numerous national and cultural roots, and people with sharply divergent political and religious loyalties. Straying into what might be thought of as political or religious fields can be dangerous and counter-productive – the reason why so many movements publicly at least insist on political and religious
neutrality. Ideas can be dangerous, including ideas about how co-operatives can and should relate to their communities.

The discussion of the 1990s can be seen as an attempt to reverse that trend by referring rather modestly and obliquely to the movement’s intellectual heritage. It did so concretely through its statement on co-operative values. That inclusion made the Identity Statement significantly different from the two previous ICA listings of co-operative principles. The earlier versions had been essentially terse rules for the operation of co-operatives, drawn largely from the experiences of the consumer movement. They offered little in the way of an understanding of the rich ideological dimensions of the co-operative tradition, partly because to do so in the context of the 1930s and 1960s would have been to invite intense debates – those two decades were especially notable for their ideological ferment.

Unfortunately, though, the listings of 1937 and 1966 did not communicate very well the co-operative promise; they undervalued the movement’s intellectual force, most particularly for people outside the movement. They provided rather weak bases for making the case for co-operatives amid the ideological wars and the struggles over public policy during the twentieth century, especially in comparison with other ideological systems.

All of this was somewhat different during the 1990s, when the collapse of the centrally-planned economies of Central and Eastern Europe, seemed to mark the end of fierce ideological debates – the “end of history”, as Francis Fukuyama rather simplistically put it at the time (Fukuyama, 1992). But it is why, in 1995, it was possible to address some of the fundamental issues that had plagued the international movement for many decades. It is also why it was necessary to do so. The apparent vanquishing of the Soviet economic and social experiments seemed to mean the victory of the liberal, capitalist model, which for co-operatives raised the possibilities of becoming de-emphasized through government policies or of disappearing through increasing imitation of capitalist approaches. Ultimately, the only defences against those possibilities had to be as clear a statement of identity as possible, the celebration of co-operative successes, and the careful protection of co-operative vitality within government policies; in short, the enhancement of the “co-operative difference”. And it is in that context that the question of relationships with communities becomes of further importance.

Attempting to provide an overview of co-operative thought is a daunting, even risky, endeavour, given the movement’s remarkable diversity, but the following list is an effort to present assumptions that have been – and arguably still are – commonly found throughout the movement and in a wide range of contexts.

1. Human beings are capable of continuous and accumulating personal development, particularly if they are influenced early enough by co-operative ideas and strategies\(^7\).

\(^7\) Within the British tradition – widely distributed around the world, the emphasis on personal development can be traced back to the Enlightenment and specifically to Robert Owen (1973) and his conception of the *tabula rasa*, the idea of empowerment through education.
2. Co-operative education is essential for the movement’s effective and sustained development.

3. Human beings specifically have to learn what some in the nineteenth century called “associative intelligence” (MacPherson, 2003) – the desire and ability to co-operate effectively with others, involving understandings and skills that have to be consciously learned. Contrary to what one might like to believe, not all human beings are instinctively co-operative in the areas of their lives that most affect them.

4. Communities are more capable of mobilizing significant human and financial resources for their economic and social betterment than is commonly recognized.

5. Co-operative organisations of all types should work together whenever possible in order that the full potential of co-operative entrepreneurship can be realized.

6. Democratic processes are applicable to economic activities and in fact can be superior to autocratic practices in running businesses.

7. Co-operatives should be aware of the social consequences of what they do and how they function. They should seek to minimize any negative effects on communities that they might have.

8. Invested capital is entitled to a fair and specific return but any surpluses from the operation of a co-operative should primarily reward use, participation, or patronage (though some would argue also for the additional rewarding of employees when surpluses are significant)⁸.

The emphasis on learning, education and development in the first three of these assumptions suggest the importance of the relationship between a co-operative, its members and their communities. The assumptions about the capacity to mobilize resources and the importance of co-operatives collaborating with each other suggests the potential power co-operatives can amass, the social as well as financial capital they can create for members and for their communities. The emphasis on democracy and social responsibility suggest the ways in which co-operatives should function: transparently, inclusively, and responsibly, all qualities important for community wellness. The last assumption on capital reaffirms the centrality of people and the importance of membership. It resonates with what are arguably the two most obvious ways in which co-operatives differ from capitalist firms – the limitations on returns to capital and the importance of member participation.

5. What are the connections between community involvements and membership?

Ultimately it can be argued that engagement with communities is rooted in co-operative ideas of membership.

According to The Oxford English Dictionary, the idea of membership became common in the earlier nineteenth century – in other words, at about the same time as the co-

⁸ For some elaboration, see MacPherson (2012).
operative movement began to assume significance. It was used largely by organisations that today we would say belong to the Social Economy, including fraternal societies, religious organisations, mutuals, and friendly societies as well as co-operatives. It was a manifestation of a desire to use collective and community resources to protect people from the negative aspects of the economic and political changes of the times and sometimes to allow people to take better advantage of them. It was based on bonds of association that were different from those that characterized joint stock and partnership firms; it asserted both the importance of individuals and the collectivities to which they belonged.

Today the word “membership” is employed rather casually. Often, it is used as a marketing tool by all kinds of economic organisations, including credit card firms, department stores, airlines, aquaria, and automobile associations. They use it – without necessarily defining what they mean by it very well – in order to entice greater customer loyalty through affinity programmes offering reduced prices on goods and services, rebates on purchases, travel rewards, and special advertising efforts. Other organisations with strong social dimensions – such as golf and curling clubs, fraternal organisations, and service clubs – use the term because they want to highlight particular services and special obligations. They want to enhance the loyalty of the people they serve. They wish to build the social relationships that are central to their survival and success. In doing so, they retain some of the word’s original meaning.

The co-operative notion of membership carries some aspects of both kinds of membership, but it includes much more. Minimally, it involves three dimensions of member engagement, though the depth of the commitments varies from co-operative to co-operative and from context to context. One kind of engagement involves investment responsibilities. This most regularly occurs when members purchase their membership or ownership share. In the case of some worker, social, and agricultural co-operatives, members are required to invest substantial amounts of money as a condition of membership. In consumer and community-based co-operative banking, the amounts are typically small – and perhaps it would be better if they were greater. Arguably, requiring larger, incrementally growing financial commitments from members could be a useful way in which to attract more member capital. It could also encourage greater interest and involvement by some people. It is a dimension of membership that needs to be considered more widely, strategically, and creatively. Arguably, it has been treated too casually as the decades have gone by.

Secondly, the co-operative idea of membership involves the distribution of surpluses (or profits) in proportion to a member’s participation. Typically, co-operatives emphasize this aspect of membership most frequently because they believe it is the easiest way to attract and keep members. That may or may not be true. In some ways, it becomes a self-fulfilling prophecy. If a co-operative persistently tells their members that it is true, many of them will tend to believe it, whatever their personal motivation might be.

The third dimension of co-operative membership includes ownership rights and obligations, most commonly exercised through the election of directors for specific co-operatives, but also through participation in focus groups and community information
sessions, and the careful perusal of literature provided by the co-op. There are, however, considerable variations in how effectively and conscientiously co-operative organisations and their members engage their democratic life: differences in the amount of information that is supplied, how candidates for elected positions are authorized and presented, the ways in which the actual elections take place, and how “democracy” is sustained between elections. As in the larger society, so in co-operatives: democracy is always a work in progress. Clear absolutes are rare and, when claimed, are usually questionable. It is a dimension of membership that should always be evolving, not least as communication systems change and become more accessible.

Co-operatives also differ in the extent to which members wish to be engaged and, in fact, the extent to which co-ops want significant member involvement. Different kinds of co-operatives, for example worker co-ops and insurance co-ops, invite variable degrees of engagement. One wants and needs to be involved with a co-op that has a daily impact on one’s life, such as a housing co-op, a worker co-op, or other forms of producer co-op. There is relatively little perceived need to be involved in a co-op, such as an insurance co-op, where “participation” is normally a once a year event – when one pays for the services one wishes to have. Much, too, depends upon the attitudes of co-op leaders, elected and employed, and whether they perceive members to be a challenge to be overcome or a resource to be developed. There are also problems in how much of a co-op’s business – and what aspects of their business can be communicated and discussed publicly. Participation and transparency are not absolutes. They are variables determined by circumstance, personalities, and practice. Like many aspects of the co-operative world, they can only be worked out “on the ground” through the ways in which a co-operative choose to conduct its affairs and is able to undertake them.

These dimensions of co-operative membership, however, are not the whole story about the ways in which members relate to their co-operatives. They can (usually are) also vitally affected by the culture within which they function. How members engage a given co-operative depends to some extent on the society in which they live. Patterns of association are very different within co-operatives in, for example, Sri Lanka, Japan, Argentina, Finland, and Québec. Historic bonds, kinship ties, social relationships, and economic circumstances all can affect how co-operators act and co-operatives operate, how they define the issues they individually and collectively face, and how they propose to deal with them.

In other words, much depends on the kinds of identities that members bring to their co-ops – and rarely are the identities apparent in a given co-op monolithic. Rather, membership diversity is the norm in most co-operatives, particularly those that are currently growing and that are successfully attracting members from several communities and across generational divides – and that diversity comes largely from the community connections that are important.

With member diversity comes a multiplicity of membership or community pressures. One cannot even expect that purely economic issues will dominate co-op agendas at any given time. Co-op members cannot be readily categorized through what economist call rational choice theory, at least in its most simplistic variations. The
starting point for much co-operative activity is the group not the individual, a complication for much rational choice analysis, which tends to concentrate on individual choice. Governance systems and experiences further complicate matters. Nor can the outcome of democratic practices be conveniently assumed. How members vote within co-operatives (frequently crucial in determining how they operate), is not always easily predictable. They select their directors for complex reasons. They can debate fiercely what to do with surpluses: to distribute them exclusively to themselves or to some community activity; to fund expansion projects; or to build reserve funds in anticipation of difficult times. The well publicized debates within the Mondragón co-operative movement over international expansion are a case in point, as are arguments within small co-ops seeking to move into nearby neighbourhoods or to expand existing operations.

In short, when members participate at annual meetings or in consultative processes, they do so as individuals who may or may not be motivated primarily by personal economic or status considerations. Invariably, they will participate as individuals carrying several identities, any or all of which might affect how they view their co-operative and envision how they wish to relate to it in the future – and how it should relate to their communities. That uncertainty can be the cause of significant inconveniences; it can also be, if dealt with effectively, a considerable source for institutional success, a way of reaching out to several communities, a way of finding new needs that can prudently be met.

In a recent, thought-provoking and graceful book, Amartya Sen (2006) has set forth some of the complexities associated with identifying individuals: all too often, he argues, people are characterized by one form of identity – for example, religious commitments, political beliefs, and geographic location – and that becomes the way in which they become understood. It is a misleading tendency because, in reality, everyone is a mingling of identities. Generalizing from any one of those identities is fraught with error. For example, Sen suggests, a “Hutu laborer from Kigali may be pressured to see himself only as a Hutu and incited to kill Tutsis, and yet he is not only a Hutu, but also a Kigalian, a Rwandan, an African, a laborer, and a human being” (Sen, 2006). One can readily think of everyone else in the same way – as a mixture of many identities – including all those who become members of co-operatives.

It is possible to think about a co-operative identity, perhaps by considering the extent to which people accept and are motivated by such ideas as the assumptions outlined above. Other personal identities, however, will always intervene and this fact has long been a feature of co-operatives and their relations with communities. For most of the movement’s history, for example, it was commonplace within many co-operative circles to emphasize the importance of the working class. In some circles it still is.

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9 For an example drawn from a non-cooperative source, see “All in this together: How is the cooperative model coping with the recession?” The Economist (http://www.economist.com/node/13381546).
10 For example, Peninsula Co-op, near Victoria, British Columbia, has been engaged in a fifteen-year struggle over expansion in the rural region in which it lives. The debate can be followed in the local press, though the coverage has tended to be biased in favour of the co-op’s opponents. See, for example, http://www.friendsofpeninsulacoop.com/, http://victoriavision.blogspot.com/2011/05/peninsula-coop-election.html, and http://www.saanichnews.com/news/138142178.html
One can argue, in fact, that that is the common framework, the essential lens, within which many consumer co-op movements in Europe, the Americas and Asia have been viewed, their origins and development explained. Similarly, one can argue that rural identities, variable by type of agriculture and culture, have shaped most co-operative movements in the countryside; that local, regional, religious and political values have shaped community-based co-operative banking developments; and that the social values and community bonds of communities help define social co-operatives wherever they exist.

When thought of this way, co-operatives become carriers of multiple identities in which issues of paramountcy can easily arise, especially when mixed with identities flowing from ethnicity and national feelings. Identity matters tend to surface most vigorously when co-operatives face crises. It then becomes clear how members perceive their co-operative, which identity predominates. If they see it as a business that has a life of its own and operates like a conventional business, then demutualisation can easily become the preferred option (Hailu and Goddard, 2009; Herman and Sousa, 2007). If they see it an organization with important social and community objectives, then the measurement of success will be judged by a variety of criteria and not just by financial performance. The results, almost certainly will be significantly different.

The diversity of member identities suggests that one needs to be cautious in assuming that joining a co-operative necessarily means a serious commitment to a co-operative identity. It probably means a willingness to explore the co-operative model and to consider how it might be better and more widely applied. It might include some interest in co-operative thought. A well functioning co-operative will respond to such interests through information/educational activities – about the movement as well as itself – because it represents an important opportunity that may not frequently occur again. Unfortunately, that opportunity is not seized diligently enough within many co-operatives and so the movement does not expand as it could; not enough members understand the unique qualities of the organisation they have joined; the possibility of deepening a co-operative identity is not fully explored.

Put another way, co-operatives are meeting places for people with many identities. Some of them are long-standing, such as those associated with the working classes and rural people and those that are derived from ethnic backgrounds and national feelings. Others are of more recent origins, typically associated with causes deeply felt, such as environmentalism, food security, and gender issues.

All of these identities can and should be accommodated within co-operatives but it is not always easy to do so. The current deeply felt causes, for example, carry strong feelings of identity and people supporting them can be very demanding in their pursuit of immediate results. They can also be tied to different kinds of communities, whether defined by territory, belief, gender, or history. The challenge then will be to negotiate reasonable and responsible responses to them within the context of organisations that must also operate one or more business activities. It is not easily done. On the other

11 The British consumer co-operative experience has been particularly seen through the lens of working class culture. See, for example, Birchall (1994), Yeo (1995) and Gurney (1996).
hand, such associations can be – as in the cases of local food security and environmental concerns – important signals as to how markets are developing or could be developed\(^{12}\).

Member reflections of their communities, therefore, are vitally important, even determinative, in deciding the fate of a given co-operative. They are rarely constant. They help identify purpose. They can create institution-saving opportunities.

6. What are the issues raised by associations between co-operatives and communities?

There was little discussion of the seventh principle – or the values associated with it – at the Manchester Congress. In the years since then, though, it is remarkable how many co-operative organisations have paid increased attention to their community programmes. It is noticeable how proudly many of them monitor their community contributions. It is noticeable, too, how important community activities are to employees who often volunteer their time to help make the community programmes of their employer successful. In short, the sponsorship and encouragement of community programmes have become common ways in which co-operatives regularly demonstrate their “difference”. The emphasis given to community activities by the Manchester Congress in 1995 has had a significant impact on the international movement\(^{13}\).

Those innovations, however, have not been without controversy and some of the issues that have been raised include the following.

For what? Because of the long association with education, co-operatives are generally generous in supporting educational activities, typically in the form of scholarships for members or their children or for funding programmes in secondary and post-secondary institutions. In several countries, co-operatives contribute to, even operate, youth camps, often with significant content about co-operatives and training in appropriate techniques for operating co-operatives or for co-operative living\(^{14}\). Co-operatives have also been very involved in supporting athletic and cultural activities.

These kinds of programmes elicit very little discussion and are generally appreciated.

\(^{12}\) An important North American example would be the organic food industry. In the 1960s and 1970s numerous groups in the United States (and to a lesser extent in Canada) developed the organic food industry. Its early advocates developed numerous local food co-ops devoted to organic food production. Many of them formed small wholesales that were marginal business enterprises. The older, more established consumer co-ops largely ignored them – and, to be fair, the new co-ops looked somewhat disdainfully on the old order. Gradually, though, as public interest in organic food grew and the larger private chains responded to the growing demand, what started as essentially a co-operative undertaking has become increasingly dominated by non-cooperative retailers. Today, the biggest retailer of organic foods is Walmart, which draws its supplies largely from corporate farms. It was a significant missed opportunity for the co-operative movement largely because of poor strategy on both the co-operative “sides” and some supply problems – but also because of a failure to read well what memberships would like or could be taught to appreciate.

\(^{13}\) Canadian examples of community engagement.

\(^{14}\) In Canada, for example, provincial co-operative associations run youth camps in Atlantic Canada, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia.
They are not controversial because they conform to ideas of “good corporate citizenship” within the private sector – and thus do not raise issues of being too unusual. Frequently, too, they can be justified as a form of advertising and as a way to promote member/customer loyalty, which in turn can translate into increased business for a given co-operative – the same reasons why many private companies engage in community programmes. Ironically, the closer co-ops come to what their competition does in their community activities, the less the controversy – not the most ideal or creative situation.

There is, however, another kind of engagement. It is concerned with using a co-operative’s social power and perhaps some of its economic resources to encourage community development, particularly economic development. That was partly in mind at Manchester when the commitment was made to the “sustainable” development of communities. The selection of the word “sustainable” was partly because many co-operatives, especially in rural areas and declining urban districts, were developed to help people create the kind of businesses that would strengthen their communities as market forces and population shifts affected their stability. It was also a carryover from the World Commission on Environment and Development (the Brundtland Commission) in 1987. It had done much to publicize the idea of sustainability, and debates over what that word meant and how it could be achieved were not particularly divisive by 1995.

The contributions of co-operatives to community sustainability can take place in two different ways. The first is by co-operatives listening to their community connections as they expand or diversify their own business activities. This possibility is one key aspect of a co-operative’s “competitive advantage”. It means that they can listen to the multiple identities their members provide – as members of a specific group, or as inhabitants of a given community, or as people devoted to specific issues (such as food sustainability or environmental projects) – to expand existing business activities or to enter into new ones. It is not a trivial asset. The better co-operatives listen to their members, the greater the possibility of success. It can mean, though, that co-operators see themselves as being in the member development business as much as they are in a specific kind of business.

The historical capacity of co-operatives to respond to community challenges is easily documented. The historic (and to some extent continuing) capacity of some consumer movements (for example, in the United Kingdom, Scandinavia, Italy, Japan) to create large, sophisticated, and complicated organisations is notable. Similarly, in many agricultural co-operatives (Japan, Korea, the United States, Argentina, Brazil) one can readily find examples of co-operatives engaged in a wide range of activities, many of them developed because of pressures from rural communities. The movement’s historical record in creating large, innovative, and diverse organisations is remarkable.

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16 For example, in a local consumer co-operative on whose board the author sat, a series of member meetings called when the co-op was facing a bleak future, produced several ideas about how the co-op could expand its services and meet member needs. Many of these suggestions were followed; they still are being followed. Today, the co-op is the sixth largest in western Canada.

Starting in the 1980s this traditional capacity of co-operatives to respond to a variety of community pressures declined somewhat because of the economic pressures of the time and the popularity of the mantra “what business are we in”. That saying, fondly repeated by many management consultants, was code for withdrawing from some businesses and limiting the possibilities for developing new ones. It was also a way in which leadership changes were facilitated since it favoured leaderships that supported closing down services and portions of a co-op’s business as it had evolved over the years; it buttressed the claims of the apparently tough-minded. It often encouraged hiring managers from private firms who had experience in curtailing some operations while merging others, an approach that could bring short-term but not necessarily long-term gains.

One wonders in retrospect whether this was necessarily the best approach. It seemed justified because it apparently conformed to trends within conventional businesses – except that, what ever happened with specific private companies, the growth of international businesses was often on the basis of integrating diversities within multi-national firms and investment vehicles. Perhaps it is time to once again consider more openly the diversities of possibilities that members in their communities can provide, though doing so will stretch management and boards, as they are now commonly trained, so that they can respond flexibly and effectively.

Carefully nurtured relationships with communities can also provide opportunities for new co-operative business activity and existing co-operatives can help them develop. Given that the co-operative model can be infinitely applied to many kinds of economic and social enterprises and activities and that communities have diverse needs, many of them not met adequately or at all, the potential for new co-operatives, for new co-operative forms, is virtually endless. The only obstacles would appear to be: making sure that a community’s needs are genuine; ensuring that good information and expertise are available; finding ways to create pools of capital to be prudently administered; and developing sound business and member engagement approaches.

Existing co-operatives can greatly expedite the development of new co-operatives. There are several examples of how this can work: some of the most notable are in Europe – in northern Italy, Mondragon, and some circles in the United Kingdom. Other examples can be found in Québec, Argentina, Brazil, Singapore, and India.

“How much?” “How often?” The open-ended quality of membership along with the wide range of possibilities in any community means that a given co-operative can feel under siege by requests for assistance. The requests for different kinds of community engagement can be substantial and continuous. They can come from many different directions.

The best way to respond to them is to devote considerable thought and effort to the development of clear and focussed policies. It is also advisable, too, to develop a limit to the amount of funds available, perhaps best expressed as a percentage of sales (either before or after surpluses or profits are calculated – and deciding between those two options is not a small matter). A fixed percentage, even if it is small, indicates the permanence of the commitment and can usually allow for better planning of commitments over a longer period of time.
It is also important to note the last phrase in the Principle: co-operatives develop community projects in accordance with “policies approved by their members”. This addition was made because of concerns that groups essentially outside of the co-op, would seek to manipulate it for their own purposes. It was intended to encourage discussion within membership as to how co-operatives should relate to their communities, and it was intended to make sure that the leadership of co-operatives was holding itself responsible for its community initiatives.\(^\text{18}\)

### 7. What does it mean for how co-operatives function today?

A co-operative’s engagement with its community is not a frill. It is part of the way it should think about its business and a significant aspect of how it relates to its members. It is an important part of co-operative distinctiveness. It means that co-ops cannot ignore the social consequences of what they do. It means they have a responsibility to care for the communities in which they exist – both in what they do and how they choose to do it. It means they have to be transparent in their work within communities. It means they should strive within prudent limits to work with others in contributing to community wellness. It is a duty, a way of doing business, and a way of building co-operative possibilities. It is a distinctive and necessary aspect of co-operative entrepreneurship, a fundamental issue for Co-operative Studies.

### References


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\(^{18}\) Co-ops have used several ways to be transparent in their community commitments: social audits, listings of community projects, even inviting members to vote on their most important projects (see, for example, the community projects of VanCity Savings Credit Union, [https://www.vancity.com/MyCommunity/](https://www.vancity.com/MyCommunity/)).


Herman R., Sousa J. (2007), *Factors Influencing Demutualizing and Mutualizing Conversions of the Co-operative Organizational Form*, Paper delivered at the Meetings of the Canadian Association for the Study of Co-operation, Saskatoon, June.


Appendix: Statement on the Co-operative Identity

- **Definition**
  A co-operative 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 enterprise.

- **Values**
  Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

- **Principles**
  The co-operative principles are guidelines by which co-operatives put their values into practice.

  - **1st Principle: Voluntary and Open Membership**
    Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

  - **2nd Principle: Democratic Member Control**
    Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

  - **3rd Principle: Member Economic Participation**
    Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

  - **4th Principle: Autonomy and Independence**
    Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

  - **5th Principle: Education, Training and Information**
    Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

  - **6th Principle: Co-operation among Co-operatives**
    Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

  - **7th Principle: Concern for Community**
    Co-operatives work for the sustainable development of their communities through policies approved by their members”.

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19 Taken from ICA website (http://www.ica.coop/coop/principles.html).