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CONFERENCE LETTERS

International Co-operative Alliance Global Conference and General Assembly: The Topics at the Centre of the International Dialogue

KEY-WORDS

COOPERATIVE MODEL, CAPITALISATION, ACCESS TO FINANCE, DIGITAL PLATFORMS, PERFORMANCE, SUSTAINABLE DEVELOPMENT

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The cooperative movement gathered, as it does in alternate years, for the International Co-operative Alliance (Alliance) Global Conference and General Assembly¹. The Alliance is the most extensive representative organization for cooperatives from all around the world. In Kuala Lumpur, Malaysia, more than 1,800 delegates from over 70 countries were present, representing national and sectoral federations, providing an effective demonstration of the breadth and variety of the cooperative movement at the global level.

Despite the great difference in size and scope—in a system that includes small cooperatives of coffee growers in Ethiopia and large banks like Crédit Agricole, with a turnover of almost 50 billion US dollars—there were topics that piqued the general interest of the participants, highlighting some common trends. Many challenges appear to be cross-cutting and do not depend on the sector of activity or the particular national contexts in which these enterprises operate.

¹ International Co-operative Alliance Global Conference and General Assembly “Co-operatives: Putting people at the centre of development”, Kuala Lumpur, Malaysia, 14-17 November 2017.

Three issues in particular recurred most frequently. The first concerns capital and access to finance. The second concerns size and growth, and in particular the role that digital platforms can play in this respect. The third revolves around the contribution of the cooperative model to sustainable development, at a time when even conventional enterprises, traditionally geared toward profit maximization, are increasingly paying attention to this issue.

Cooperatives usually have a direct perception of the problems that concern them, and are not easily influenced by the opinions of those who do not know their particular business model from within. When it comes to capitalization and access to finance, though, the cooperative movement seems to be heavily influenced by public opinion, passively accepting the widespread notion that the nature of cooperative enterprises is an obstacle when they seek resources to finance their growth. The critical assumption in this respect is that resources obtained from the members are an unstable form of capital because they can be easily withdrawn. And outside investors, who already play a marginal role due to the ownership structure of cooperatives, are not attracted because of the low rates of return that cooperative enterprises can offer. From this derives the assumption, that often influences public regulators, that cooperatives face greater challenges raising capital compared with other business forms.

However, looking at the data—which is precisely what the European Research Institute on Cooperative and Social Enterprises (Euricse) has done in a specific analysis within the World Co-operative Monitor on cooperative businesses and access to capital²—a divergent reality emerges. The research presented and discussed throughout the course of the international assembly reveals a more multi-faceted situation. Large cooperative enterprises, precisely because they are less dependent on external investors, show a capital structure that renders them financially more solid than other businesses. On average, large cooperatives are better capitalized than similar shareholder corporations. And this is true in each of the main sectors in which they are present: agriculture and food industries, consumer, and financial services. Although they do not avail themselves of the typical financial tools used by capitalistic enterprises, large cooperatives are able to obtain positive results. In fact, they achieve to some degree even more positive results than other firms because they can count on mechanisms to reinvest profit and the asset lock, which favour an incremental accumulation of capital. The longer the life of a cooperative, the more likely it is to be financially solid³.

Conversely, cooperatives in the start-up phase or of smaller sizes do indeed face challenges with respect to access to financing, but not to a greater extent than any small business. The difficulty that the going opinion places on the entire cooperative model in reality concerns mainly (if not

² <http://www.monitor.coop>

³ See chapter “Co-operative Capital” in *World Co-operative Monitor. Exploring the co-operative economy – Report 2017* (Alliance & Euricse, 2017). Available at: <https://monitor.coop/en/media/library/research-and-reviews/world-co-operative-monitor-2017en>.

exclusively) cooperatives in the start-up phase in which they cannot yet count on economies of scale and cumulative effects. It is at that point that they struggle to obtain internal capital and long-term credit, tools necessary for long-term growth.

Even in this case, though, the nature of the cooperative model can be an advantage rather than a hindrance. To compensate for the limitations to access to financing, as opposed to other forms of businesses, a new cooperative has access to certain tools specific to the network structure of the cooperative movement. Mutualistic funds, guarantee funds, development funds, are examples of mutual financial assistance through which the more established and strong cooperatives can support new entrepreneurial initiatives. Second level organizations can play a fundamental role in collecting capital to finance smaller and new cooperatives. Inter-cooperation could be an effective model for a business network that can compensate for the deficiencies generally attributed to the cooperative model of capitalization.

This observation brings us to the second topic, that of the relationship between a network growth model and digital platforms. As argued, the topic of capitalization helps us interpret as a strength an aspect that is generally considered a weakness of the cooperative model. A similar reflection, but in the opposite sense, can be applied to the relationship between cooperation and digital platforms. Cooperation is widespread, multi-sectorial, people-centred. And it is a network of businesses present in every country and united at the international level. The potential in terms of business intelligence is therefore immense.

Business intelligence is an ever-growing factor in business competition. The most innovative businesses have already gone down the road of a more intensive use of data they collect and produce. It is an effect of the transition to a knowledge economy, in which extensive and detailed information on the market, clients, needs, community, assumes priceless value for developing new products and services. This is the reason for the huge success of the new digital monopolies, from Google to Amazon, Facebook to Apple. As well as the reason for the daily battle for the acquisition and control of the constant flow of data produced by users and consumers in an ever-expanding magnitude.

If consumer cooperatives, credit cooperatives, mutuals, health cooperatives—just to give an example—shared their data analysis projects, they would all have the necessary elements for a major upgrade in the goods and services they offer their members and communities. At the same time, this could fuel an extraordinary growth within cooperatives. Still, this potential remains largely unseized by cooperatives. Little attention is paid to data analysis and cooperatives relate to digital platforms as mere users rather than as protagonists. At best, they sell their products on the large online platforms, but little more than that.

The consequence of not being able to think in terms of “cognitive innovation” is an increasing distance between businesses that anticipate trends and those that are constrained to follow the trends. The perception from the comments and reflections during the Kuala Lumpur gathering is that the cooperative system risks having moved late and too slowly in this respect. To contrast the concentration of the digital industry it is not enough to share a cultural affinity with the principles of a collaborative economy.

The effort to reposition the movement on this topic, represented by the debate on digital platform cooperatives, risks in the same way being both too late and developing on a purely voluntary basis. It is true that, potentially, a large part of the digital world utilizes collaborative principles that could lend themselves to being organized in the form of cooperative enterprises. But it is just as true that the digital context is dominated by the “network effect”, which favours the creation of large monopolies since users choose the most popular and widespread platform guaranteeing access to a wider public. A successful platform is destined to grow exponentially, increasing more and more its influence. Therefore the space for new actors is dramatically reduced, as witnessed by the thousands of applications and digital platforms that are created yet fail without succeeding in gaining the attention of a large enough audience.

Despite its premises, the trends emerging from the sharing economy seem to be going in the direction of a concentration of a few “superstar” businesses that garner the advantages of the free labour of their users, rather than in the spreading of shared tools in which the production value is equally distributed amongst the participants. In this scenario the digital platform cooperatives are an interesting topic of study, but realistically for now nothing demonstrates their capacity to compete with the giants of the web. The intellectual development phase was probably too long with respect to the speed of the initiative taken by businesses born to develop to the utmost extent the competitive (and economic) advantages of digital innovation. Business, to be more precise, that are not exactly prone to *sharing* their profits.

And this brings us to the third topic of discussion, which can be summarized as follows: the cooperative model ideally embodies the values of sustainability in all three of the prevalent meanings—environmental, social, and governance—yet it is struggling to assert its leadership. On the contrary, capitalistic enterprises are increasingly engaged in accrediting themselves as coherent with respect to ESG principles (*environment, social, governance*), presenting themselves as champions of sustainability even when until just a short time ago they certainly did not stand out for their attention to social and environmental issues. The cooperative model is therefore challenged in its own domain, that of the responsibility to people and the community.

In one of those paradoxes that often seem to shuffle the deck of history’s cards, while the cooperative movement was threatened by the risk of practices inspired by the capitalistic business model—with an isomorphic emphasis on efficiency and competitiveness—in the world of capitalistic enterprises the movement was in the opposite direction, internalizing themes and perspectives derived from attention to social aspects and the values of environmental sustainability.

The fact is that even if a substantive coherence with the objectives of sustainable development can be claimed, the cooperative movement seems to struggle to find narrative language and practices able to capture attention. The presentations and discussions in Kuala Lumpur referring to the SDGs—the Sustainable Development Goals established by the United Nations—seemed routine, almost institutional. As if the main audience were the Assembly of Nations rather than local communities. Whereas non-cooperative enterprises have perhaps more quickly understood the significance that sustainability issues are gaining in the court of public opinion and have begun

to seize upon them as a tool with which to directly relate to the values and preoccupations of users and consumers.

Behind this paradox is once again, as in the case of the digital platforms, an inability to immediately find coherence or respond to the transformations presently taking place. The cooperative model, calibrated to long-term development, is not at ease with changes that require speed and responsiveness. To use Peter Drucker's metaphor, cooperation is a system of enterprises built to last, like the pyramids, more than to be taken down and moved in one night like nomad tents. With the related consequences in terms of innovation.

In conclusion, from an assembly such as that of the Alliance, emerges a picture of the variety and diversity of the cooperative movement that brings into light both strengths and weaknesses. Depending on the way in which cooperatives see themselves, the main problem does not seem to be obtaining resources for development, but rather the capacity to elaborate and implement new ideas. Cooperation has all the tools for anticipating new trends but is not able to prevent others from taking ownership and advantage of them with more breadth and speed. The slow growth at the base of the cooperative model is certainly a value to maintain, but the questions that emerge from society require more risk-taking in trying new ways as well. Placing attention on the capacity for innovation should be the priority for assuring a future for the cooperative model. In Kuala Lumpur this challenge did not emerge with clear consciousness, but between the lines of every speech and presentation one could see its traces.