

Comisiwn Cwmnïau Cydweithredol
a Chydfuddiannol Cymru

Welsh Co-operative
and Mutuals Commission

**Co-operatives and Mutuals in Wales:
Adherence to the Recognised Principles
of the Co-operative Movement**

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Introduction

The Welsh Co-operative and Mutuals Commission was established as an independent commission by the Welsh Government to make recommendations on growing and developing the co-operative and mutual economy in Wales.

A strong, sustainable and thriving co-operative sector is viewed as essential to the economic recovery of Wales and to negotiate the ever-changing economic environment.

Co-operative and mutual business models have been proven to be more resilient in such challenging times and to provide a foundation for sustainable economic development through their associated social and environmental impacts.

Wales has a long and proud tradition of co-operatives. The first established in the middle of the 19th century. Recent research by the Wales Co-operative Centre has suggested that there are 446 co-operatives across Wales. Ranging in size from small community shops to large housing associations they operate in a wide variety of sectors which reflects the diversity of their mainstream counterparts such as: Childcare, learning opportunities, food and fuel supply, housing, and sports facilities and football clubs. ¹²

The co-operative movement is characterised by 7 internationally recognised principles, which define co-operatives and differentiate it from other business models. The 7 principles are:

1. 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.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men

¹ Bevan Foundation (2012) Cooperatives in the Welsh Economy

² Bevan Foundation (2012) Community Co-operatives in Wales, Ordinary people doing extraordinary things. The Co-operative Centre.

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.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. 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.

4. 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.

5. 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.

6. 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.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Aims and Objectives of the Research

In order to inform activity to develop and grow the co-operative movement in Wales the research sought to explore how 'principled' the co-operative sector in Wales is, if there are certain aspects of the principles that are more widespread or more deeply engrained than others and to make recommendations as to how the principles and the benefits of them could be more widely adopted.

The research sought to gain an understanding of the proportion of co-operatives in Wales that follow or adhere to the 7 internationally recognised principles of the Co-operative movement and what might be done to increase this proportion.

The research explored:

- The proportion of the Co-operatives and Mutuals in Wales that adhere to the 7 principles of co-operation and to what extent.
- Whether some of the principles are perceived as more influential than others.
- The reasons why co-operatives do not adhere to the principles.
- Whether and to what extent any business advice received by co-operatives includes advice about the 7 principles of co-operation?
- What barriers to adoption exist and what, if any, actions would facilitate uptake.

The research then explored what part cooperatives and mutuals feel able to play in the development of the cooperative movement in Wales.

Methodology

To achieve the research aims, a mixture of both quantitative and qualitative methods have been employed and set within a triangulated framework to ensure reliability and validity of findings. The use of quantitative methods such as questionnaire surveys allowed access to a broad understanding of existing perceptions of principles whilst the use of qualitative methods, such as interviews, provided a greater depth and complexity of understanding required to formulate solutions to the questions raised by the research. The research elements were:

Questionnaires surveys

The research used a web-based survey to achieve a representative, widespread and meaningful response rate and also to maximise participation in the research. The bilingual, on-line delivery of this survey component was designed to make the research as accessible as possible to a variety of co-operatives and mutuals across Wales. Three personal email messages with a follow up telephone call resulted in the participation of 36% (54) of cooperatives with known email addresses.

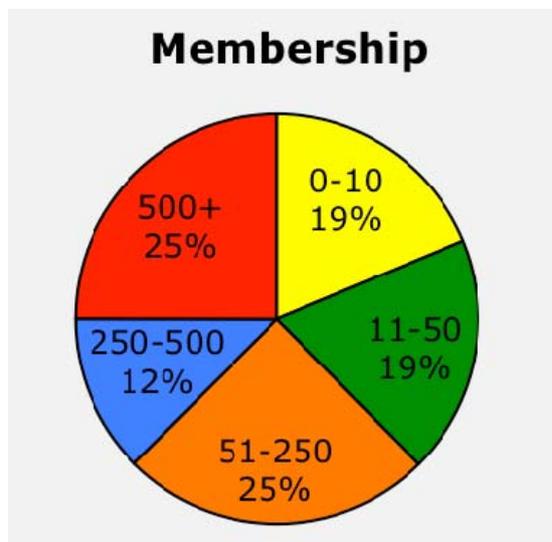
Individual Interviews

Semi-structured interviews were undertaken with a total of 21 organisations 13 of who had previously completed the online survey. The remaining 8 interviewees did not have Internet access or an email account and so were unable to complete the survey online. The survey was therefore undertaken as part of the telephone interview.

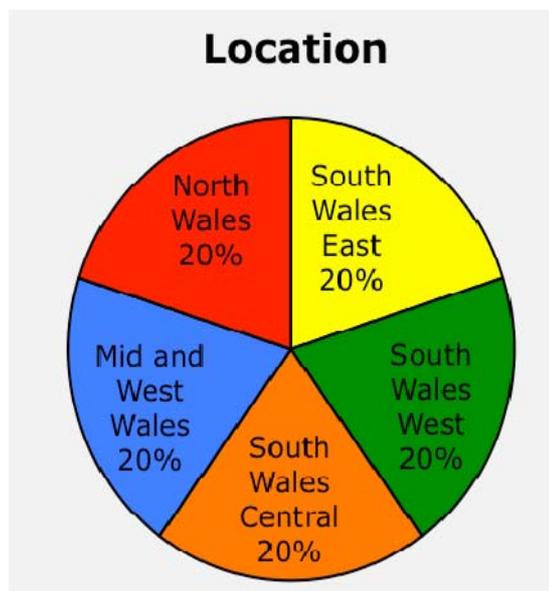
In addition, an interview was conducted with an individual who had taken over three failing working men's clubs which are no longer being operated as co-operatives.

Sample size

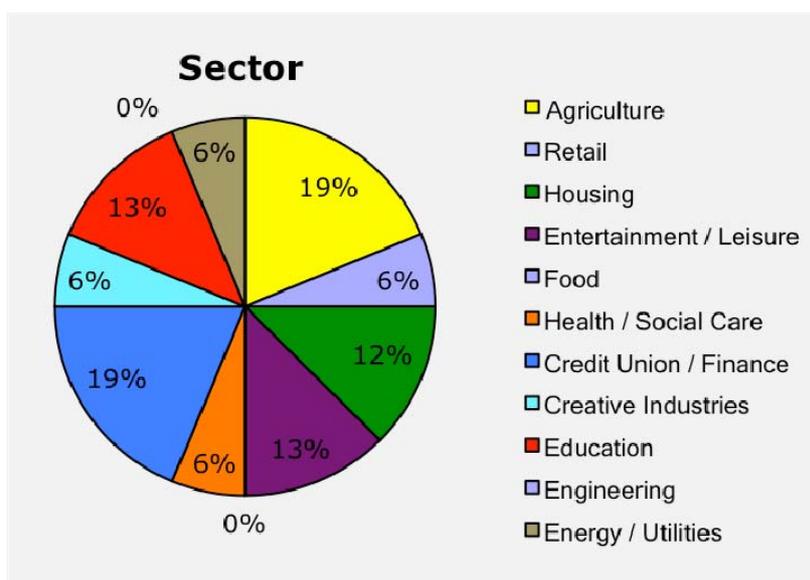
The 54 respondents to the online survey represent 36% of co-operatives in Wales with a known, active email address.



Respondents represented a range of organisational size and sector and were located across Wales (though there were no respondents from the food or engineering sectors). 85% of responses were from organisations self-classifying as co-operatives and 15% as mutuals.

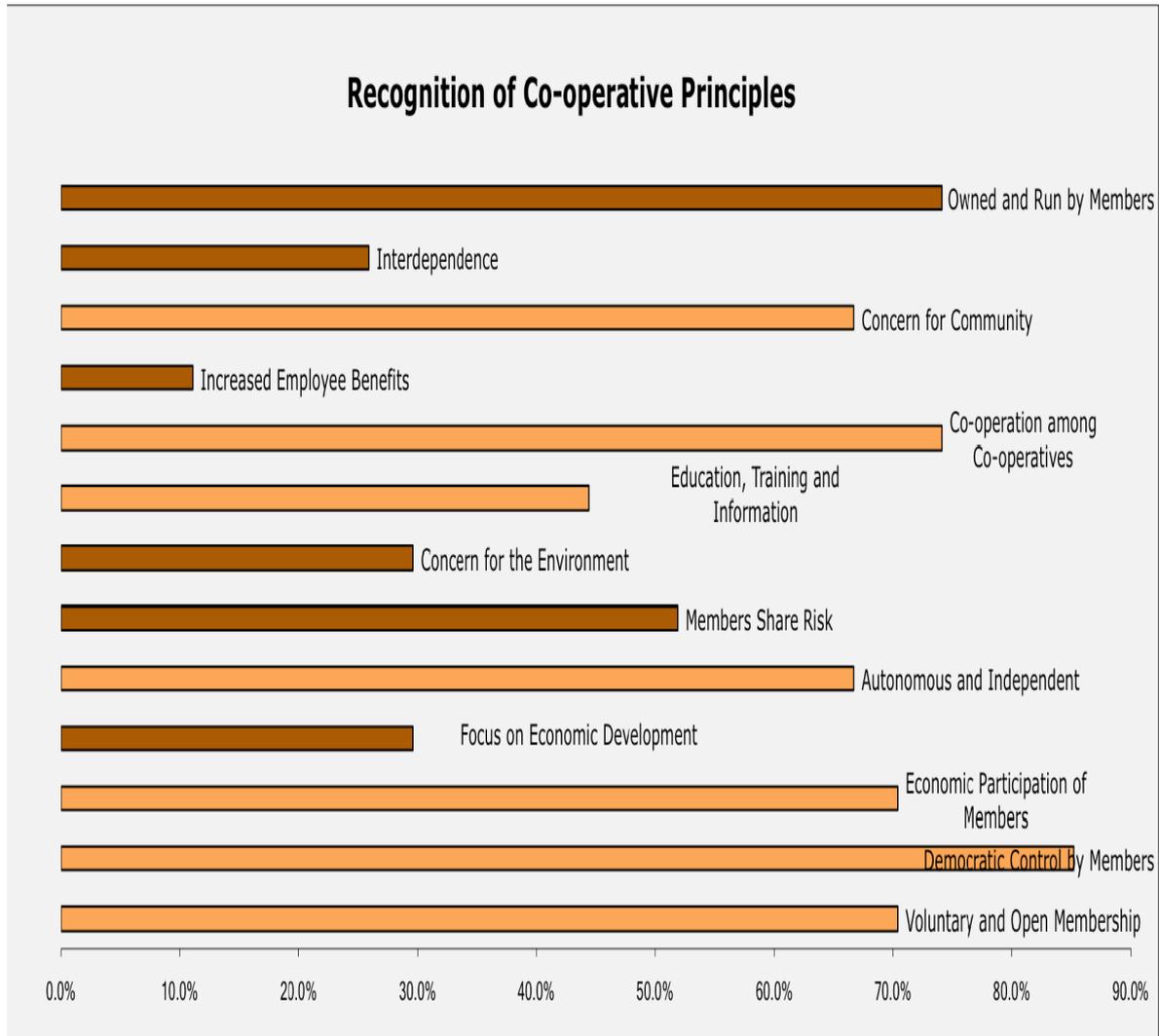


In a number of questions respondents were able to select more than one option and as a result percentages sum to more than 100%.



Awareness of the Principles of Co-operation.

In order to test awareness of the seven principles of co-operation, respondents were given a choice of thirteen potential principles of cooperation. Six broadly similar options (The **dark brown** options below) had been included alongside the seven internationally recognised principles. Co-operatives were able to recognise six of the seven principles without prompt.



However, the broadly similar principle (Owned and Run by members), inserted to test specific awareness, was selected by 74% of respondents with 'Focus on Education on Education Training and Information' slipping from the top seven after selection by only 44%.

Co-operative Principle	Response %
Democratic Control by Members	85
Co-operation among Co-operatives	74
Owned and Run by Members	74
Economic Participation of Members	70
Voluntary and Open Membership	70
Concern for Community	67
Autonomous and Independent	67
Interdependence	26
Members Share Risk	52
Education, Training and Information	44
Concern for the Environment	30
A Focus on Economic Development	30
Increased Employee benefits	11

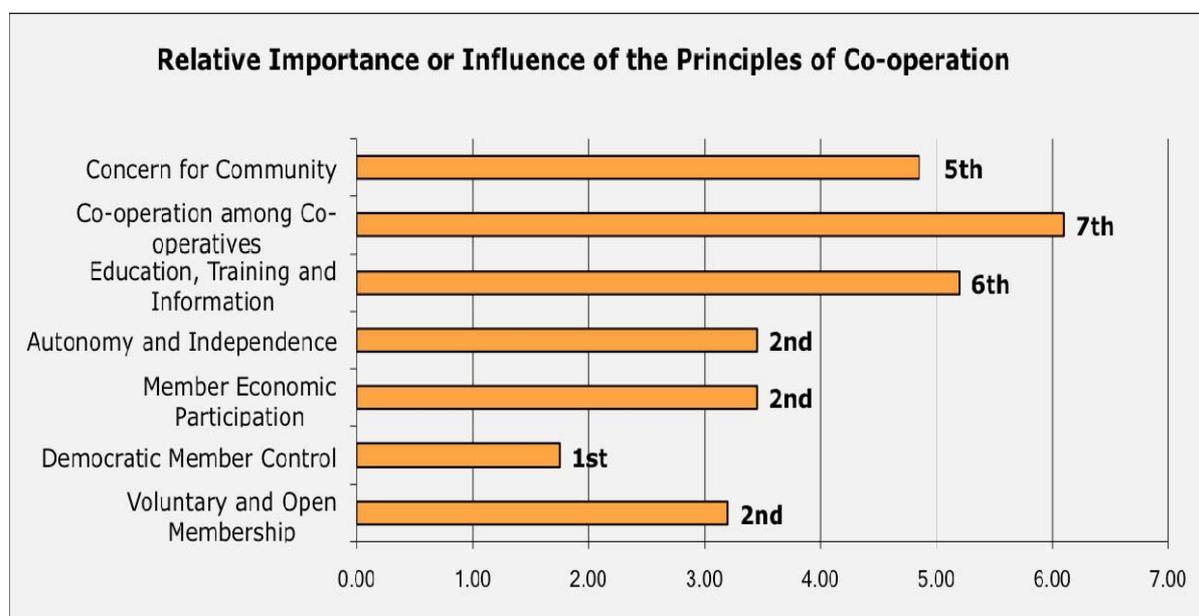
Further exploration of responses during interviews demonstrated awareness of co-operative values and ideals rather than of specific principles. Similarly those interviewees who had not completed the questionnaire were largely unable to suggest specific principles but suggest broad themes such as 'Democratic one-member-one vote' and 'Community oriented'.

With prompts the responses were broadly similar although the level of awareness of the specific definition of each term was patchy.

Relative Importance of Co-operative Principles

There appeared to be clear differentiation in the perceived importance of the co-operative principles. Respondents were asked to rank the principles from 1 to 7 in relation to their importance or influence, 1 being most important.

The aggregated score suggests that Democratic Member Control was perceived as the most important or influential principle with Autonomy and Independence; Voluntary Open Membership and Member Economic Participation fairly evenly balanced. Concern for the Community and Education, Training and information followed in 5th and 6th positions. Of particular note is the lower ranking of Co-operation among Co-operatives, this after the being the second most recognised principle in Question 1.



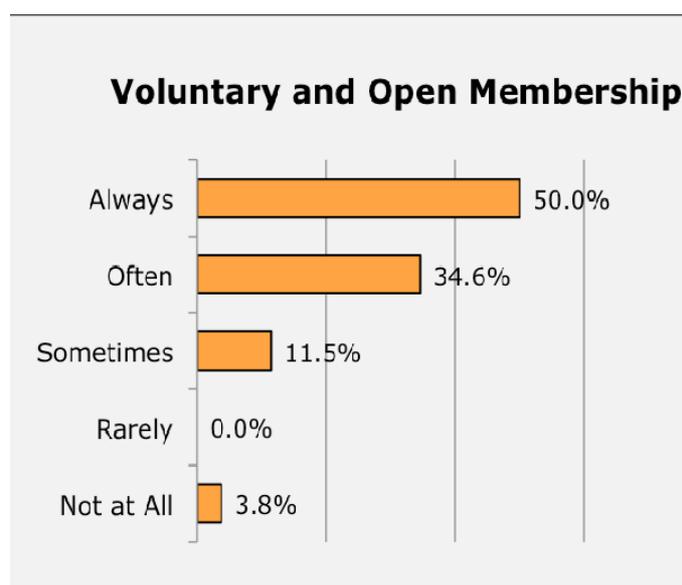
The sample size renders most cross-tabulation insignificant however there appears a difference in perceived importance if examined in relation to size of organisation. Voluntary and Open Membership is perceived as fifth most important for the smallest organisations but ranked first alongside Democratic Member Control in large organisations with over 500 members. Conversely Autonomy and Independence while ranked as second most influential for small organisations dropped to fourth or fifth most important for their larger counterparts.

When questioned about their choices in more depth interviewees felt that they had made positive differentiation. As one explained "I didn't see them as less important it was just that the others were more important."

Adherence to the Principles of Co-operation

There were marked differences in the adherence of respondents to the co-operative principles. 75% always adhered to the principle of Autonomy and Independence with only slightly fewer (68%) *always* adhering to Democratic Control by Members.

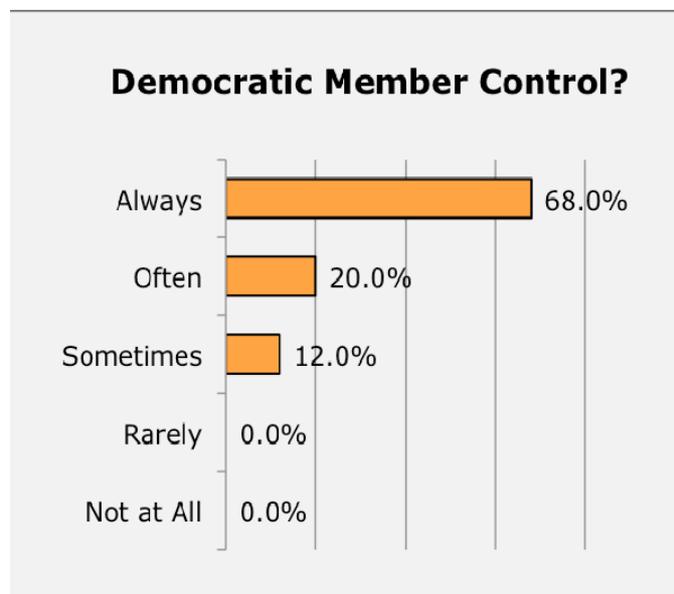
Principle of Co-operation	Not at All	Rarely	Sometimes	Often	Always
Voluntary and Open Membership	4	0	11	35	50
Democratic Control by Members	0	0	12	20	68
Economic Participation of Members	0	0	8	38	54
Autonomy and Independence	0	0	4	21	75
Education, Training and Information	0	4	33	46	17
Co-operation among Co-operatives	0	18	27	23	32
Concern for the Community	4.5	4.5	9	36	46



50% of respondents *always* adhered to **Voluntary and Open Membership**. A small number of organisations (4%) *never* adhered to the principle.

This would appear to be mainly related to the formation of the co-operative to achieve a specific objective and thus be selective in their membership. Working men's clubs, some of whom restrict women to 'social' membership and those with a political affiliation were

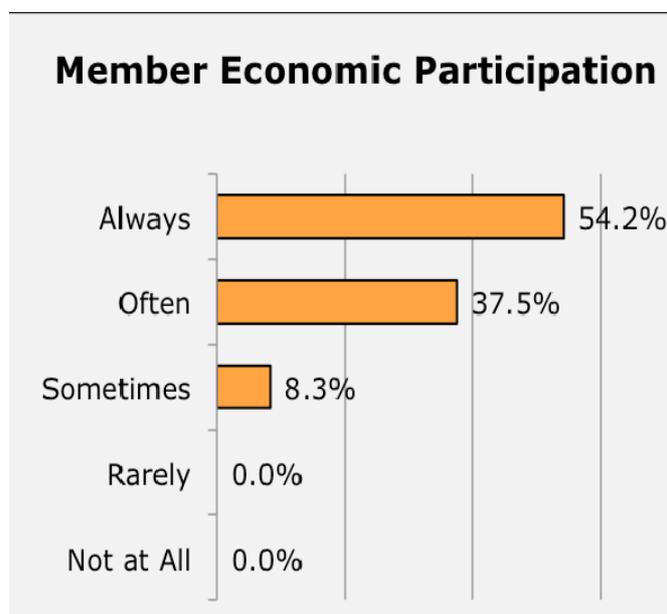
least likely to have fully adopted this principle. In addition Housing Mutuals did not feel they fully adhered to this principle as tenancy and thus membership is not open to all.



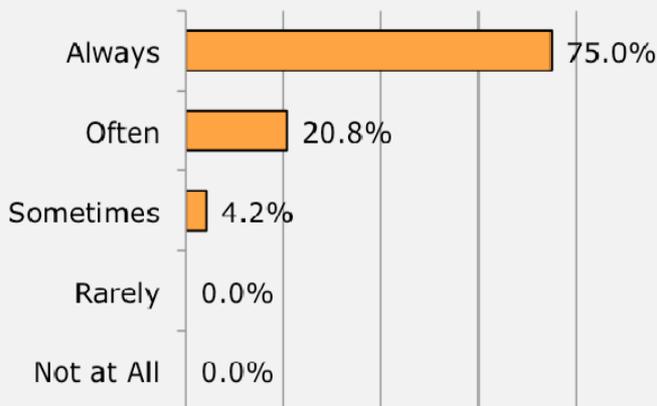
68% of co-operatives adhere to **Democratic Member Control** with that number rising to 88% for *Often/Always*. A number of models are used by organisations to achieve and encourage engagement. The direct involvement experienced within very small co-operatives often has to be planned strategically by larger organisations such as housing mutuals to achieve similar levels of engagement with their tenants.

Over 90% of respondents felt their organisation *often* or *always* adhered to **Member Economic Participation**. However this figure was slightly lower at just over 50% for those always adhering to the principle.

A number of co-operatives raised the issue of passive membership. That their members were happy to be so but were reticent to become actively engaged. This was particularly relevant in those organisations that had been established for a particular purpose such as environmental where financial outcomes were secondary to a cause or specific social mission.



Autonomy and Independence

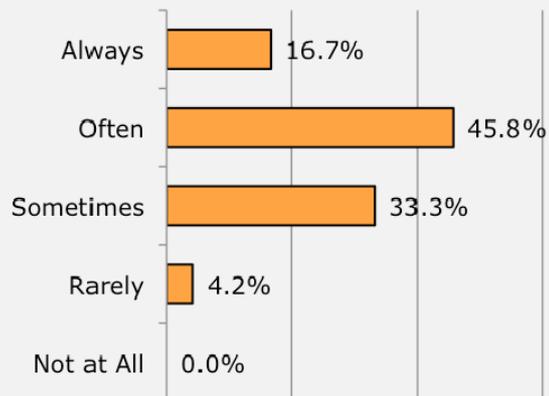


With 75% of all respondents *always* adhering to this principle, **Autonomy and Independence** would appear to be the underpinning co-operative principle. While not immediately recognised it is often explained in terms of values by interviewees. Democratic, self-help and autonomous are all words frequently used during interviews

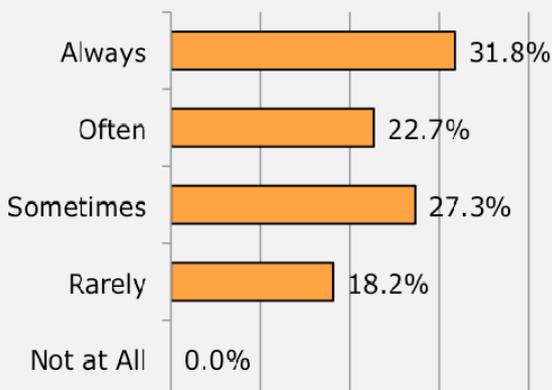
17% of co-operatives *always* adhere to the principle of **Education, Training and Information**.

While interviewees felt it to be of importance, Education, Training and Information is rarely seen as fundamental to the co-operative movement. Often interpreted differently in relation to their own enterprise where there is a tendency to prioritise other activity, or in relation to the co-operative movement when it is viewed as a 'nice to do' activity.

Education, Training and Information



Co-operation among Co-operatives



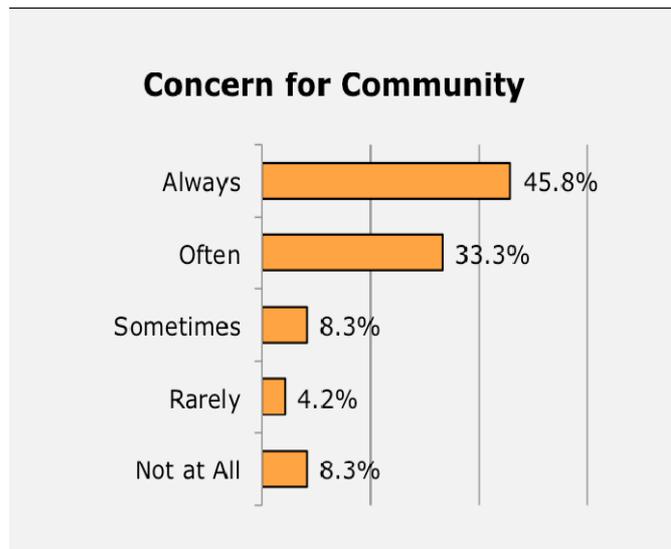
Co-operation among Co-operatives is perhaps more aspirational for many organisations with 32% *Always* following the principle. Overall, responses were relatively balanced between *Often/Always* (55%) and *Sometimes/Rarely* (45%).

Co-operatives interviewed expressed a desire to work with others but actually tend

to work exclusively with those they know and with whom they have built relationships rather than seek out new opportunities to co-operate. They felt that there is a lack of information within the sector to support or facilitate co-operation. Some also felt that terminology is perhaps becoming unclear so that Co-operatives are subsumed into Social or Community Enterprise sector.

Nearly 80% of survey responses are *always or often* **Concerned for Communities**. The principle is one of few with a full range of responses in which more than 12% of organisations *rarely or never* followed the principle.

Interviewees commented that they interpret community geographically and not as a community of interest. Those cooperatives established for a specific purpose such as environmental objectives often do not perceive themselves as part of a community.



Barriers to Adoption or Adherence

When discussing the barriers that might prevent co-operatives adopting the principles four main themes emerged:

Internal factors within co-operative enterprises were felt to be major barriers in the adoption of the principles and were mentioned most frequently. Time, funding and the size of the organisation were most often raised. In addition respondents mentioned specific issues related to their membership such as the capacity of their membership to develop or grasp new concepts, the passive nature of their membership and a lack of aspiration for adopting a different model.

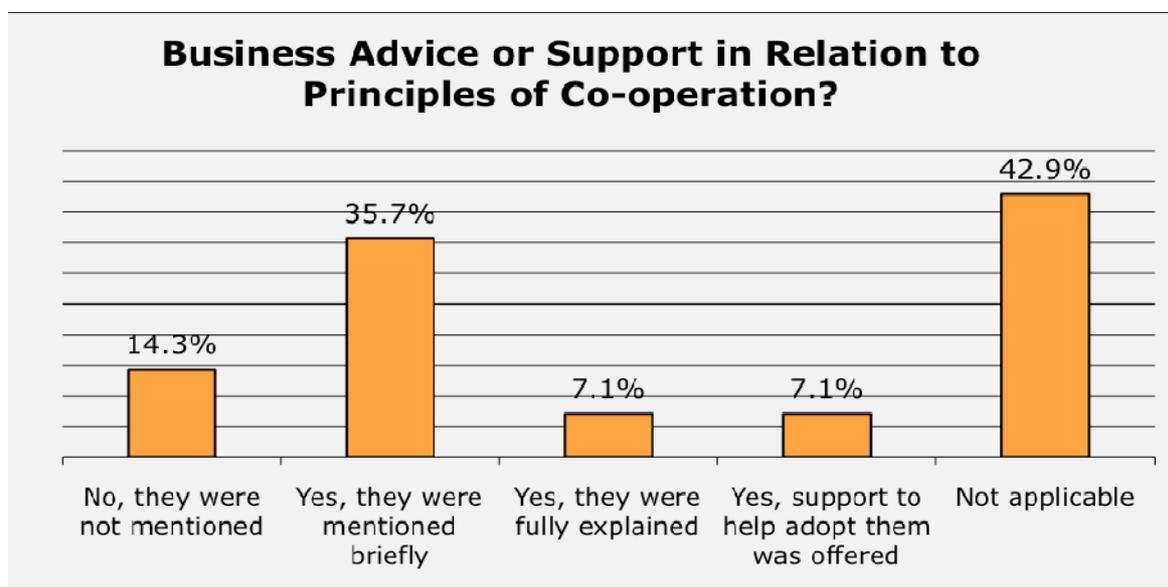
A small number of organisations suggested that their own **membership criteria created barriers** as in the case of social clubs while others felt that internal tensions between volunteers and staff and with their underlying principals were preventing them from achieving greater adherence to the principles.

A **lack of understanding or knowledge** of the principles both within co-operatives themselves and among the wider community was raised. This was exacerbated by a lack of opportunities for education, sometimes as a result of available resources but also due to infrequency of meetings with their members.

External factors were also felt important and there was a low but evident perception of a **lack of national and political support**. It was felt that 'other bodies' were not co-operating with them to have a shared concern for the community and that "Other co-ops were not co-operating". A lack of critical mass within the co-operative sector was also felt more strongly in rural areas where distances between members are much greater and rendered active co-operation a major challenge.

Some co-operatives felt it **unlikely that all co-operatives would be able to adhere to all principles all the time** as not all principles would be applicable to each organisation. One however, went further to question the validity of the principles, suggesting that they are out of date with current legislation and that "to compete on a global stage one needs diverse ownership and control set-ups so co-ops can work with non-coops to achieve coop aims"

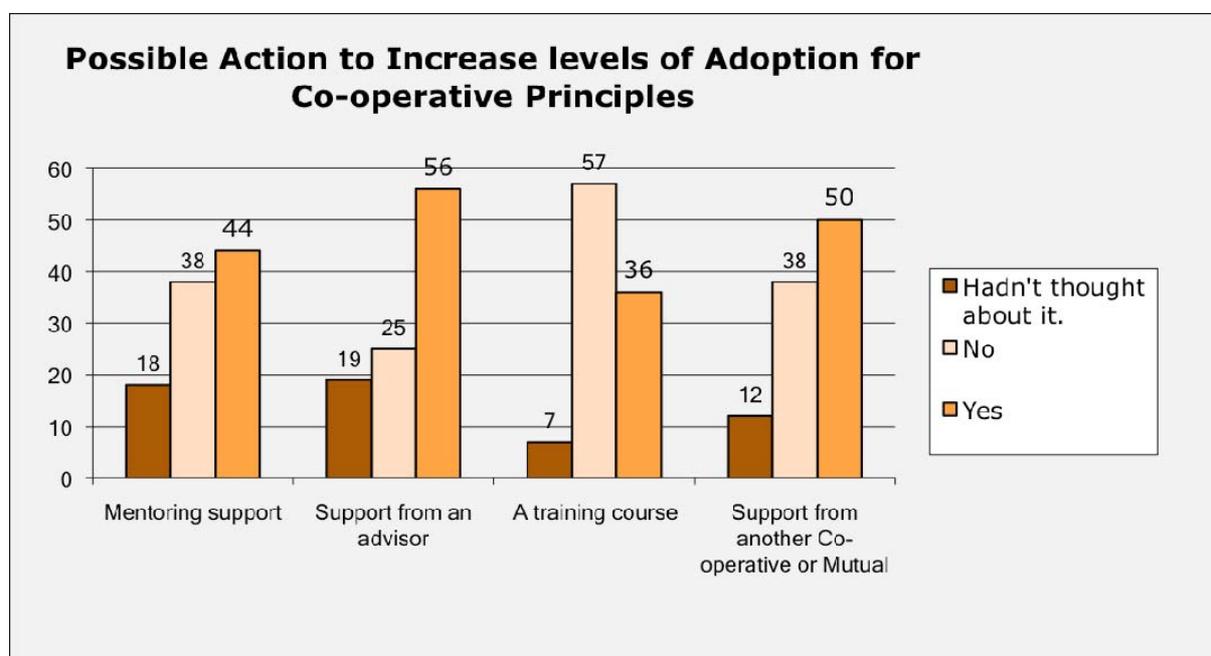
Advice and Support Received by Co-operatives



Few co-operatives had received a meaningful level of advice or support in relation to the cooperative principles. In 50% of cases they were either not mentioned or mentioned only briefly and only 14% received support or a full explanation. Of interest was a comment from an interviewee who commented, "Most business advice we have received has assumed we adhere to the principals of co-operation".

Favourable comments were received in relation to support received from both the Wales Co-operative Centre and Supporters Direct.

Possible Activity to Increase Adherence

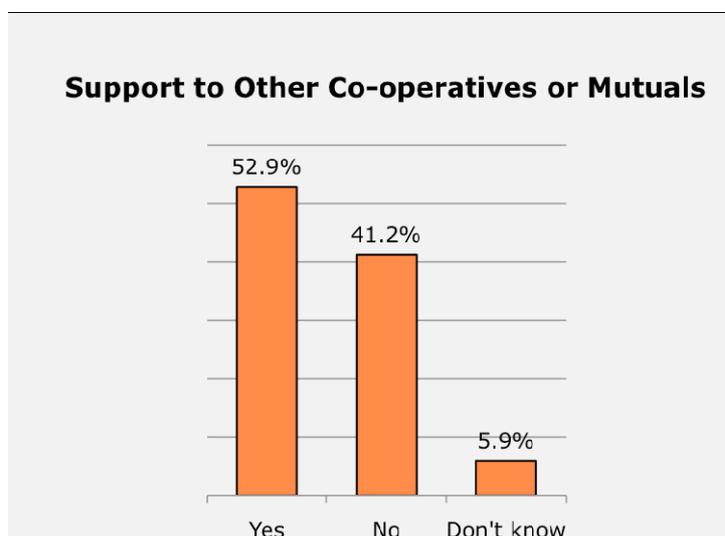


Co-operatives were relatively supportive of options presented to assist them in increasing their level of adoption. Overall preference was for support from an advisor, while support from another cooperative or mutual or a mentor were also felt to be of benefit. The only suggestion not supported was for a training course where 57% felt it would not increase the level of adoption.

19% of co-operatives stated that they had not really thought about the possibility of support from an advisor or from another co-operative (12%) in relation to the co-operative principles but upon reflection had specific views on what type of support might make a difference to them. One community mutual felt that while so many of the so many of the principles of Co-operation are very familiar to them “ Knowledge exchanges and mentoring in particular areas such as economic development and democratic control would be useful”. In addition another felt that support for a strategic role within the co-operative itself would help the organisation to fully embed the principles.

One co-operative had already made informal arrangements with another co-operative for mutual support. “I keep in contact with a similar organisation in Devon and we have similar ideas which is helpful. We come to our own solutions.”

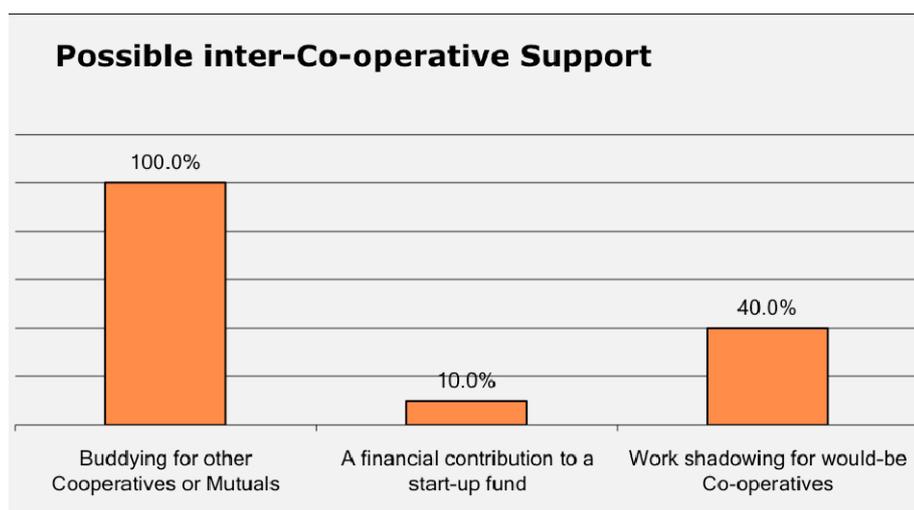
The Role of Co-operative Organisations



53% of co-operatives surveyed have already provided support for another co-operative or mutual. This has been informal support between organisations starting up at the same time e.g. “We were started at the same time and found out about each other quickly”; Mutual support through exchange of information”; ‘buddying’ support for start-ups or more formal arrangements as with Credit Unions and provision of services or funding.

Without exception all organisations felt they could offer support for others through buddying arrangements. Fewer (40%) felt able to offer work shadowing arrangements although this was more as a result of size or sector than an unwillingness to participate. Less than one in ten are willing to make a financial contribution to a start up fund. Further discussion suggests that many smaller organisations felt a need to be financially viable before committing other than time.

With further discussion co-operatives were increasingly open minded about the potential for some form of financial contribution for the benefit of the sector.



They were strongly in favour of mutual support but felt it would require a strong evidence base. One interviewee however felt that being successful was the most important thing they could do to support the sector. “Actually doing business not treating co-ops as fluffy socialist play-

things!" a comment that chimed with those of a non-co-operator who had taken over three failed workingmen's clubs. He felt that a resistance to change, to embrace new technologies and to achieve economic sustainability had been the main reasons for the failure of the co-operatives.

Conclusions

In summary, co-operatives are strongly value-driven organisations that are guided by underlying principles. These principles, while chiming with the internationally recognised principles are not necessarily co-related.

Co-operatives aspire to the internationally recognised principles, while recognising that not all fully apply to each organisation. Most adhere to a loose framework of co-operative principles but most, other than at senior management level, are unable to discuss in any depth what that means to their organisation. Research has suggested a hierarchy of corporate performance in mainstream business³ in which economic and then legal responsibilities are prioritised over ethical and discretionary responsibilities, such as philanthropy and corporate social responsibility, rather than being viewed as a framework for the organisation as a whole. If applied to the principles of co-operation it could be suggested that a failure to achieve a correct balance for the adoption of the co-operative principles could result in either failure to achieve sustainability or to realise the benefits of co-operation.

Co-operatives are supportive of each other and are happy to provide support to others in the movement. That support is predominantly informal and personal and as with 'Co-operation between Co-operatives' is restricted to those they know and usually within a specific geographical area.

A first step towards growing the movement in Wales is through the collective action and co-operation of the sector. While the specific principle of 'Co-operation among Co-operatives' is among the most recognised as yet it has still to be fully adopted. Co-operatives are not fully aware of the extent of the movement in Wales and feel unable to locate appropriate organisations for support or co-operation.

Co-operative recognised the benefit of support to successfully embed the principles. They felt that the focus of any support should be on application of the principles rather than knowledge of them. Support should be more tailored to the specific circumstances of each organisation in order to overcome the multi-faceted barriers to adoption they face. An initial response that advisors and mentoring or buddying arrangements would be most relevant, upon discussion, also recognised the role that co-operatives could take in peer-to peer support such as action learning groups.

³ Carroll, A (1979) A three-dimensional conceptual model of corporate performance, *Academy of Management Review*, Vol3 (4) 497-505

Recommendations

A clear co-operative brand is essential both for the wider public to garner support for the movement but also to provide a contextual framework for the internationally recognised principles.

Support is required to embed the principles within the governance and operational structures of the organisations. This might be through advisors with specific expertise in applying and embedding the principles or in supported learning groups to develop peer-to-peer support.

The high level of expertise and experience within existing co-operatives should be harnessed for the benefit of the sector. Opportunities for effective knowledge transfer within the sector should be established.

In order to co-operate, Co-operatives in Wales should have access to a full, detailed and accurate directory of their counterparts across the country and if possible further afield. Supported networking is also recommended to facilitate the development of trust and collaborative activity.