JOURNAL OF RURAL COOPERATION

Centre international de recherches sur les communautés coopératives rurales
International Research Centre on Rural Cooperative Communities
המרכז הבינלאומי לחקר קהילות כפריות שיתופיות

CIRCOM

VOLUME 28 No. 2 2000

CIRCOM, International Research Centre on Rural Cooperative Communities was established in September 1965 in Paris.

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Editor: Dr. Yair Levi
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Information for Subscribers: The *Journal of Rural Cooperation* is a semi-annual periodical, aimed at the pursuit of research in the field of rural cooperation. Editorial enquiries and other correspondence should be addressed to CIRCOM, Yad Tabenkin, Ramat Efal 52960, Israel (Fax: +972-3-5346376). Subscription rate: $27 per annum (plus $3.00 sea mail; $6.00 airmail).

ISSN 0377-7480

JOURNAL OF RURAL COOPERATION

Vol. 28 No. 2 2000

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Cooperation and Globalization: Mutation or Confrontation*

by
Javier Caceres
Corporate Affairs
Agri Trade and Transport
Ottawa, Canada
and
James C. Lowe
Agriculture and Agri-Food
Ottawa, Canada

Abstract

In 1995 the ICA adopted a revised set of cooperative principles to guide the movement through the global era of deregulation and competitiveness. This paper, on the basis of the cooperative experience in Canada and emerging trends, deals with the appropriateness of the new ICA principles in re-affirming cooperative values at the member, cooperative and movement levels. Because cooperatives seem to be evolving toward a corporate business logic, consequences are outlined and assessed to bring into question, among other factors, the role of ICA and its guiding principles in the present cooperative impasse. The paper suggests criteria and a framework for re-capturing real cooperative values and principles. Emphasis on education and training, and development of political cooperative leadership along with member-controlled systems, are advanced as instruments to ensure the preservation of cooperative ethics, values and principles in the so-called global economy.

> *The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.*
> George Bernard Shaw.

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*An early version of this paper was originally presented to the ICA International Cooperative Research Conference, Values and Enterprise for Cooperative Advantage, 28–29 August, 1999, Québec City, Canada. The authors are economic consultants with extensive experience in cooperatives. The views expressed in this paper are strictly those of the authors and in no way should be attributed to the organizations with which they are affiliated.

 ISSN 0377-7480

Introduction

Historically, the cooperative movement has successfully encouraged a process of identifying challenges, entertaining comprehensive dialogue on issues and implementing innovative responses. This paper attempts to provide early warnings of a current challenge to the movement and a rationale for further assessment.

The purpose of the paper is to draw attention to, and initiate discussion on, what appears to be a major juncture in the history of the cooperative movement. Early evidence indicates the dangers of pursuing current cooperative responses to globalization and reveals signs of what could be the ultimate demise of the cooperative movement.

This paper discusses three related issues:

- the direction of globalization and its consequences for the cooperative society in particular;
- early cooperative responses to a globalized economy and the adherence (or lack thereof) to traditional cooperative values and ethics associated with this process; and
- the need for concern and action by the movement, and the development of the essential elements of a potential responsive strategy.

Globalization remains the most discussed subject of our time. It has seemingly become the driving force of our very existence. Yet many are beginning to question if it is: 1) as inevitable as first imagined, and 2) if its current directions are in the interests of the global society or only the few who have survived and perhaps controlled its evolutionary stages. It may be noted that globalization is one of the issues identified in the recent ICA situation report (Parnell, 1999).

The cooperative sector is becoming aware that something is wrong, although the root causes may not yet have been identified. A recent ICA survey indicated that cooperative members have a feeling of powerlessness about the directions taken by their cooperatives in responding to issues that are of real concern (Parnell, 1999).

Background

Cooperatives, at the management level, appear to be enraptured by the mystique of a grand, global enterprise. In evolving in this direction they attempt to achieve the power of global corporations.

Cooperatives were created as a buffer against the vagaries and distortions of markets, providing a new moral form of dealing with open economies and the distribution of benefits. Today many cooperatives, face competition with transnational corporations and in attempting to improve competitiveness, are adopting the mantras of the corporate world and embracing the global ideology.

Unfortunately, the 1995 ICA background document and its new principles[1] failed to assess or take into account how significantly the new global corporate morality was undermining the cooperative system's own morality. It overlooks a spiraling crisis of values at the member level engendered by globalization. Similarly, cooperative critics and thinkers have not engaged in any significant discussion of these issues either.

We hypothesize that the inadequate assessment of globalization and a failure to understand its implications for the cooperative movement is leading cooperatives in a wrong directions in their development. There is still an opportunity to recapture lost time, but these issues need to be addressed globally by the ICA leadership.

Some assumptions in the context of this paper are:

- that changes are necessary but must be rooted in the cooperative ideology;
- that cooperation and economic democracy are necessary conditions for cooperative business success;
- that the values of cooperatives reach beyond the concept of making money for investors and reflect a humanistic relationship between business and real democratic economic activity. This can be put in terms of the cooperative agenda versus the global agenda.

The approach

Policy recommendations are not the aim of this paper. Its purpose is to analyze and assess some of the early responses of cooperatives to the current global environment. Essentially, a "model" of the globalized cooperative is described and analyzed. The paper does this within the context of the ICA 1995 statement, which was developed as guidance for cooperatives into the emerging global era.

In the middle of what may be termed the cooperative "mutation", it is necessary to assess cooperative progress in terms of its own welfare. That is, how far cooperatives have succeeded in the progressive realization of their notion of progress. In the context of cooperative values, it should not be difficult to construct a list of achievements to measure progress in the cooperative movement.

To assess where we are today requires a knowledge of historical facts concerning cooperatives to define a critical relationship with what the future should be, and to dispel the notion that the present situation is part of a normal evolution or recurrent cycles.

[1]The International Cooperative Alliance, at its Manchester Congress in September, 1995, adopted a Statement on Cooperative Identity. The Statement included a definition of cooperatives, a listing of the movement's key values, and a revised set of principles intended to guide cooperative organizations at the beginning of the twenty-first century.

Globalization

For some, globalization is an opportunity to access vast consumer markets, improve resource allocations and achieve unprecedented economic growth with its accompanying political power. To others, it is merely an agenda to increase corporate power. Globalization is restructuring the world's economic and social systems without accountability to society itself and could undermine self-determination, national sovereignty and ultimately, democracy. There are strong indications that a global economy does not provide unlimited economic growth and is becoming less and less of a guarantee of human progress.

In the global era, economics has supplanted political, moral and ethical philosophies as the leading intellectual inspiration in the quest for a better society. The tendency to classify economics as a science reinforces the tendency to separate economics from the study of ethics in the so-called engineering approach to economics. The study of ethics, what we ought to do, is now the economic blueprint of what ought to be done. Questions of economic efficiency are taking precedence over those of morality.

As indicated by Galbraith (1980) the comparative importance of a small number of transnational companies in the world economy cannot be denied but one of the problems with globalization is the reduction of countervailing powers to keep transnationals in check. The powers exercised by governments, cooperatives and other organizations are decreasing over time as global entities set their own structures to govern their economic activities.

Globalization is characterized by different tendencies. The first is the rise of the transnational corporations linking technological discovery, production, marketing and distribution into an integrated world-wide business network that they control.

The second is the downsizing of governments and their increasing transformation from a regulator of business to an advocate of freedom to conduct business. Coincident with the demise of the influence of governments at all levels is the harmonization, not only of government policies (trade, social, tax and transfer programs), but also non-government institutions and consumer choice and action.

The third is the erosion of people power and the diminishing role of the democratic process. The transnational corporation has become less geographically anchored to people and is prospering with diminishing loyalty to local workers and communities, and with less responsibility to individual nation states.

In contrast, cooperatives have limitations in their ability to operate on a global scale, not only by reason of their strengths, such as their inherent ties to geographical places, but also by the nature of the cooperative movement itself. No cooperative can go global in the same way as the transnational corporations and maintain fundamental cooperative values.

Globalization brings into the world's economy transnational corporations with

a power based on the mobility of financial and speculative capital imposing new ethics of minimum loyalty to employees, communities and the environment (Derber, 1998:53). Globalization requires rules to operate but the rules are more connected to the protection of capital than the other factor of production, creating the question of public accountability. Drucker (1972) noted that corporations control the access of citizen's to their livelihood and thereby determine the citizen's effectiveness, if not indeed his very citizenship. Others now argue effectively that globalized markets are evolving in a direction which is at odds with original free market concepts and ideals. McMurtry (1998:81), for example, argues that we are headed toward a world of global oligopolists.

Globalization seems to be evolving into a perverse form of economic growth that is polarizing societies into increasingly separate worlds of "haves" and "have-nots". Inequality is on the rise and the gap between rich and poor today is greater than at any time in living memory. Arguably, those who have the economic capability can benefit from globalization. It may even be argued that some of the world's poorest are benefiting from the global spread of democracy and the removal of barriers to income-enhancing export opportunities.

Globalization is now describing a system of flexible capitalism in which the nature of capital is transformed from a production to a speculative factor. The flexibility of globalization is impacting on those values of human relations with human character – the personal traits, to value ourselves and to be valued by others.

Cooperatives in an environment of globalization

Cooperatives have reacted to globalization by assuming that it is a *fait accompli*. This is reflected in the assessment underlying the ICA's (1995) new statement of cooperative identity and its subsequent interpretation. But it is perhaps most influenced by contemporary business and economic thought. After an initial attempt to improve competitiveness and expand their markets through cooperative alliances, cooperatives, more recently, are adopting external solutions such as capital expansion through outside equity, hiring private sector managers and adopting private business models. This has affected the members directly and indirectly, the cooperative and its enterprises, along with the movement and society at large.

The cooperative enterprise response to globalization

Some cooperative leaders are promising a brighter future for the system so long as the movement embraces change, privatization and free-market reforms wholeheartedly and thereby pursue economic growth more effectively. For a significant segment of the membership, it seems evident that the privatization of the cooperative and the restructuring of institutions to serve the new market are not being

matched with tangible benefits.[2]

The shift in scale from local markets to a national economy helped to create the corporations that later become the multinationals. Cooperatives remain local but develop arrangements to be part of the national and even international scene. Cooperative leaders in the earlier part of the 20th Century sought to capture opportunities in expanded markets on the basis of a vision of cooperation rather than competition. Currently, major cooperatives appear ready to relinquish that vision in favor of competition at any cost and including competition among cooperatives themselves.

Being globally competitive is the economic buzzword of the 1990s. This goal is the basis of the various market-oriented actions of some cooperatives which is becoming unhealthy for the movement. The new management induced logic of globalized cooperatives and competition appears to accept the breakdown of the cooperative movement as one of the inevitable costs of global competitiveness.[3]

In some sectors, cooperatives are going "all out" to do competitive business in a non- cooperative framework. By contrast, transnationals are implementing strategies which consider that good business practices go beyond the commercial aspects of their enterprises.

The external privatization of cooperatives, or raising capital by issuing non-voting shares to investors, may be seen as a major response to dealing with globalized markets and the competition they provide to cooperatives. The evolution of some Canadian *privatized* cooperatives in this new context allows for the following observations.

The practical experience of public stock cooperatives (privatized cooperatives, investor cooperatives, and/or private equity cooperatives) tends to indicate that managerial emphasis on short term profits and the related impact on public share values is coming back to haunt the "New Corporation" at its bottom line, in public relations, in strained relationships with members and communities and in demoralized employees. Adoption of this corporate strategy may not have adequately

[2]Of course all cooperatives are privately owned by their members. In this context the term "privatized" refers to external private ownership of the cooperative.

[3]There are two aspects to being "globally competitive" which should be considered: 1) many local markets in which cooperatives participate are feeling the impact of high-price competitive firms, mainly the transnationals or their affiliates. As a result, to continue to participate in these local markets, cooperatives may also need to be "globally competitive", unless their members understand that lowest prices and broadest selection are trade-offs with social goods or benefits only provided by their cooperative. As well, the members must understand the need to maintain the countervailing presence of their cooperative as oligopolistic markets evolve; 2) cooperatives also compete in international (global) markets, and in order to do so effectively must be able to match the competition in the products they offer and the prices they require. In fact only exporting cooperatives participate in these markets. But the numbers may be increasing and it may be that cooperatives which hold to traditional values will become more confined to those markets or sectors which have not become globalized, *e.g.* community and social services, geographically isolated markets, etc.

considered the effect of cooperative culture and the interrelationship between member loyalty and corporate well-being.

The push toward achievement of results attractive to outside investors such as good short-term profits, diminishes the members' interest in the cooperative. Issuing shares for outsourcing capital as a means to competitiveness, transforms the cooperatives into institutional investor havens and spawns a new cooperative logic of shareholder interest. Consequently the long term interest of the members and their communities begins to disappear from the cooperative equation.

Differences in the role of members, elected officials and management appear to be on the increase. Shift in the relationship is dependent upon and related to a number of conditions. Those in the upper level of the institutional structure easily get immersed in the corporate mystique of running, in their view, a powerful corporation. This in turn leads to a fundamentally different philosophy from the one held by the members themselves.

Although differences of the visions among members, elected representatives and managers is not a new phenomenon, the sharp difference in long term interest is currently evident. Healthy debate, transparency and constructive criticism is becoming less acceptable in certain sectors. No matter how compelling a grassroot critique is, it is being dismissed and rejected by the upper hierarchy. However, although critical debate has been silent for a few years, new conditions are arising that could elevate the concerns of the grassroots to the forefront of the cooperative political debate.

Management's criteria and decisions toward meeting objectives are often reflective of its background, experience and training. Managers who originate outside of the cooperative sector will continue to follow their own practices which may have been successful in a different context. It would be surprising if these managers adapted quickly or at all in the cooperative sector to the pursuit of cooperative objectives, particularly if they have not been fully exposed to the new culture. If it appears to them that cooperative and corporate objectives are identical or that cooperatives are shifting their objectives and values, they will continue to manage using non-cooperative sector norms. Therefore the growth, scale and competitiveness route toward achieving objectives would be common in cooperatives which have hired senior managers externally or which have not pursued strong cooperative education programming among managers and elected officials as well as members.

Implications

For cooperatives, market deregulation is breaking down the social ethos and giving rise to individualism. By unconditionally embracing the globalized market philosophy, cooperatives appear to ignore that economics and the pursuit of growth are linked to basic questions of human morality. They operate under the assumption that there is no longer a need for a cohesive social context or a strong moral and

political framework for them to deliver services to members.

Other than market indicators, there has been no institutional evaluation of the strategies being implemented by privatized cooperatives. Corporatively, the strategy has had a mixed effect on the competitiveness of the cooperatives and in the case of Saskatchewan Wheat Pool, for example, a serious setback in the value of the shares in the market. From a high of near Can $25.00 per share, present market value is about Can $4.00 per share. Most important, are the indications of a seriously eroded loyalty of the members as reflected in business market share and its impact on the overall performance of the organization (although this paper uses Canadian examples, there are similar responses to globalization by cooperatives throughout other parts of the world).

The drive to achieve institutional economic efficiencies seems to be translated in the so-called enterprise inefficiencies being downloaded to members at the expense of their well-being. Market efficiency is a valid goal but should be assessed in the context of the overall goal of the cooperative. Emphasis in institutional economic efficiencies alone avoids critical ethical questions of distribution and ignores the limitations and scope of the market. The reaction is member exiting the organization, exit that can be explained by the growing divergence between economic well-being as defined by the enterprise and progress and well-being as defined or experienced by members. Economic efficiencies easily provide a market return on private investments but cooperatives need to consider that much of their returns to members is in the form of diffuse economic and less tangible social benefits – results which cannot easily provide a market return on private investment.

As long as conventional cooperative values prevailed, it was difficult for the business side of the organization to drop the non-commercial activities of the cooperative. The shift toward private investor alliances and achieving "global competitiveness" could be viewed as a conscious corporate (profit-oriented management) manoeuvre designed to drop the non-commercial aspects and value system of the cooperative organization. Is this apparent trade-off necessary to maintain the organization?

Implications of the trends for members

Some of the logic behind the strategy being implemented by the "global cooperative" model we describe is the logic of size. It is argued that bigger is more efficient without defining for whom. Also, the logic of paternalistic hierarchy is being applied – that members lack the capacity to understand what their leaders and managers are doing for them. In Canada, two major cooperatives eroded member participation in proposed changes involving ownership and control. Saskatchewan Wheat Pool was privatized without a direct democratic involvement of the members. In the case of Surrey Credit Union, a strong grassroot reaction killed the managerial proposal to sell off the cooperative to a trust company.

Before privatization, agriculture cooperatives, for example, existed to enhance

the well-being of the members and their enterprises, *i.e.* farms. After privatization, the cooperative also attempts to satisfy investors. Farmers may be the owners of the cooperative but managers tend to move the organization away from the legitimate interest of the owner-member toward the interest of other equity holders. The end result seems to be an overall economic failure of the public cooperatives by satisfying no one.

Like their private sector counterparts, some cooperative managers tend to present corporate restructuring and elimination of services and jobs as inevitable responses to competitive pressures. Initially, cooperative restructuring may reduce institutional costs, but in most cases the end result is a transfer of costs to the membership. Rather than pooling together cooperative costs, there is a tendency toward downloading these costs directly and differentially to members under the premise of institutional efficiencies. In reality, restructuring is mutating cooperative issues. A clear example is not only the shift in attention from cooperative responsibilities to corporate survival but a lack of accountability for violation of the cooperative or public interest.

Capitalization by issuing shares in the stock exchange has created a management culture change reflected by its perception that there had been a change in shareholders' policy attitudes. Privatizing cooperatives raises the question of who really owns the cooperative and for whom does it exist. There are increasing conflicts of interest among members, shareholders, managers and boards in term of who will govern the cooperative, for whom and how it will be governed. From a member's viewpoint, the new approach is not a real cooperative alternative. A real alternative would consider the safeguard of members' interests and protect democratic values that would result in a simultaneous increase in cooperative performance and accountability.

The member may have a symbol of institutional ownership, the share, but the power, the responsibility and the substance of the cooperative are increasingly being transferred to the market rather than to the communities of its members. In the end the perception of an institutional transfer of wealth from former members to actual shareholders influences the so called silent exodus. Members are deserting the new institutional arrangements and taking their business away from privatized cooperatives as reflected in the loss of market share.

Diluted participation

As mentioned, the privatization process, in one Canadian example, leads to management and Board plans for the acceptance of a private sector takeover bid. This attempt to usurp power by part of the institution's structure from the membership at large was met by a strong grassroot reaction (defined as "subversive") and forced the cancellation of the proposal. This experience reinforces the concept that delegatory power to boards must remain under the democratic control of the membership at large to preserve the integrity of the cooperative.

Examples like the above in a mature cooperative society like Canada should be a matter of concern for the cooperative movement, particularly in emerging new economies. A short term horizon focused on profit and a lack of long-term, critical thinking have brought a degree of social disorganization rather than cohesion or a reinvigorated membership in several sectors of the Canadian cooperative movement.

Beneficiaries

In the new context, there is no longer any certainty that a cooperative will in fact be run primarily in the best interests of its members. The extensive separation of ownership and control is a new factor that raises a situation as to whether social principles must be issued to ensure cooperatives exist for the benefit of the members. Conventional cooperatives existed for the benefit of the members with rights protected by law and by principles. Publicly traded cooperatives are oriented to increase the wealth of its shareholders who may not be members, but who may unduly influence the affairs of the cooperative. Under the ICA umbrella, clarification may be required about the position of privatized cooperatives in the movement *per se.*

In this evolving stage, members are becoming owners of a *passive* property (member equity) which gives them an interest in the cooperative but diminishing control over it. *Active* property (investor equity), which represents the economic enterprise, drives management that has only minor ownership interest in it. Active property may have a market value based on the expectations of value and growth but in this set of circumstances, no one is in real terms, a permanent owner of the cooperative. Cooperative ownership becomes depersonalized, claims of ownership are subdivided and transitory in nature to the point that the cooperative assumes an independent life of its own. Privatization, concentration of power and depersonalization of the cooperative will ultimately demand that the cooperative be used for the benefit of all concerned, and not exclusively members. The economic activities in the traditional cooperative are shaped by the members and brought them satisfaction apart from an increase in their own income. The cooperative is an extension of its own enterprise. With privatization, this quality is lost to the member-owner who is moved to be, and acting like, an investor-shareholder.

The value of the members' wealth is now more dependent on external market forces than by their own efforts. In a privatized cooperative, the benefits and value for members are determined by the actions of individuals over whom the member has limited control, if any, and at the same time by the actions of others in the market. The value accrued to membership now depends on the vagaries of the market.

Globalization suggests an arena in which members cannot assert their own demands, *i.e.* an arena of dis-empowerment. The cooperatives implementing a particularly market-biased interpretation of the direction of ICA Guiding Statements

may even be engaging in what Schumpeter (1950) summoned in the image of Creative Destruction. What is difficult to assess is why, in some cases, the members are not revolting against these occurrences, but are rather deserting or switching loyalties to different economic associations.

Privatization and control

The economics of traditional cooperatives and the stock issuing cooperative are essentially different. In addition, as noted previously, the separation of ownership from control produces a condition where the interest of the members and the new interest of the investors and managers will differ. In privatized cooperatives, many of the checks and balances which formerly operated to restrict the use of executive/management power have disappeared. By the use of the stock market, the cooperatives are assuming responsibilities and obligations towards the investing public which transform them into institutions legally serving investors who have bought shares in the enterprise. Privatization destroys the unity that was called cooperation, divided ownership into active and passive or nominal ownership and turns the cooperative into a profit seeking enterprise.

The value of the privatized cooperative enterprise fluctuates constantly primarily because it is subject to constant appraisal by outside forces. Members and investors are able to see changes in the appraised value of shares from day to day, a fact that impacts the way in which the privatized cooperative will position itself for the long run.

Cooperative principles are supposed to be the pillar of an alternative social infrastructure establishing long term relationships and responsibilities among the cooperative, its members and their communities. Given the short term perspective of maximizing cooperative profits (investor goal) the grassroots reaction seems to go along with Kotter's (1996) advice to work on the outside rather than in the inside of the organization. This is being reflected in a decreasing share of the business done with the cooperative. In Kotter's view, institutional loyalty is a trap in an economy where business concepts have shorter credible life spans. In the global era of these new cooperatives, detachment and superficial cooperation are better armor for dealing with current realities than behavior based on values of loyalty, service and ethics.

Trust

Globalization may erode the trust in the cooperative system. Bonds of trust are tested when things go wrong and the need for help becomes acute. One of the possible explanations as to why members are exiting the cooperative system is that they feel helpless and do not believe that they can rely on the cooperative in a crisis. This may be directly associated with an absence of trust in cooperative values, due to the

embracing of the globalization ideology.[4]

The new division of control and ownership surrender the members' right to ensure that the cooperative operates on their behalf and, consequently, releasing the community from its obligation to protect the member to the full extent implied in cooperative doctrine.

The shift of power from the members to management combined with the shift from the interest of the individual members to the market may, in some cases, so change the position of the members that the current principle, and its popular interpretation, with regard to democratic member control should be revisited. Conceived originally as the center of cooperation with specific rights in the democratic process and to the property of the cooperative, the member seems to be assigned a different status. He has in theory some legal and political rights but in the current practice of some cooperatives these are weakened to the point that their relevancy is questionable.

Debate and voice

In general, hierarchical conflict within some cooperatives seems to be prevailing over communications and political deliberation. Disputes and confrontations over the future of the cooperative system need to be seen as engagements between people of unequal power or with differing interests. Unfortunately, those who have the power to avoid their responsibilities with the conflicts being created, often have as well the means to repress dissent. They do so in repressing the power of the member's voice in the system. They often appear not to consider that those willing and able to argue against the trends are showing strength of cooperative character. The lack of responsiveness to members' concerns is a logical consequence of the feeling that strong membership is unneeded. Some of those in power dwell comfortably in the entrepreneurial disorder of the restructured cooperative organization but fear organized dialogue or confrontation with the membership.

Older, experienced members tend to be more judgmental of their cooperatives than members just starting out. Their accumulated knowledge and their belief and values endow them with what the economist Hirschman (1995) defines as power of "voice", which means older members are more likely to speak up against what they see as bad decision-making. They will more often do so out of loyalty to the institution than to particular managers or elected officials. Many young members are more tolerant of the present trends. However, if they become unhappy, they are more likely to quit, rather than fight within and for, the organization. They are far more disposed to "exit" if they do not like what they see. The decline in agricultural market

[4] As Hirschmann (1995) has shown, trust in business relations arises through open acknowledgment of mutual dependence which is a recognition that alone one is insufficient to support oneself. If there is no need for another, there is no cooperation. Globalization has not erased the fact of mutual dependence and the needs for cooperation.

shares of cooperatives in Western Canada can be explained on the basis of the "exit" tendency. Institutionally, loyal cooperative members' concerns are being dismissed under the hierarchical paternalistic attitude of not being in tune with the times.

Implications for the movement

Cooperatives, like the ones in the agricultural sector in Canada, are becoming increasingly fragmented and lacking of any unified national vision or regional response to economic restructuring. With a weak or no connection with members, these cooperatives appear to lack the strength to define institutional goals for themselves and/or cooperative coalitions. Lacking a cooperative culture, no economic alternatives are being advanced to the present trends of deregulation and privatization. One of the cooperatives' reaction is to increase competition with other cooperatives. Perhaps consequently, cooperation among cooperatives in Canada, the US and Mexico is not visible as an adequate response to the post-NAFTA reality of the North American continent as a single market.

Cooperatives have yet to re-evaluate leadership and management trends, and internalize democracy and information. Cooperatives are not playing any role in educating on social and human costs of present trends in the economy. Without a social motivation from within, cooperatives has been unable to challenge the corporate culture of the globalization process.

The democratic control

Depending on the degree to which the current mutation of cooperatives progresses, the member's democratic control of cooperative activities may, in large measure, be lost and become vested in the control of the organization by the market. Members in some cooperatives have already become simply a customer or a client as opposed to a member in the traditional sense. Member relations or education departments are being wiped out under the concept of improving competitiveness by cutting unnecessary costs. In the end, members (other than as customers) are becoming a cost rather than an asset of the privatized cooperatives.

Vision

What cooperative leadership seems to be lacking is any larger vision of cooperation in a globalized system, a vision about a different future, or knowledge about how to make the changes in the context of true cooperative principles. Today we seem almost exclusively to be driven by the practical desire for greater market responsiveness, productivity and profits. An honest and open assessment of the practical experience of cooperatives mutating to business corporations should be a fundamental part of today cooperative debate.

The cooperative movement traditionally has a personal, long lasting character centered on a humanistic economy. That is changing by adopting the character of

the global environment, which focuses on the immediate moment. The movement today needs to consider how its long-term goals can be pursued in a global economy that is speculative in nature, and devoted to short term profit. How can loyalties and commitments be sustained in institutions which are constantly being redesigned?

Cooperative social bonds arise from the understanding of mutual dependence between the institution and the members. The displacement of members by customers or shareholders is breaking these bonds. Self-reliance is not well defined by the ICA and, as a result, could be considered the search for self-interest. However, there is a growing challenge to the optimistic assumption that the *invisible hand* of the free market in the global economy can forge an unambiguous link between the individual pursuit of self-interest and progress for society. Linkages between self-reliance and cooperation must be clearly defined by the ICA.

Advancing the idea of change in values and philosophy to survive in the new environment, at least in the short term, may result in cooperatives becoming dysfunctional, particularly in guiding the members in their relation to the organization. The discarding of traditional cooperative values alienates members and the lack of long term values and principles impacts on trust, loyalty and commitments.

The ICA statement may be interpreted as the acceptance of globalization and contemporary free markets, as well as being supportive of economic freedom. Yet, the ICA fails to provide assessments of the dark side of the market and its destructive impact on cooperative ideals. The ICA statement provides an economic cooperative direction but it is not linked either to the moral decadency of such progress or to the traditional values of its members.

Critical thinking

The culture of the new cooperative order profoundly disturbs the organization and impacts on its level of critical thinking. It inhibits members' understanding and engagement, represses members demanding a truly cooperative ethic, and depresses the membership with the constant justification of institutional survival. The problem that we confront today is the lack of a clear assessment of where we were, where we are and where we are supposed to go. The dilemma of how to re-organize will not be addressed without probing our strategic approach to globalization, which may not work as it should, and then coming to terms with such failure.

With respect to globalization, the movement has failed to advance clearly defined long term purposes, standards of institutional cooperative behavior and a sense of responsibility for the movement. The failure to wrest some sense of movement continuity and purpose out of the globalization process, and adapt and interpret the new principles appropriately, may cause the movement to face failure. On the other hand, the movement may encounter such diversity in goals, values and opinions to prevent the movement from reaching a consensus or a common approach to the issue in question.

Potential cooperative responses to globalization

Leadership, roles and strategic analysis

The growing mutation of the cooperative movement is a symptom of its own values decadence, not merely the result of the pressures of information and market technologies, market demographics or cultural shifts. The problem is mainly a political one. It is about leadership and goals and since this is part of the political spectrum, there are political elements in the solution as well. This indicates the need to develop strategies that go beyond the economics of non-cooperative firms and the present situation.

Cooperatives need to consider applying *strategies with moral values* at their core and politics at the center. To do this would require a platform that represents the political and social values of the cooperative movement. Globalization splinters cooperatives which formerly had common causes thus creating great political confusion at the membership level, undermining the idea of cooperation among cooperatives and cooperative values.

Development and implementation of a global cooperative strategy will require a cooperative value-based cultural, economic and political analysis. Politics based on the analysis of the cooperative culture alone are unable to explain the forces that remove power from communities and values from cooperatives. Cooperatives would need to expand the present single uni-dimensional economic analysis so as to enable it to develop a global strategy focused on the long term interest of their own members and the communities where they live. Cooperatives have an opportunity to *glocalize* the global process.

By emphasizing the values of local participation and the promotion of community values, mutual development and democracy will flourish. To do this will require a vision encompassing and contrasting the current relationship between cooperatives and transnational corporations, national and global markets. Cooperatives' comparative advantage means geographic location for economic, political and social activities that tie the organization to the community. The cooperative local attachment needs to be framed within its own particular thought or attitudes of common values and shared beliefs translated into concrete daily practices. "Place" has power and places restrain capital mobility. That is why *glocalization* seems to be an attractive response.

The globalization process and its relationship with cooperatives need to be reassessed by using a different rationality from that of private business. Ideally the cooperative movement ought to be adaptable to changing circumstances yet not broken by them. Some cooperatives, in their search for success, are implementing changes without assessing the values supporting or rejecting such changes. A humanistic cooperative approach rather than a business approach to the way in which they relate to their own members, their own communities and the way in which they conduct business should be part of the cooperative strategy.

Cooperative leaders need to ask themselves if globalization will provide benefit to the local community. What value will be gained by the unquestioned acceptance of trying to compete in an uneven playing field with giant corporations? At the same time, cooperatives must develop standards and fair economic practices within their communities, in turn promoting the loyalty and commitment among members that eventually lead to success. By developing some external standards of cooperative behavior, cooperatives will facilitate the internal democratic control that many members believe is quickly evaporating.

The foregoing leads to the conclusion that the direction tacitly sanctioned by the ICA Identity Statement may have contributed to conditions in which some cooperatives are rapidly losing their original characteristics. Because of its impact, the ICA Identity Statement may need re-assessment.

The role of cooperatives in a global context with respect to reforming the present globalization directions is also an important ethical issue. Cooperatives need to start by recognizing that today transnational corporations are developing an unprecedented concentration of power that will subordinate important issues to their will. Alternatives must be offered. For example, cooperatives need to advance local control of the economies and request that WTO review international corporate power as part of the forthcoming negotiations. There is a need to question the form and effectiveness of agreements and negotiations among countries when the power lies with transnational corporations. Cooperatives need to support exposure of the notion that global corporations are operating in a free, unregulated global market. They must question not only if they are free and unregulated from governments and super-national organizations, but are they operating under corporate rules which focus on profits as the bottom line and ignore social, environmental and other longer-term interests of society? Surely cooperatives have a responsibility to devise and promote some form of global corporate accountability, particularly within their own restructuring.

Educational investment

In spite of the quality and variety of cooperative educational organizations throughout the world, is there a need for something new to address these new challenges? There is an opportunity for the movement to create and support an innovative educational institution which can address the requirements of education relating to the changing global environment as well as organizational issues facing cooperatives. The open university concept stands as an excellent example which would take teams of international educational professionals to national or regional cooperative training centers or special venues.

Are there important areas of education and training needing attention? For example: those associated with improving the understanding of cooperative values by new managers, a better understanding of global issues, business environments and

strategies to be addressed both globally and locally, including a concerted effort to educate the membership.

ICA and the new conditions

With the diversity of cooperatives evolving or mutating, will the ICA need to establish a revised set of membership requirements? Concomitantly, the movement itself may be required to decide what are cooperatives.

Should the ICA adopt the approach of other international agencies such as the IMF by establishing an international Rating System for evaluating cooperatives? This could be done both in terms of determining to what degree organizations meet the requirements of a cooperative, as well as performance evaluations designed to assist national movements or individual cooperatives in improving cooperative performance.

In order to improve the movement, should the ICA assume the responsibility of assessing and advising on policies of cooperatives in terms of observing cooperative principles and values? What should be the interrelationship between the ICA and grassroot cooperatives in terms of values and principles and members' concerns?

If the ICA represents the global cooperative movement, does this body need to recognize its political role and redefine their approach to global politics, especially in view of the declining role of the nation state? To position cooperatives as an alternative and as an expression of a social movement requires concrete expressions of the movement's own power. Do cooperatives need to look at how to expand the capacity of the people themselves to make the decisions that affect the conditions and terms of everyday life?

Summary and conclusions

Important internal and external issues have been identified. Among the former are those associated with the consequences of how cooperatives, as enterprises, have responded to the globalization of markets. External issues relate to how the cooperative movement is responding to their ethical obligations, and to what many accept to be an inevitable and natural evolution of the global economy.

Without the powerful incentive of basic principles of a cooperative culture, the confrontation, open or invisible, between corporate autocratic management and cooperative democratic rights could surface as the most important issue of the cooperative movement in the next few years.

All forms of power are ultimately rooted in a way of thinking, a set of values and beliefs. The ascendancy of a corporate mentality in the cooperative movement may develop a way of thinking that will potentially induce abuses through an evolving corporate-style control and the alienation of the cooperative-minded member.

Cooperative principles will not allow a separation of democratic participation

in the decision-making process from the managerial power running the cooperative. True cooperative democracy will induce a challenge to any undemocratic decision-making. Culturally, there is a clear perception that the cooperative owes accountability to its members and that the primary function of the cooperative is to further the interests of the members. Depending upon the degree to which the cooperative culture shifts, a selfish corporate interest will either provoke public reaction from some segments of the membership or produce a silent exodus of members.

Under the delusion of the global competitiveness goal, cooperatives are beginning to privatize cooperative property rights, cooperative laws and cooperative ideology. The "corporatization" of the cooperatives as a natural evolution of competitiveness in a global era could be seen as a strategy to eliminate cooperative accountability to the members. Accountability seems to be a problematic political and legal concept.

On the basis of a belief in the inevitability of the global market, the cooperative movement may be distracted from thinking about the potential dangers of its present evolution, the concentration of corporations and so on. In reality there are different forms of capitalism and different ways to organize a global economy. The problem is not a lack of alternatives to the present trend but a failure of critical thinking to advance reforms contrary to the new corporate rules. The cooperative movement needs, and must demand from its leadership, a clear analysis of the crisis of globalization and the courage for leaders to take action.

As governments, banks and corporations frequently appear to be leaving human communities behind, should cooperatives be there filling the vacuum and opening up new forms of locally based cooperative enterprises? The balance between unfettered, open markets and community development may require a new equilibrium point. Cooperatives could once again forge an economic relationship with their communities.

Unlike government, cooperatives need to establish a long term agenda and unlike business they should not stand only for profit maximization. Cooperatives must be willing to promote *communitarian* values of service, responsibility and accountability, values upon which a healthy society, democracy and the market itself depend for their own development.

We conclude that the deregulated global market and cooperatives' adaptation to it is not sufficient to ensure the attainment of cooperatives' social goals which are central to the well-being of the membership. There is a need for cooperative adaptation to new conditions by implementing a strong framework of morality, social cohesion and rational economic policies to avoid the disintegration of the movement.

The unwillingness to confront globalization for what it is has reduced the scope of cooperative participation in public life. Eroded democratic participation is now primarily at the level of individual cooperatives only. There is an absence of discussion and analysis of the larger economic and political systems. The movement

lacks an approach to deal with the institutional corrupting power of those cooperatives embracing the present global agenda by using a corporate view point.

If the cooperative movement does not expand its narrow vision of economic democracy it will not be capable of addressing the serious problems of today, or the likely far more serious ones in the future. If cooperatives adopt the corporate agenda, concentrating only on besting the competition and maximizing profits for their shareholders, they could well be the authors of their own irrelevance and demise.

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