

WORKING TOGETHER – PRACTICAL COOPERATION

1. Working together

It is important that the people involved in coops properly understand what it is that makes cooperation work and what destroys it. We need to understand how to get people to work jointly in their own best interest and how this can also be in the mutual interest of the membership in its entirety. Cooperation entails balancing the needs of the individual with those of the group, it allows the individual to maintain their sovereignty while benefiting from the rewards of joint action – combining self-help and mutual benefit. Some very clear lessons arise from the practice of cooperation learned over many years in many different situations and these are surveyed in this document

All forms of human organization depend for their success upon people working together to achieve a common purpose but within cooperatives and all other forms of member-controlled enterprises the practice of cooperation is absolutely critical to their success. Regrettably, many of the people running enterprises that are officially cooperatives and mutuals appear to have lost sight of this important reality. The fact is that if coops are to thrive then they must be built upon a sound foundation of practices that foster and sustain cooperative behaviour.

Members of coops need to be confident that any benefits arising from their enterprise will be shared fairly between those involved, and that they will have a say in how the venture is run. This means that benefits need to be shared broadly in relation to the volume of business transacted or to the effort that each member puts into the enterprise. Fairness and equivalence are essential features of a cooperative. Cooperation is not an alternative to competition, it is the alternative to acting in isolation - in practice people often cooperate in order to compete.

2. The primacy of the common purpose

The starting point for any mutual endeavour is the existence of a common purpose and a prerequisite for successful cooperation is an agreed common purpose, to which members need to be fully committed. The common purpose motivates the people involved to cooperate and inspires their commitment. The common purpose should be the motivating force that drives the organization forward and be the basis of all activity. Examples of a common purpose include: in the case of in a consumer coop - 'obtaining a fairer deal on goods or services for members', in the case of a worker coop - 'securing the true value of their members knowledge, skills or labour', in the case of a credit union - 'securing interest rates that are fair to both savers and borrowers', in the case of a care coop - 'providing compassionate care at an affordable cost', in the case of a producer coop - 'securing a fair and consistent market for produce'.

Cooperators sometimes fail to identify their purpose clearly with the result that confusion prevails. In order to pursue their coop's purpose it is essential that leaders build a consensus among the members as to their organization's specific objectives, which need to be expressed in terms of the specific outcomes that they plan to achieve as the result of their intervention within a specific market or marketplace. While the objectives of coops tend to evolve over time the overarching common purpose rarely changes

3. Cooperative behaviour

The success of any mutual venture depends upon building shared trust between the participants. Such trust is best maintained by an established set of rules governing the behaviour of individual members. This also requires that there be sanctions against members who do not stick to the agreed rules of behaviour, whilst cooperative behaviour needs to be rewarded. Simply emphasising benefits or rights in coops is not sufficient, because if members are to get the benefits that they want then there has to be an honest acceptance of the need for members to share any risks and to take on their responsibilities as members.

Based upon their own experience, most people have an understanding of how humans actually behave in real situations and they will know that some patterns of behaviour foster and sustain cooperation while others destroy it. Cooperation is based upon reciprocity – that is to say upon 'give and take', it can never be all 'give' or all 'take' on the part of any member, otherwise the result will be exploitation instead of cooperation. Members who seek only the benefits of cooperation without contributing to the common cause will inevitably undermine any form of cooperative endeavour. Dishonesty, sharp practice and unwarranted selfishness are infectious forms of behaviour, which are rife when people feel powerless and believe that they are being treated unfairly. Conversely, if people believe that they are being treated fairly and feel

valued as an individual then they are usually ready to commit to their joint enterprise, cooperative behaviour is contagious and becomes the norm. The benefits brought by such behavioural changes can accrue to both individuals and to their communities, and can be life-changing for many people.

4. The intensity of the endeavour

Within a specific cooperative enterprise the level of interdependence between its members will determine the degree of mutual trust that is required to make the enterprise entirely successful. For example, if a group of workers depend for their livelihood upon the success of their enterprise, then a high level of trust and cooperative working between members must prevail, otherwise the group will soon disintegrate. Whereas, if the enterprise simply provides some consumer goods to members, and there are alternative suppliers available, then the intensity of the cooperation required will be at a lower level. Nevertheless, in all cases the essentials necessary to support cooperative behaviour need to be in place if any enterprise is to prosper

5. The building blocks of cooperation

To help our understanding of the practice of cooperation it is useful to consider the factors that are essential to the successful practice of cooperation, these should be seen as set of interlocking building blocks, which may be summarized as:

5.1. A Common purpose - as explained above.

5.2. Cohesion

Cohesion means holding the group together. This relies upon a firm commitment to a common purpose and achieving a consensus about the specific objectives/outcomes to be achieved by the enterprise. This in turn requires that all should be clear as to the 'community of interest'¹; which forms the basis of membership. For example: in a consumer cooperative the community of interest will be based upon the fact that members are all consumers; in an agricultural cooperative members are all farmers of a specific range of crops; in a credit union or building society members are all savers and borrowers; and in a tenants' housing cooperative members are all tenants. Additional factors also further strengthen the common bond, such as employment by, or membership of, the same organization, or residence in the same area.

Cohesion between members also depends upon mutual trust and for this reason controversial issues unrelated to the group's common purpose are not the concern of the enterprise. Individual members may hold quite different opinions upon many subjects but these are for discussion only outside of the enterprise. Members need to leave behind divisive religious or partisan political prejudices when they are involved with their cooperatives because such topics can only cause dissent among members.

In times when people were commonly more likely to spend their lives in one location, often spending their entire lives in one town or village, most common bonds were based upon a specific location. Now many common bonds are based upon function and the specific interests or upon a certain trade or profession. Clearly, the more specific the common bond, the closer the relationship between the members is likely to be, and the stronger the linkages that bind them together. Such common background can strengthen the quality of cooperation and consequently their cooperative enterprise.

5.3. Voluntary association

Cooperation can only be a voluntary activity, it cannot be based upon any form of compulsion. Members must be able to join and leave freely (but without leaving behind burdens on the remaining group). However, this does not imply that membership is free – without cost – or that individuals can be accepted in to membership regardless of the enterprise's capacity to service their needs. Membership should be open to those who share the community of interest and who can benefit from and contribute to the activities of the enterprise. The need for equivalence between all members also extends to potential members, discriminatory practices should not be allowed to influence decisions about who should be accepted into membership. The most important criteria for membership is the 'community of interest', which all need to share.

5.4. Leadership

Cooperation depends upon committed leadership at all levels – without it little or nothing will be achieved. All cooperative leaders need to fully grasp how human organizations actually work in practice, comprehend the cooperative enterprise model, and have a clear understanding the

dynamics of the markets in which they seek to intervene on behalf of their members. Sound leadership is critical to the establishment and continuity of all coops. The activities of coops need to be innovative as must be their leaders. Because coops that just attempt to imitate the activities of other forms of enterprise have no long-term future. Coops are formed because their members want something better than is currently available in the marketplace. Although coops are invariably pioneers in their chosen markets when first established, they must continually reinvent themselves in response to changing circumstances, the evolving needs of their members, and perceived weaknesses in their organizational structure. Put bluntly, failure to adapt and remain creative frequently leads to their demise.

5.5. Commitment

Members must continually be encouraged to demonstrate commitment to their enterprise and this normally includes contributing to the capital required to finance it and participating in its economic activities. 'Free-riders', those who enjoy the benefits of cooperation without making any contribution or commitment to it, cannot be countenanced otherwise cooperation will simply evaporate. Likewise, free membership, in which no value is placed upon joining, is also destructive. As with most things in life that appear to be free (i.e., requiring no commitment or incurring no cost), it will soon come to be regarded as worthless.

Where sales-driven cultures exist within coops, typically in various types of consumer coops, leaders commonly make the mistake of either neglecting to recruit new members or making admission to membership so easy that it lacks meaning. By all means, provide an easy route into provisional membership, but the full benefits of membership should not be available to persons unwilling to make the required commitment. This means that they must contribute in cash and in kind, by helping provide the finance required and by participating in some way to further the purpose of the enterprise.

5.6. Equivalence

Both voting power and benefits need to be shared equitably among members. If people are to be motivated to cooperate, they need to be convinced that their enterprise will treat them all as equals. Similarly, members need to know that all benefits will be distributed fairly, that they will have equal access to information and that their cooperative can be trusted to function in the best interests of its members. Equivalence inevitably means that the organization must be firmly based upon democratic control. Leaders need to deal promptly with any negative feelings that members express about their treatment by their enterprise, the precise arrangements will vary between coops but they must not only be fair but must be perceived as being fair.

5.7. Ethical behaviour

Cooperation must be an ethically responsible activity, conducted by honest and fair-minded people. Without an ethical basis coops may come to exploit both their own members and those with whom they do business. At its worst, cooperation can degenerate into collusion or conspiracy, and the enterprise can become a cartel.

5.8. Democratic Control

The control of coops must remain firmly in the hands of their members – and this means democratic control. Coops must be independent and sovereign; that is to say, they must be run by and for their members. Control cannot be allowed to fall into the hands of persons or organizations outside the community of interest, nor can it be surrendered to investors. Capital should be provided by the members or from sources that ensure continued member control. Such capital will be rewarded by a fair rate of interest that is not linked to profits or surplus.

5.9. Capacity-building

Capacity-building is central to successful cooperation, for if people are to work together effectively they must possess the essential knowledge and skills to carry out their function. In some cases this may involve helping members with literacy or numeracy, or with learning how to function within a democratic structure. Although sometimes referred to as 'member education', these activities should not be confused with those generally undertaken by the state or the education industry. Capacity-building is much more than this – it is about developing the members' capacity to participate in, as well as to benefit from, the practice of cooperation. For members to participate fully in their enterprise they need to be equipped with the basic skills required to understand the rules and to interpret a set of accounts, as well as sufficient confidence to participate in the democratic process. Coops also need to develop their future leaders. Capacity-building is also about drawing upon the

creative potential of the membership by developing their ability to contribute their experience and ideas in the service of their joint enterprise. Unless members learn how to cooperate and develop the skills necessary for playing a full part in their joint enterprise an élite or clique will soon dominate and inevitably run the organization.

5.10. Rules

Every coop must have rules that are clearly understood and observed by its members. The rules represent a basic contract between the enterprise and its members and between the members. Any contract needs to be enforceable otherwise it ceases to have value. Leaders must be prepared to use sanctions, but not vindictively, against those who insist on pursuing their own interests at the expense of their fellow members.

5. Cooperation between cooperatives

In order to gain the maximum advantages from working together in a coop it is usually necessary to secure the benefits of scale² and this is often best achieved by two or more coops working together. In practice cooperating with other similar enterprises extends their power to get a 'better deal' for their members. Because in reality it isn't the organizations that cooperate but rather it is the individuals within them who need to be committed to behaving cooperatively. Members of coops need to work with other coops to achieve their common purposes. Cooperation between coops should not be regarded as just a 'good thing' or undertaken because it's what is expected. To be worthwhile such collaboration must yield tangible benefits for the members of all the coops involved. The most productive collaboration usually takes place between coops involved in the same form of enterprise, for example, all the enterprises are consumer cooperatives or all are workers cooperatives. However, all forms and types of coops can benefit significantly from lobbying jointly to secure appropriate legislation and conditions favourable to the development of cooperative enterprise. They can also provide each other with mutual support in other ways and combine for purposes of undertaking capacity-building.

6. A cooperative culture

Mutual trust between the enterprise and the individual member, also between members, is essential to the success of coops. Members need to know that their organization will always be run in the best interests of the membership. Mutual trust will only be sustained where the organization is committed to a framework of practices and systems that can ensure the integrity of the enterprise. The existence of mutual trust within any organization is highly dependent upon having an appropriate well established organizational culture. If any significant change in organizational culture is to be achieved, this almost always involves changing the language used from one that reinforces an old culture to one that embeds the new. The words we use often define relationships between people, and these relationships are critical when we seek the cooperation of others. Cooperation is frequently undermined by the words chosen by the people involved. It is not a matter of being 'politically correct', it is rather a question of whether what we say fosters cooperation or impedes it. People involved in coops have to be most careful to use the kind of terminology that properly describes the true nature of their enterprise and which will reinforce the perception that the organization is in fact a member-controlled enterprise.

End notes:

1. A group having a 'community of interest' based upon a common purpose and a common bond that holds the group together
2. Economies of scale result when an enterprise obtains cost advantages (savings) through expansion. They commonly arise in purchasing (bulk buying of goods or materials), management (increased specialisation of managers), finance (obtaining lower-cost finance when borrowing and/or gaining access to a greater range of financial instruments), marketing (spreading the cost of advertising over a greater range of sales or output), and technology (spreading costs such as research and development). Conversely, diseconomies (disadvantages) of scale may also arise, especially in organisational terms.

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