

# Competitiveness and Sustainability of the Co-Operative Enterprise

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## ABSTRACT

The interest in this study arose from the great attention currently being given to the role of co-operative enterprises in achieving the United Nation's goals of reducing poverty, promoting gender equality, providing health care services and ensuring environmental sustainability. The study investigated co-operative enterprises' strategic planning intentions and processes and their impact on the ecosystems, societies, and environments of the future. Although survey questionnaires were the main instrument for primary data collection, semi-structured follow-up interviews were also conducted to supplement the method. The study found out that co-operative enterprises integrate environmental and social policies in their business model thereby representing a fundamentally distinct type of the modern firm characterized by a governance structure that in addition to financial performance, accounts for the environmental and social impact. The study established that co-operative enterprises also seek to promote the fullest possible participation in the economic and social development of groups of people who have hitherto encountered economic difficulties within the existing economic infrastructure that is not able to provide them with opportunities. Seventy nine percent of the co-operatives enterprises surveyed rated their performance as either satisfactory or exemplary.

**Keywords:** Co-Operatives, Co-Operative Enterprise, Competitiveness, Sustainability.

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## I. INTRODUCTION

Sustainability and sustainable development came to prominence in 1987, when the United Nations World Commission on Environment and Development (WCED), chaired by Norwegian prime minister Gro Harlem Brundtland published its report, "Our Common Future". This report defined sustainability as the development that 'meets the needs of the present without compromising the ability of future generations to meet their needs'. In other words, this report stresses on the equity between generations and equity within generations. In addition, it argues that the goals of economic and social development must be defined in terms of sustainability in all countries – developed or developing, market-oriented or centrally planned (WCED, 1987).

This study was in response to the need for further research in areas relating to the co-operatives' sustainability and competitiveness as recommended by a report from a United Nations Expert Group meeting on the supportive environment for co-operatives which was held in Ulaanbaatar, Mongolia, in May 2002. The report underscored co-operatives' need for research studies into organization management practices as well as the utilization or deployment of resources in a manner that promotes sustainability and competitiveness (United Nations, 2002b). The study focused on the challenges posed to the co-operative enterprises as they respond to their dynamic environment and leverage their core competencies in order to meet their members' social and economic needs in a sustainable manner. Apart from the achievement of the economic and social well-being of members, co-operatives

enterprises have also responded effectively to the social challenges of their communities by trying to solve the problems of unemployment and social exclusion. Some of their objectives include democratization of the workplace; integration of the marginalized members of the society; fair trade and environment conservation.

The re-emergence of greater interest in co-operatives in the 21st century has seen various institutions and policy declarations come into being both nationally and internationally. For example, The Committee for the Promotion and Advancement of Co-operatives (COPAC) has been created to promote and coordinate sustainability and sustainable development of the co-operative enterprise through policy dialogues, technical cooperation and information, and concrete collaborative activities. COPAC's membership includes the Food and Agriculture Organization of the United Nations (FAO), International Co-operative Alliance (ICA), International Federation of Agricultural Producers (IFAP), International Labour Office (ILO), United Nations (UN), and World Council of Credit Unions (WOCCU). The United Nations "sees co-operatives as an important means of creating employment, overcoming poverty, achieving social integration and mobilizing resources effectively" (Birchall, 2003, p. 12). In his report to the Fifty-sixth session of the General Assembly, the United Nations Secretary General recognized the potential and contribution of co-operatives in the attainment of economic and social development goals. He recommended that governments should be urged to create a supportive environment in which co-operatives can participate on an equal footing with other forms of enterprises. He further

recommended that co-operatives' potential to help members achieve their individual goals and to contribute to society's broader aspirations should be protected and advanced (United Nations, 2001).

Co-operatives spring from the economic and social needs of their members and their primary purpose is not to obtain a return on capital. They are, by nature, part of a stakeholder economy, whose enterprises are created by and for those with common needs, and accountable to those they are meant to serve. They are flexible and innovative since they are created to meet changing social and economic circumstances. Co-operatives' role in providing men and women with decent work encompassing conditions of freedom, equity, security and human dignity as recommended by the International Labour Organization (ILO) has equally been given great attention in the recent past. Decent work means productive work, with adequate social protection, that generates adequate income and in which rights are protected. It also means sufficient work that allows all people full access to income-earning opportunities. The ILO has placed great emphasis on the employment creation and poverty alleviation activities of co-operatives and their capacity to provide social protection. In its 90th International Labour Conference in June 2002, the ILO adopted Recommendation 193, which deals with the promotion of co-operatives. It recognized the importance of co-operatives in job creation, resource mobilization, and investment generation (ILO, 2002).

The recommendation also recognized that co-operatives in their various forms promote the fullest participation in the economic and social development of all people. The main features of recommendation 193 are: recognition of the importance of co-operatives in economic and social development; reaffirmation of the co-operative identity; equal treatment for co-operatives; definition of the governments' role in creating a supportive policies and legal frameworks; and in facilitating access to support services and finance (ILO, 2002).

Co-operative enterprises also attracted special attention from the European Commission which, on 23 February 2004 adopted a Communication on the promotion of co-operative societies titled: Communication on the promotion of co-operative societies in Europe [COM (2004)18], which pointed out what Member States and co-operatives themselves can do to exploit the co-operatives' business potential. The main issues of the Communication included the promotion of the greater use of co-operatives across Europe by improving the visibility, characteristics and understanding of the sector.

## II. LITERATURE REVIEW

Sustainability is defined in terms of a society's use of resources and their impact on the development. It requires that a society does not over utilize its scarce resources, because the natural resources are depleting at an alarming high rate (WCED, 1987). In future, the quantity and quality of these resources might decrease, and hence the operational costs might increase too. Porter and Kramer (2006) assert that sustainability initiatives create long-term value to the extent that they are integrated with organizational strategy. The

strategic integration of sustainability initiatives embeds sustainability into organizational decision making, promotes better resource allocation, and forms the basis for integrating sustainability reporting with traditional financial reporting (Accounting for Sustainability 2011; Adams *et al.*, 2011).

Sustainability concerns should be reflected in the strategic planning of enterprises. They should include responsibilities focusing on ethical practices, employees, environment, and customers. A study by Ameer and Othman (2011) found out that enterprises that attend to this set of responsibilities under the term superior sustainable practices have higher financial performance compared to those that do not engage in such practices.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (MacPherson, 1996). In many economies, the co-operative sector is viewed as the "third arm" in industry alongside private and state ownership (Cockerton *et al.*, 1980). The different types of co-operative enterprises that exist in many countries include consumer co-operatives, producer co-operatives, financial co-operatives (credit unions), housing co-operatives and worker co-operatives among others. The co-operative model offers a number of unique attributes that are not seen in other forms of economic organizations. Shaffer (1999) has argued that co-operatives offer group harmony in problem solving, democratic participation, social equality, development of leadership, and solidarity. "New Wave" co-operatives emphasize the social side of co-operative activities, such as the promotion of healthy living alternatives, environmental responsibility, and services for social services disadvantaged groups (Lawless & Reynolds, 2004; Wylie, 2001; Shaffer, 1999).

Co-operativism is seen as a social process through which to over-come social inequality and to reduce class exploitation. In many cases, co-operatives emerged as a response to the inequalities brought about by the industrial revolution. Other marginalized groups have continued to see the co-operative model as a means to collectively overcome systemic injustices (Lawless & Reynolds, 2004; Wylie, 2001; Shaffer, 1999). However, in order to justify their relevance in the competitive global economy of the 21st century, co-operatives must re-evaluate their reasons for existence and hence their sustainability and sustainable development. Correct identification of the needs of their stakeholders and the strategic exploitation of their unique resources and capabilities to gain the required comparative advantages, are critical to their sustainability. Spear, Davis, and Wilkins (2000) contend that various research studies and general statistics indicate that much of the co-operative movement's recent history has been one of loss of market share and retrenchment even though there have been signs of sustainability and sustainable development. Spear *et al.* (2000) add that the international context of transition economies in Eastern Europe, deregulation in much of the rest of the world and globalization have also increased the competitive pressures on co-operatives in the UK and many other countries.

Researchers argue that co-operatives offer a more feasible model for social service development because they are more

responsive to the needs of the community (Fairbairn, 2003; Spear, 2002; Lawless & Reynolds, 2004; Wylie, 2001). Most cooperative organizations are formed because of a desire among members of the community to provide a service they do not have access. They are a model through which to identify community needs and provide those services, while at the same time offering meaningful economic and employment opportunities for members of the community (Fairbairn, 2003; Spear, 2002; Lawless & Reynolds, 2004; Wylie, 2001). They also offer economic democracy through the principle of a common sharing of power. This model allows for equal participation in the decision-making process, regardless of the economic position of the various members involved. The focus on developing group solutions to economic problems is an empowering experience for people facing common problems.

The role of co-operatives in the provision of health and social services has been recognized by the United Nations which has identified several factors as influencing the sustainability and competitiveness of the co-operative enterprise (United Nations 1997, pp. 8-90). Since in most European societies, welfare states are under significant transition due to both downsizing and the lack of responsiveness to the needs of communities, opportunities for co-operatives to take up the responsibility of social service provision have increased. Governments are also showing increased interest in the possibility of co-operatives as more cost-effective health and social care delivery models (Spear, 2002; Lawless & Reynolds, 2004; Wylie, 2001). Governments have begun to recognize the importance of community-based services with higher participation of the citizenry in improving overall health and social well-being (United Nations, 1997). The general population is similarly showing an increased interest in co-operative enterprises as better able to promote community and individual responsibility in the provision of services. There has, however, been a growth in the concern on the sustainability and competitiveness of the co-operative enterprise as they respond to the crisis in welfare state services (United Nations, 1997).

According to the International Co-operative Alliance, co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others (MacPherson, 1996). The co-operative enterprises are further guided by a set of principles. These principles define the features unique to co-operatives and the characteristics important to the success of a co-operative enterprise. MacPherson (1996) lists the principles as including open and voluntary membership; democratic member control; member economic participation; concern for community and autonomy and independence, among others.

The General Assembly of the United Nations also passed resolution 56/114 in 2002 recognizing that co-operatives, in their various forms, promote the fullest possible participation in the economic and social development of all people, including women, youth, older persons and people with disabilities, and are becoming a major factor of economic and social development. The resolution therefore encouraged

governments to keep under review, as appropriate, the legal and administrative provisions governing the activities of co-operatives, with a view to ensuring a supportive environment for them and to protecting and advancing the potential of co-operatives to help them to achieve their goals (United Nations, 2002a).

According to Fairbairn (2003), “changing times make it critical to find new and renewed ways of understanding and expressing co-operative approaches to business and society” (p.1). The ‘dualistic’ role (social and economic) of co-operatives makes this task an onerous one. While their competitors, the conventional corporations, have only one clear economic objective of profit maximization, co-operatives usually have social and environmental bottom lines in addition to the financial one (Fairbairn, 2003). Return on capital is not the sole driver but rather the drivers are a matrix of concerns such as financial sustainability, high-quality workplaces, and support for the future of the broader community. In fact, co-operative enterprises consider profit maximization as a means of achieving their common objective of economic and social promotion and not as the ultimate objective of entrepreneurship (Pflimlin, 1996). Davies argues that “the co-operative social dimension is itself a commercial asset of central importance in the development of (...) marketing, human resource, and service/product delivery strategies” (1996, p.1). Co-operatives, therefore, bridge the economic and the social needs of members by providing employment and income-generating business opportunities.

Co-operatives fight for social and economic integration and equal opportunities. They fight against marginalization and social exclusion. The sustainability of co-operatives should therefore be examined within the context of what has become known as the co-operative advantage which implies that the attainment of social goals provides an advantage in competitiveness leading to a commercial success that further reinforces the ability to meet the social goals and hence sustainability. The theory of the ‘co-operative advantage’ posits that enterprises within a community that enjoys a high standard of living arising from more employment opportunities and more social benefits are more likely to be commercially successful. According to Levin (1984) “the organization behaviour of producer co-operatives tends to create more jobs per unit of output and to require less capital for the creation of each job than do the underlying dynamics of capitalist firms” (p.21). He reports that the same level of investment in large industrial worker co-operatives creates four times as many jobs as in comparable capitalist firms.

The Western Economic Diversification Canada (2005) argues that, apart from the private sector and government, the social economy enterprises like co-operatives, foundations, credit unions, non-profit organizations, the voluntary sector and charities can just be run like businesses for sustainability. They can produce goods and services for the market economy but manage their operations and redirect their surpluses in pursuit of social and environmental goals.

Common objectives for social economy organizations like co-operatives include alleviating poverty, providing affordable housing, improving employment and economic opportunities, addressing environmental concerns and providing access to services and programs that can assist

individuals and groups to improve their personal circumstances (Western Economic Diversification Canada, 2005). The European Commission (2005) is in agreement that social economy enterprises, including co-operatives, are important sources of entrepreneurship and jobs in areas where traditional “investor driven” enterprise structures may not always be viable.

Studies carried out in Spain and in the USA confirm that worker co-operatives have the potential to be more productive than their conventional counterparts. Levin (1984) reports that there exist both personal and collective incentives in worker co-operatives that are likely to lead to higher productivity due to reduced worker dissatisfaction and to increased workplace democracy. The most exciting success story by worker co-operatives comes from Mondragon in Spain. This small town in the Basque region of northern Spain has become the headquarters of a large worker-ownership movement. From about 400 employee-members in 1960, the membership of Mondragon’s worker co-operatives expanded to about 19,000 people in 1981 (Levin, 1984). They produce iron and steel, machine tools, refrigerators, electronic components and other household appliances. Overall, as reported by Bradley and Gelb (1983), “Mondragon has been profitable and appears to have outperformed its capitalist environment by a considerable margin” (p.16). These are workers who operate in the midst of a free enterprise economy and who enjoy complete ownership and control of their business enterprises. They have access to all the capital that they need, and they enjoy better social and job security than any democratic state can provide (Campbell, 1983).

Italy also has a history of strong worker co-operatives that are competing very favorably in manufacturing and construction sectors. Their success has been attributed to the favorable government policies over the years since even some of the Italian railways were constructed, owned and managed by co-operatives (Linehan & Tucker, 1983). Greater London Enterprise Board (Undated), points to the fact that many worker co-operatives in Italy have as many as 200 members and that by 1980 Italy had 3,936 worker co-operatives with 145,197 workers and a sales turnover of £1,503 million. In the USA, worker-owned enterprises in the form of worker co-operatives have been predominant mainly in the Pacific Northwest where plywood worker co-operatives have performed very successfully. In the 1980s, productivity was 30 percent above industry averages and each worker’s income was 25 percent above those paid by the conventional firms (Bradley & Gelb, 1983).

In Japan, due to the mega-competitive working environment within the Japanese capitalist enterprises, “Karoshi” (death from overwork) became very common. Many workers began to look for an alternative work environment leading to the formation of a Mondragon-style Japanese Workers Co-operative Union in 1993. By 1999, the union had 8,000 members with a turnover of about 15 billion yen (Japanese Workers Co-operative Union, 1999). Professionals including architects, technicians, lawyers and business analysts forged a network whose objective was to look for new ideas about work, work-life and community. This resulted from the formation in 1991 of the Institute of Co-operative Research to promote research into worker co-operative organizations. The institute is funded by members,

and it brings together many professionals including professors, scholars and co-operative members who are committed to the success of worker co-operatives in Japan. The movement is considered a great success and has performed very well in the service areas of facility maintenance, elderly care and distribution of everyday goods. The co-operatives have now begun to venture into the agriculture and food areas with the view of providing healthy and safe food products (Japanese Workers Co-operative Union, 1999).

Innovations are critical for co-operatives to differentiate their goods and services from competitors in ways that create additional or new value for customers (Wright *et al.*, 1998; Kaplan & Norton, 2004). According to the United Nations (1996) an important contribution of the co-operative movement continues to be its capacity for promoting and supporting entrepreneurial development in forms compatible with the principles and objectives of the World Summit for Social Development held at Copenhagen from 6 to 12 March 1995. Entrepreneurial opportunities represent conditions in which new products or services can satisfy a need in the market (Hitt *et al.*, 2003). Thomas (1988) contends that one of the reasons for the relative success of worker co-operatives in wholefoods is that in market terms they have been innovative and have created a market niche for themselves in which they enjoy a certain degree of customer loyalty, based on the fit between ideas on healthy and simple eating and the image of an alternative lifestyle.

### III. RESEARCH METHODOLOGY

The research study utilized mainly the quantitative data collection and analysis methods. However, reasonable use of qualitative techniques was made in data collection to supplement the quantitative methods. The investigation therefore used methodological triangulation. In particular it used the “between-methods triangulation” technique in which one method complements and / or supplements the other. Triangulation, in many cases, produces more valid and reliable results than the use of single methods. Reinharz (1992) confirms that triangulation increases “the likelihood of obtaining scientific credibility and research utility” (p. 197).

The data collection process began by first carrying out informal, open-ended interviews with officials of co-operative and job ownership organizations that are involved in promotion work and in research and development projects concerning worker co-operatives and other job ownership enterprises. The organizations selected for the informal interviews included the Co-operative-UK, the umbrella body for worker co-operatives, the Job Ownership Limited, the Industrial Common Ownership Movement, the Industrial Common Ownership Finance (Cambridge office) and the Co-operative College. The officials interviewed included a chief executive, a national strategy coordinator, and project managers.

The objective of this phase was to collect relevant background information regarding the past, present and future opportunities and threats as well as strengths and weaknesses influencing the performance of worker co-



operatives in Britain. Both personal (face-to-face) and telephone interviewing methods were employed in this phase. Notes were taken during the interviews and the information gathered formed a good background material for the construction of survey questionnaires in phase two. Available literature and case studies on worker co-operatives including the failed co-operative enterprises were also reviewed for relevant material for the survey questionnaires.

According to Co-Operatives-UK, it was estimated that there were approximately 390 workers owned and controlled co-operatives in Britain. Mail-survey questionnaires were therefore sent out to the entire population of worker co-operatives in Britain as maintained in the directory of their umbrella organization, the Co-operative –UK. In total, the entire 390 worker co-operatives were surveyed on various issues relating to the research hypothesis. A total of 142 responses were eventually obtained from the 390 worker co-operatives surveyed. Eleven (11) of the responses were not very useful since the respondents were either dormant, under liquidation or had converted to non-co-operative enterprises. The overall result was therefore a sample of 131 active worker co-operatives out of a population of 379 active worker co-operatives. This is a response rate of 35%. The responses were from a wide spectrum of worker co-operatives in terms of the economic and social sectors represented. These sectors included consultancy and professional services, whole foods, arts and the media, printing and publishing, care and support services, crafts and woodwork, leisure, and other retail services.

To test non-response bias, a sample comprising the first forty-seven respondents was compared to one of 47 respondents who submitted their questionnaires after the reminder. Chi-square tests ( $\chi^2$ ) were used for the non-response bias. It is the contention of many writers (Bryman and Cramer, 2005; Kinnear and Gray, 2004; Field, 2005; Sarantakos, 2003; Berg, 2002) that chi-square tests are the most popular and most frequently used tests of significance in the social sciences. Normally there are two types of chi-square tests, the goodness-of-fit test and the test of independence. Tests of independence were used in this study for the non-response bias. The results of the tests are shown in Table I-VI below:

TABLE I: BUSYTYPE \* GROUP CROSSTABULATION

	Group		Total
	EarlyRes	LateRes	
Consult	9	9	18
Prnting	9	9	18
HlthFood	8	3	11
Arts	4	6	10
HlthLeisr	5	2	7
CareSppt	1	4	5
MiscRtl	5	2	7
Others	6	12	18
Total	47	47	94

TABLE II: CHI-SQUARE TEST FOR THE TYPE OF BUSINESS ACTIVITY

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.04(a)	7	0.25
Likelihood Ratio	9.38	7	0.23
Linear-by-Linear Association	0.84	1	0.36
N of Valid Cases	94	-	-

TABLE III: NUMMBS \* GROUP CROSSTABULATION

	Group		Total
	EarlyRes	LateRes	
0 - 7	9	5	14
7 - 10	20	29	49
Over 10	18	13	31
Total	47	47	94

TABLE IV: CHI-SQUARE TEST FOR THE NUMBER OF MEMBERS

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.21(b)	1	0.27	-	-
Continuity Correction(a)	0.77	1	0.38	-	-
Likelihood Ratio	1.21	1	0.27	-	-
Fisher's Exact Test	-	-	-	0.38	0.19
Linear-by-Linear Association	1.19	1	0.28	-	-

TABLE V: SATISFIED \* GROUP CROSSTABULATION

	Group		Total
	EarlyRes	LateRes	
Satisfied	22	17	39
Satisfied Somewhat	17	18	35
Not	8	12	20
Total	47	47	94

TABLE VI: CHI-SQUARE TEST FOR THE LEVEL OF PERFORMANCE SATISFACTION

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.47(a)	2	0.48
Likelihood Ratio	1.48	2	0.48
Linear-by-Linear Association	1.45	1	0.23
N of Valid Cases	94	-	-

All the results in Table I-VI show that the value of the chi-square is not significant ( $p > 0.05$ ). Therefore there are no significant differences between the early and the late responses as regards the five variables listed above. It is therefore reasonable to assert that the characteristics of those who responded before the reminder and those who responded after the reminder are not different.

Reliability of the questionnaire was tested using the Cronbach's alpha, which is the most commonly used measure of questionnaire reliability (Field, 2005; Moser & Kalton, 1989; Bryman & Cramer, 2005). Only the variables relating to the co-operative environment and the internal environment were tested for their internal reliability. The results are shown in Table VII-XII below.

The Cronbach's alpha for both the co-operative environment variables and the internal environment variables is greater than 0.8. Since the values of Cronbach's alpha between 0.7 and 0.8 indicate good reliability (Field, 2005; Moser & Kalton, 1989; Bryman & Cramer, 2005), it is reasonable to assert that the questionnaire used in this study is reliable.

TABLE VII: RELIABILITY STATISTICS – CO-OPERATIVE ENVIRONMENT VARIABLES

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.846	0.846	7

TABLE VIII: INTER-ITEM CORRELATION MATRIX – CO-OPERATIVE ENVIRONMENT

	Principles	MbCommit	Commnity	Fairtrade	Community	Principles	FairTrde
Principles	1.00	0.39	0.48	0.50	0.40	0.53	0.44
MbCommit	0.39	1.00	0.31	0.37	0.22	0.48	0.33
Commnity	0.48	0.31	1.00	0.54	0.54	1.00	0.55
FairTrade	0.50	0.37	0.54	1.00	0.69	0.49	0.47
Community	0.40	0.22	0.54	0.69	1.00	0.39	0.36
Prnciples	0.53	0.48	0.46	0.49	0.39	1.00	0.31
FairTrade	0.44	0.33	0.55	0.47	0.36	0.31	1.00

TABLE IX: ITEM-TOTAL STATISTICS – CO-OPERATIVE ENVIRONMENT

	Scale Mean Item Delete	Scale Variance Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Deleted
Principles	10.08	12.06	0.63	0.41	0.82
MbCommit	10.15	12.99	0.46	0.29	0.85
Community	9.99	12.07	0.66	0.49	0.82
FairTrade	10.17	11.89	0.72	0.59	0.81
Community	10.05	12.31	0.59	0.53	0.83
Prnciples	9.96	12.30	0.61	0.43	0.82
FairTrade	10.08	12.43	0.56	0.38	0.83

TABLE X: RELIABILITY STATISTICS INTERNAL ENVIRONMENTAL VARIABLES

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.82	0.82	7

TABLE XI: INTER-ITEM CORRELATION MATRIX – INTERNAL ENVIRONMENT

	Financial	Physical	Skills	Mgt	Training	DecsnMkg	CoopMgt
Financial	1.00	0.79	0.55	0.11	0.42	0.13	0.10
Physical	0.79	1.00	0.58	0.05	0.40	0.11	0.08
Skills	0.55	0.58	1.00	0.22	0.73	0.31	0.26
Mgt	0.11	0.05	0.22	1.00	0.44	0.74	0.66
Training	0.41	0.40	0.73	0.44	1.00	0.44	0.42
Decision Making	0.12	0.11	0.31	0.74	0.44	1.00	0.86
CoopMgt	0.09	0.08	0.26	0.66	0.42	0.86	1.00

TABLE XII: ITEM-TOTAL STATISTICS – INTERNAL ENVIRONMENT

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Financial	12.18	11.86	0.48	0.65	0.81
Physical	12.00	12.14	0.47	0.66	0.82
Skills	12.05	11.37	0.63	0.64	0.79
Mgt	11.62	11.65	0.52	0.59	0.81
Training	11.86	11.07	0.69	0.62	0.78
Decision Making	11.77	11.38	0.62	0.81	0.79
CoopMgt	11.69	11.72	0.56	0.75	0.80

#### IV. FINDINGS AND CONCLUSIONS

An important implication of sustainability is the commitment to work, cooperation, and the willingness to do more for a job that is not just a job. Co-operatives promote collaboration, especially voluntary collaboration that does not rely on external incentives to spur. They have norms of behavior which, they enforce, and, like families, they often provide a refuge for friendship, membership, and identity, a place where members know each other's name and the internal competition that limits cooperation is less evident (Fukuyama, 1999; Field, 2003; Halpern, 2005). According to Fairbairn (2003), membership of a co-operative also implies connection and hence, social capital formation. That is, the trust, understanding, and mutuality that support collaborative and cohesive action.

The sustainability of a co-operative enterprise lies in its ability to serve members' interests be they economic or social. Although co-operatives, like other enterprises, require good management, financial probity, well trained and motivated employees, access to capital, the capacity to innovate and the capacity to respond to change, the essence of a co-operative enterprise is different. A co-operative is run

by members for the benefit of members. Its main aim is to serve the interest of the members through their direct participation in both the benefits and the government of the enterprise (The Co-operative Council, 1994). However, co-operatives must also be entrepreneurial and innovative in order to achieve sustainability and sustainable development. Co-operative entrepreneurship, therefore, involves engaging in opportunity-seeking behaviour. That is, identifying opportunities and developing innovation (David, 2005; Hitt *et al*, 2003).

The essence of co-operative entrepreneurship is to identify and exploit opportunities. This requires an entrepreneurial mind-set that entails the passionate pursuit of opportunities (David, 2005; Hitt, *et al*, 2003). After identifying the opportunities, co-operatives should take action to exploit them and establish competitiveness. Entrepreneurship and the innovations resulting from it are therefore critical for co-operatives to increase productivity, promote growth and create jobs leading to sustainability and sustainable development of the co-operative enterprise. Co-operative management should try to establish an entrepreneurial culture that inspires members and employees to engage in entrepreneurship. They require not only the intellectual

capital but also an entrepreneurial mind-set and an entrepreneurial competence which involves effective knowledge of the industry, business and technology as well as a passion for the business and a risk orientation (David, 2005; Hitt *et al*, 2003; Schoemaker & Amit, 1997; Wright *et al*, 1998).

Since developing innovations and achieving success in the marketplace requires effective human capital, worker co-operatives must have strong human and intellectual capital if members and employees are to be innovative. Having the entrepreneurial capabilities is only part of the challenge. Co-operatives must strategically manage those capabilities in order to leverage their potential in realizing strategic competitiveness. They must confront the fact that the future is unknown and must therefore create an environment that will allow their members and employees to talk openly, learn from each other, and think creatively (Fairbairn, 2003). This calls for the employment of a formal research process as a condition for the development of a co-operative's vision, planning, policies, and decisions (Macmillan & Tampoe, 2000). Research should be carried out on the co-operative's business, what members require, what the competition is doing, and what new technology is coming. Without a research-based model, decisions are either based on the past or on hunches (Allison & Kaye, 1997; Fairbairn, 2003). Many co-operatives may not afford a formal research and development department. They can, however, share such functions through a network with other co-operatives, with universities, and with other research organizations.

One implication of an information society is that knowledge is the source of power (Allison & Kaye, 1997). Co-operative education needs to be seen, therefore, as more than an activity undertaken to satisfy co-operative principles, and also more than upgrading of employee skills; it needs to be an agency for holding a co-operative and its members together and on course. Education, communication, research, planning, and marketing come closer together and overlap in a networked world for sustainability to be achieved. The most important focus of research and learning activities in worker co-operatives has to be the understanding of the industry or sector in which the co-operative is situated (Fairbairn, 2003). Knowledge of the co-operative model, of the history of the particular co-operative, of its present-day mission and activities, is important, too, but not so much as is the knowledge of the business or sectoral environment (David, 2005). The aim of research and learning is to bring these two areas together so as to understand the trends, competition, and opportunities in the industry, and to understand the co-operative's identity and unique mission within that environment. Fairbairn (2003) contends also that while the lack of specific co-operative education among members should cause concern, a lack of understanding of the wider economic and social environment is more serious. Like the Rochdale Pioneers, co-operative leaders need to have some faith that if members understand what is going on in the industry, they will understand why they need a co-operative (Fairbairn, 2003).

This study sought to find out the reasons for the marginalization of co-operatives and whether they can achieve sustained competitiveness and effectively meet their objectives that include meeting the dual economic and social

goals of the enterprise and its individual members. It has been noted from the literature review that co-operatives are formed mainly to create and maintain sustainable jobs and to generate wealth in order to improve the quality of life of their members. They have also been formed to dignify human work, to allow workers democratic self-management and to promote community and local development. People have also formed worker co-operatives to ensure that their workplace upholds certain values, such as fair trade or labour standards.

Asset-based initiatives in the literature review have been successfully employed by many co-operatives whose main objectives include social care, social integration, fair trade and concern for the environment. This requires that products and services be developed and delivered, not as a traditional social program, but as a range of market-driven services and products by utilizing the resources that are embedded in the local communities and their residents. Several co-operatives were examined including the 4 Seasons Worker Co-operative in East Yorkshire; the Castle Project Print Finishers of Cambridge; Disabled Workers Co-operative in Wales and Carers Direct Worker Co-operative in Devon. The asset-based approach employed by these co-operatives is capacity-focused and is fundamentally bottom-up, beginning with what is present in the neighborhood, and inside-out, relying heavily on the efforts of internal agents, such as members/workers, federations and institutions. It reduces costs, improves product and service delivery and marketability and strengthens individual and community commitment since the services and products developed are the result of cooperation between members and are based on the capacity of each member to add value to the service or product.

For sustainability to be achieved, co-operatives must first be successful in identifying their line of business and must strive to serve a viable market. There must be a clear demand for the goods or services produced and the co-operative must be able to deliver them at a reasonable cost. The co-operatives, like other organizations, also require good management, financial probity, well trained and motivated employees, access to capital and the capacity to innovate (The UK Co-operative Council, 1994). Eighty five percent of the co-operatives in the study confirmed their success in meeting the needs of their customers. It was noted that Unicorn Grocery Ltd, a worker co-operative in Manchester, has unparalleled high demand for its products due to its cost leadership and product differentiation strategies. SUMA wholefoods, in West Yorkshire, a wholesaler and distributor of fair trade, organic and vegetarian foods products, has also grown consistently for thirty years in a fiercely competitive market by providing better service to its customers.

Products or services, no matter well they are conceived and developed, will only be successful if they meet customer needs. Shifts in consumer tastes and preferences must therefore be constantly monitored by the co-operatives. It is the favourable demand for whole-food products that has resulted in whole-food worker co-operatives like SUMA wholefoods in West Yorkshire, Unicorn Grocery in Manchester and Greencity Wholefoods in Glasgow becoming some of the most successful worker co-operatives in Britain.

Due to the size of most worker co-operatives, competition from non-co-operatives appears to be one of the most

commonly perceived threats. About 70% of the respondents in the study considered competition from non-co-operatives to be unfavourable. To compete successfully in those industries dominated by big business enterprises, co-operatives must monitor and understand the shifts in the demographic and social makeup of their target markets in terms of gender, age, income, occupation and lifestyles. For example the trend towards an aging population in the developed countries offers co-operatives opportunities in the care and support services. Co-operatives can also exploit new opportunities for creative businesses that offer services aimed at the needs of working women and single-parent households that have arisen from the current social trends. For example, one of the recent social changes that have greatly influenced the food and dining industry is health consciousness. It is pointed out that whole-food worker co-operatives have successfully exploited this opportunity to maintain their lead in the fast-growing market segment.

According to the Co-operative-UK, training and education is a keyway of helping worker co-operative members/workers to work more effectively both internally and with external stakeholders (e.g. customers), as well as providing them with the technical and specialist skills needed to carry out their jobs. Sustainability comes from the development of an organization's human capital, and effective employee training and development can contribute to improved productivity and profits (Co-operatives-UK, 2004). Co-operative education needs to be seen as more than an activity undertaken to satisfy co-operative principles, and also more than upgrading of employee skills. Education on the co-operative model, on the co-operative principles and practices, on the history of the particular co-operative and on its present-day mission and activities, is important, but equally important is the knowledge of the business, industry and the sectoral environment in which a co-operative operates. There is therefore an urgent need for co-operatives to promote education and training activities aimed at equipping their members with the much-needed skills and knowledge. Also important is the need for training in leadership skills and attitudes, entrepreneurial and managerial skills, and the general economic and social policy skills.

It is, however, important to realize that new class of managers and the future managers for the co-operatives can only be developed by educating and training young people, men and women, in managerial skills. This can be done by setting up training networks and integrating the experiences of successful co-operative managers. Educational institutions may consider the inclusion within their curricula the study of the history, principles and core values of co-operatives. The contribution and potential contribution of co-operatives to the well-being of the society should also be studied. Best practices on co-operative governance should be identified and promoted among other co-operatives. There is also need for specialized studies in co-operatives at the tertiary level of education and for more universities and colleges to offer co-operative studies as specialized modules in their business studies departments.

Co-operatives must also have sufficient capital to finance their development costs, start-up costs and growth whatever their social goals. About 74% of the worker co-operatives surveyed considers inadequate financial resources as a major

difficulty. I was noted that retained profits are considered by 76% of the worker co-operatives as their main sources of finance. It is noted, however, that even though local revolving loan funds for co-operatives are now commonplace in many countries, there is still a need for the formation of co-operative investment banks that can focus mainly on the financial needs of the co-operative sector. There is also need for innovative co-operative financing through the utilization of financial instruments like preferred shares and other non-voting shares with "investor members".

This study, which focused on the worker co-operatives in Britain, concludes that the enterprises suffer from lack of adequate finance, from doing business in unattractive sectors of the economy and from poor networks and alliances with other co-operatives. Taxation laws, people's perceptions and the general attitude towards co-operatives have not been very helpful either. There is therefore need for interventions and policies that will assure them real equality with other types of organizations and enterprises. This requires that the special values and principles of worker co-operatives receive full recognition as being desirable and beneficial to society and that appropriate measures are taken to ensure that their special qualities and practices are not the cause of discrimination and disadvantage of any kind.

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