

Blueprint for a Co-operative Decade

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I want to talk with you today about the co-operative movement globally: the trends we are seeing, the opportunities, our strategies — especially our strategies, which are found in our Blueprint for a Co-operative Decade.

When we look at co-operatives around the globe, we see a movement with solutions to the serious challenges that confront the world today. We have a responsibility to tell that story.

Our story is about the essential and vibrant part of the world economy that co-operatives already represent: our size and scale — individually — and collectively. One billion co-operators around the globe. 100 million people employed in co-operatives. The 300 largest co-operatives having an aggregate turnover in excess of USD 2 trillion.

But we have to tell our story, not just because of our size and scale; but also because of our relevance, our importance especially at this particular moment in history, because of the solutions we bring.

It was 119 years ago that leaders from co-operative movements around the globe gathered in London and established the International Co-operative Alliance. Today the Alliance has grown to represent co-operatives in 100 countries. We are privileged to count ACCU and many of you among our members.

A few years ago, the Alliance commissioned an important study for the International Labour Organisation, the ILO, called ‘The Resilience of the Co-operative Business Model in Times of Crisis’. That report revealed that, even in the time of recession:

- Consumer co-operatives’ turnover was above that of previous years
- Agricultural co-operatives showed profits, despite volatile markets
- Financial co-operatives remained financially sound with customers “flocking to bank with them because they are highly trusted”
- Worker co-operatives grew

When people hear of this success, they want to know why? We know why. Our model is focused on solving a problem that members confront. It’s not focused on the monolithic goal of seeing how much money we can make for shareholders who have no emotional connection to the product being offered.

Consequently, we have a very different approach to risk — we take prudent risks appropriate to the purpose of the co-operative. We don't 'bet the bank' on aggressive risks in pursuit of more and more money.

And so co-operatives survive in difficult days, and some grow, and some thrive. Member-owners demonstrate their confidence in co-operatives as a safe place to invest their funds, and as a place to turn to solve the problems they encounter in their lives.

I recently made a return visit to the United States. Credit unions there have experienced another record year of growth. They just reached 100 million members this Summer. People are turning to them because they trust their model, and they don't trust the banks. The greatest problem the credit unions there are facing today is that they are awash in liquidity.

It's not surprising that co-operatives thrive in times of crisis. We grew out of crises. Our methods were forged in the crucible of systemic economic disruption:

- The displacement of workers and craftsmen
- The collapse of prices for products;
- Chaos in credit markets.

We — our forebears — crafted a solution — the co-operative model — to overcome those systemic failures that had led to so much personal loss. Today there is a need for a values-based business model, one that can apply local solutions to global problems. This is a time of opportunity for the co-operative movement.

Blueprint for a Co-operative Decade

Of course, we have known this for some time. It was for this reason that we drafted the Blueprint for a Co-operative Decade during the 2012 United Nations International Year of Co-operatives: to build on the momentum we knew would be created during that Year and to ensure that the UN Year was not just a moment in time, but that it achieved lasting impact. What was clear to us then and is still true today is that the co-operative sector should be a larger part of the global economy.

If it were, it could help address many of the dysfunctions that were brought to a crisis level in the economic collapse in the closing years of the last decade, but which were building over many years:

- The tenuous nature of employment;
- The disparity between those with capital and those who are employed for their labour, in spite of record productivity;
- The enervation of the environment through the unsympathetic production of goods;

Those of us in the co-operative movement tend to believe that the co-operative model of business has something useful to offer to address these rising worries.

From a very pragmatic standpoint, we also believe that the resilience of co-operative enterprises would help to modulate the risk in the global economy, if co-operatives were a larger share of that economy. There are, therefore, strong public policy reasons for governments to support the model and to ensure that co-operatives have the policy and legal environment they need to grow.

For these reasons, we drafted the Blueprint and we asked the question “What would have to happen for the co-operative to become the fastest-growing model of enterprise by the end of this decade?” We asked our members in 100 countries around the world to reflect on this and respond to a draft paper that eventually became the Blueprint, which our members then adopted at the end of the International Year of Co-operatives, and which we then began to seriously implement last year.

We identified five areas where we need to find game-changing strategies. First, we need to differentiate co-operatives from other models of business by the nature and depth of *participation* in the co-operative model. This is an area of competitive advantage for co-operatives. People are seeking increased voice. They feel disconnected from the economic and social models that have dominated their lives. The co-operative gives a voice. It is the most participatory model of business.

Second, we need to differentiate co-operatives from other models by our inclination toward *sustainability*. We want to own this space. In a world that has been pathologically focused on profit, the co-operative has not been acknowledged as an efficient model. If we are going to reach our full potential within the global economy, we have to redefine the goal. We have to build on the climate today, which is ripe for sustainability, and to redefine efficiency in a way that recognizes economic, social and environmental sustainability.

These first two areas — participation and sustainability — are differentiators of the co-operative form. They are competitive advantages for us.

The third area in the Blueprint is *identity*: we need to build a shared global identity.

Fourth, we need a *legal framework* that is conducive to co-operative growth.

And fifth and finally, we need to ensure a reliable stream of financial *capital* for co-operative growth.

There’s much more background to why we chose these areas on our web site (www.ica.coop), where you can find the Blueprint in various languages if you haven’t seen a copy.

Now if I were speaking to you a year ago, that’s about all I would have been able to talk about: the broad conceptual framework. But this past year we moved from drafting to implementation and already there’s a great deal to report.

Growth and participation

The Blueprint sets out a vision for the decade: that if we can position the co-operative as the acknowledged leader in economic, social and environmental sustainability, then it will become the model of enterprise preferred by the people, and could become, as a result, by 2020, the fastest-growing form of enterprise.

But when we set out this vision, we encountered voices of resistance from inside the co-operative sector — people who were saying that this sounded like growth for the sake of growth, that it was an unsustainable vision, that we were buying into corporate rhetoric.

And so one of the first initiatives we undertook in implementing the Blueprint was to commission a thought leadership paper on Co-operative Growth for the 21st Century, because we wanted to think more deeply about this question of growth. This paper, too, is available on our web site. We commissioned this from CICOPA, our sectoral organisation for industrial and service co-operatives. They in turn secured reflection contributions from seven thinkers around the world.

These authors suggest that there is such a level of dissatisfaction with the old paradigms that the window is now open for serious policy shifts:

- That democratic enterprise should hold the central place in the economy;
- That new economic measurements, based on resilience and shared value, should replace today's emphasis on GDP
- That each new generation feels more passionately the socio-environmental destruction that is occurring and co-operatives should articulate a social accounting system that considers environment, well-being, inclusion, democratic governance.

In short, the paper on co-operative growth suggests that we should try to reshape the view of growth into a multifaceted and multidimensional concept. The old paradigm may not die in a predictable timeline. It may survive in fits and starts, but it's changing and we need to be prepared and working now to shape what finally emerges.

The thought leadership paper brainstorms some potential 'new growth' criteria:

- Market share (as opposed to absolute numbers)
- Resilience of the business and its surrounding community
- Ratio of member-owners to total population
- Employment creation, duration, quality
- Ratio between wage and profit
- Participation of members in enterprise decision-making
- Value and solidarity chains to promote inclusion and fair trade

These are just a few. They are already shaping how we think and what we measure.

For example, the International Co-operative Alliance publishes an annual report called the World Co-operative Monitor. This began as the Global 300, but was expanded to the Monitor, a database of over 2000 co-operatives around the world. In our last edition, in 2013, we included a new measure. We have always tracked the size of co-operatives by annual turnover/revenue, but last year we included a new measurement: revenue relative

to the per capita GDP (gross domestic product) of the country where the co-operative is based. The intent of this measure is to acknowledge that co-operatives are operating in economies around the world of vastly different size, and the impact that each has is in part dependent on the domestic/national economy in which they operate.

When we produced this new, additional table, we discovered that the largest co-operative in the world, when taken relative to their economy, their per capita GDP, is here in Asia: IFFCO, the Indian Farmers Fertiliser Cooperative. Our introduction of the per capita GDP ranking is a first step toward getting closer to understanding impact.

Sustainability

Central to co-operative growth is the notion of sustainability, which I have identified as one of the two differentiators of the co-operative model. We believe that co-operatives are inclined toward sustainability, by design; that we are by nature a more sustainable model of business than others.

In order to determine how prepared we are to assert leadership in this new paradigm, we commissioned a scan on co-operative sustainability — not an exhaustive survey, but a scan across the horizon to determine how aggressive we could be in our claim that the co-operative model is a more sustainable model.

This scan helped us to identify co-operatives around the world that are leading in sustainability. We've now approached some of those to form a Sustainability Advisory Group — frontline co-operatives working on the ground — that can help us develop the tools and the index or measurements of co-operative sustainability.

Image

We can't just be different/better and hope the world sees. There is a need for us to deliberately manage the co-operative image.

In October 2012, the Alliance co-hosted a Co-operative Summit in Québec City, Canada. The second International Summit will be held, again in Québec City, next month, 6–9 October. At the first Summit, a number of world-class reports were presented, including a specially commissioned market study on co-operatives by Ipsos Marketing, a global research firm. Ipsos conducted focus groups in five cities around the globe: Québec City, Canada; Manchester, UK; Paris, France; Buenos Aires, Argentina; and Tokyo, Japan. The results are fascinating, and generally consistent across these very different markets.

On the positive side, people recognize that co-operatives have a 'higher purpose' than maximizing profits, but they have an antiquated view of a co-operative. They believe that they are small, rural-based organisations with few members. They believe that they do not invest in R&D (research and development) or in marketing. And they therefore worry that they will have to make sacrifices if they engage with a co-operative.

People in these focus groups hadn't heard much about co-operatives and they wonder why. They would like to understand the true benefit. They're willing to hear more. There

is a great opportunity to get out our message. We have to work together to create a powerful sense of shared identity that is universally recognized.

The International Year of Co-operatives proved the willingness of co-operatives in all sectors and countries and of all sizes to adopt a shared image. In that case, it was the logo of the International Year. That logo belongs to the UN and has been retired, but we believe we can build on that experience to leverage the presence of hundreds of thousands of co-operatives in the marketplace.

We want to reinforce the message that co-operatives are genuine self-help models for addressing some of the world's most intractable problems: hunger, poverty, inequality, unemployment, environmental degradation. We want to further explain that they are successful, world-class businesses that operate ethically at scale.

The adoption of the International Year logo was such a great success in elevating public awareness that co-operatives are found in all sectors — in insurance and banking and housing and health and energy and agriculture and forestry and fisheries and tourism and worker co-operatives and consumer co-operatives. And so we commissioned the design of a global co-operative marque, which could be made available to co-operatives around the world, as a shared graphic identity: contemporary, businesslike and capable of cross-sector use.

We worked with a UK and Argentinian team who administered an on-line survey to inform the design and that had respondents from almost 90 countries. They were asked to respond to images, as well as to specific questions. The results were fascinating, and very different from our assumptions going in.

The new visual identity includes a logo known as the 'global Co-operative Marque'. It is a simple and original design comprising interlinked 'O's symbolising working together.

The new co-operative identity has a slogan — "Co-operative enterprises build a better world" — but users of the new identity are not limited to using that. A range of seven 'key messages' have been created to support the Blueprint and these are downloadable in the guidelines. There are instructions in the guidelines to allow the user to create their own messages alongside the Marque.

Along with the Marque, slogan, colour palette and key messages, we have developed seven signature images that can be used to support the co-operative identity. They are not sector or region specific so as to encourage widespread adoption and use. Each image contains a representation of the interconnecting 'O's from the Marque.

We hope that co-operatives around the world will widely and freely use this Marque.

Any positioning or branding strategy today also requires an online strategy. We believe that having an online co-operative identity is essential for every co-operative, and that the foundation to this is having a .coop top level domain identity.

In 2012 the Alliance agreed to become the home for two businesses critical to the .coop domain — the registrar and registry operator for .coop. To build on this foundation, last year we formed a partnership with NCBA in the US to take the .coop identity to the next level with an approach tailored to the various markets around the world.

We are cross-marketing the .coop domain and the global marque through a registration site: identity.coop. Our goal is for the marque to become one of the world's best known ethical labels by the end of this decade.

The Marque and the .coop domain are about images and symbols of co-operative identity. At the core of identity is what you stand for. For co-operatives, that question is answered by the Co-operative Principles articulated in the Statement on Co-operative Identity.

But the Principles need to be applied. During 2012 our members decided to produce a set of Guidance Notes to the Principles, to ensure that they could remain fresh and relevant, while recognising that we don't want to change the Principles themselves very often, as they have been enshrined with great effort into various international and national policy and legislative documents.

The first three Guidance Notes were drafted last year on Principle 3 (member economic participation); 5 (education, training and information); and 7 (concern for community). They were distributed for comment and those are being reviewed now. The remaining Notes are also in the process of being drafted. All of these will be presented at our biennial Global Conference, which will be held in Antalya, Turkey, 9–13 November 2015.

Capital

The Blueprint recognises that even models of enterprise that are not capital-defined need capital to grow. That is why Capital is one of the five key strategy areas in the Blueprint. But capital tends to come with strings, with conditions, with impositions. The challenge is to access capital while minimising the conditions that would be inimical to the co-operative principles.

We have a great start on this work, through a Blue Ribbon Commission on Co-operative Capital that we established last year. They held a 'town hall' format meeting at our biennial global conference, which was in Cape Town, South Africa last November, where they heard from attendees from around the world on their experiences in accessing and being denied access to startup and growth capital.

The Blue Ribbon Commission is taking a year 2020 horizon for its work, and is moving thoughtfully and deliberately to be certain that it does the deep thinking and data gathering that's necessary to lay the foundation to really address this intractable longstanding challenge to co-operative growth.

At this point, they have undertaken two concurrent work streams: the first is a survey of existing sources, uses, returns on, structures of capital for co-operatives, looking at where growth is currently coming from for new and growing initiatives:

- How much from members, from co-operative financial institutions, from non-co-operative financial institutions, from public sector, governments, aid/donor agencies, etc.
- The nature of that capital (i.e. size/amount, type of instrument, debt/equity, term, etc.)
- The interface with regulatory regimes and capital markets

We have commissioned this survey from the Filene Research Institute in the United States, which characterizes itself as an independent, consumer finance ‘think and do’ tank, deeply embedded in the credit union tradition. We have together selected A. Michael Andrews from Canada as the principal investigator. Mike has thirty years’ experience in the financial sector, including with Canada’s Department of Finance and with the International Monetary Fund (IMF). We are confident that he will help us identify high-level preliminary findings, which we are scheduled to present next month at the 2nd International Co-operative Summit in Québec City.

I mentioned that there are two concurrent work streams that the Blue Ribbon Commission has initiated. The first is the capital survey; the second work stream is a White Paper on Co-operative Capital, asking such questions as:

- How and why is co-operative capital distinct from other capital?
- What are the challenges for co-operatives in accessing, generating, and using capital?
- What are the broad capital solutions available that take into account both principles and practical experience?

Ultimately, we want to be able to have an opinion on what forms of capital are most suited to the co-operative model. We then want to use this ideological piece to evaluate the current sources of capital and to identify where we should put our efforts in developing new sources.

Legal Framework

At the same time, we are defining what will become our signature initiative in the strategic area of Legal Framework. Here we are working on the creation of a report called ‘Doing Co-operative Business’, which is inspired by an annual World Bank report called ‘Doing Business’. The World Bank report assesses a large number of factors in countries around the world to determine how easy or difficult it is to do business in those countries.

Our report, by contrast, will be very focused on a few factors we consider essential to a co-operative-friendly policy and legal environment:

- Can co-operatives work in every sector of the economy, or are they prohibited directly or indirectly from setting up in some?

- Is the government prohibited from contracting with co-operatives for goods and services?

Selecting the right factors will be essential and we are at that stage today. We expect to have some strong preliminary progress on this report to present at our Global Conference in Turkey 10–13 November 2015.

We are working every day to ensure that co-operatives around the world have the legal and policy environment they need to thrive, that sources of capital are reasonably available, and that people understand the co-operative difference. Our policy staff in Washington work with the United Nations and the World Bank regularly; we now have staff in the offices of the Food and Agricultural Organisation (FAO) in Rome; and we have maintained an office adjacent to the International Labour Organisation (ILO) in Geneva.

But we also have revised and updated our policy strategy to understand where decisions essential to co-operatives are being made. When we drafted the Blueprint, we first reviewed environmental scans to understand what the world would look like in 2030. We identified the multi-lateral groups like the G20 and G8 as increasingly important, and so, this year, for the first time, we have a co-operative representative on the B20, the Business Group that advises the G20 leaders. This has enabled us to insert our messages into those global policy conversations. And when the B20 met this past July in Australia, we were able to have representatives at those sessions. And we were able to secure inclusion of the mutual way of doing business as an approach for governments to consider when developing their infrastructure.

The future

Why are we doing all of this? Because there is a lot at stake. I mentioned earlier the challenges that the people around the world are facing, exacerbated by the global crisis of this past decade. We know, for example, that environmental sustainability is one of the greatest challenges the world faces today.

We're seeing yield declines in agriculture — due to land degradation, insufficient global water supplies, and climate change — at the same time that a rising middle class is increasing food consumption. Farming operations are changing, due in large part to technology, and co-operatives will need to ensure that farmers have the management skills required to embrace these new platforms.

There are 500 million smallholder farms in the developing world. The world's food insecurity challenge will not be solved without factoring in these farms. The alternative to the co-operative model in this scenario is to allow large multi-nationals and sometimes predatory states to buy up agricultural land. This will not rebound to the long-term benefit of those communities.

We have an alternative vision: one in which we work with smallholders and subsistence farmers on the ground, to build the community finance infrastructure, and to commit to the long-term programme that is required if we are to ensure that the benefits of agricultural transformation do accrue to those local communities.

Solving tough challenges like this, in the right way, takes time and persistence. It takes clarity of vision and recognition that change does not come about by mere wishing. It takes a strategy and people working together to move that strategy forward.

We at the International Co-operative Alliance are delighted that the Blueprint has received such strong endorsement from co-operatives, mutuals and credit unions around the world. To help build on that, we are launching a Co-operative Roundtable, for up to 100 primary co-operatives and supporting organisations around the world who would like to help shape our strategies and set an agenda. We are asking these senior executives and Board leaders to identify both longstanding and emerging issues of importance to the co-operative business community. The Roundtable members will prioritise issues and provide direction on further research or analysis and they will also participate in developing business intelligence and in shaping and implementing global policy. If you have an interest in learning more about the Roundtable, please contact me at gould@ica.coop.

We are delighted to have the support from ACCU in advancing the goals of the Blueprint, and we are honored to have the privilege of helping to advance your interests and the interests of a billion co-operators around the world.

Thank you!