

## **Cooperatives in Pursuit of Both Economic Viability and Social Responsibility**

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I trust that we all believe in cooperation, in doing business ethically and in social responsibility; otherwise we would not be participating in this penultimate plenary of this wonderful credit union forum. What does it mean if we really believe in some things? Responsibility is doing your share. Responsibility means that you try your best to do what you believe in. Responsibility is accepting what is required and carrying out the task to the best of your ability. If we believe in certain principles or values, then what we do or how we act should support our beliefs and values. For instance, if someone believes in caring for the environment, but then pollutes a river and wastes water, that person is not "walking the talk".

The idea of Social Responsibility of a corporation(CRS) started more than thirty years ago and has not only become a guiding principle in international business ethics but also has developed many related standards and indicators to measure performance. However, the term CRS needs to be clarified to some extent given the compounded difficulties of communication in the multi-cultural and multi-lingual context. Such clarification can provide not only deeper understanding and better guidance for action and policy, but also is necessary for measuring and reporting on corporate performance in ethical terms.

Business ethics focus on good practice of individuals, such as to do business with moral integrity or on values-based management, ethical leadership, and corporations' responsibility in society. Its field can be limited to ethical conduct within a business institution as opposed to CRS that defines the institution's external relationship. The term CRS hides more than it reveals. It can mean the ethical responsibility the institution has toward society that might equate to profit maximization or the ethical responsibility of the institution to make a contribution to society which lies beyond its economic and legal obligations. It can be "social" in the sense of philanthropic or " societal" indicating its obligations of contributing to the common good. Given such confusing variety of notions, people in the business ethical circle proposed to adopt the term " Corporate ethics" that means the ethics of the business institution with its internal and external relations and constituting one part of business and economic ethics. Since responsibility has become a key ethical term in now-a-day's moral understanding, the term "corporate responsibility" with the institution should be as subject and economic, social and environmental obligations as objects or realms of responsibility.

Many people think that in order to promote corporate social responsibility, an institution has or to make "the business case", meaning to proof that" doing business ethically pays". The discovery of doing business ethically as a business tool but not as a public relations exercise

is not something new. Smart business people know that treating employees and customers fairly, keeping promises, building a corporate culture of trust, caring for the environment, protect human rights, etc. can save considerable transaction costs, strengthen the motivation of employees and enhance the corporations' reputation and bottom line. However, if the promotion of CRS is only used as a tool or as a PR exercise and has no intrinsic value at all, the ethical motivation loses its power, the promotion becomes self-defeating and can draw even cynicism.

In the cooperative sector, the intrinsic values and the human element is the backbone of a cooperative/credit union. Along with the values of mutual help, self help, democracy, equality, equity, self management and discipline, and solidarity, social responsibility is one of the core operating principles of a cooperative/credit union. This operating principle of Social Responsibility reads: " Continuing the ideals and beliefs of cooperative pioneers, credit unions seek to bring about human and social development. Their vision of social justice extends both to the individual members and to the larger community in which they work and reside. The credit union ideal is to extend service to all who need and can use it. Every person is either a member or a potential member and appropriately part of the credit sphere of interest and concern. Decisions should be taken with full regard for the interest of the broader community within which the credit union and its members reside."

The credit union motto, "Not for profit, not for charity but for service," captures the essence of the credit union idea and being democratic in organization and cooperative in action, they have always align with the greater cooperative business sector and the United Nations which launched the 2012 International Year of Cooperatives .

A credit union is born out of human need, grows as it serves people, sustains as long as it is useful and wanted. It is not just good business. It is an institution through which relations between its members-savers and borrowers are placed upon a humane basis-service, not profit. It is a business with a heart. The foundation of credit union philosophy is people helping people. Credit unions are organizations of people, not of money. Members are the heart of the credit union. They are its *raison d'être*.

In helping to translate into Chinese the ACCU training manual on Micro-finance Innovation for Credit Unions for use in China, I learned in depth the operating performance ratios of COOP PESOS, and PEARLS as well as the Sustainable Development of Credit Unions. All these and others tools such as ACCESS Brand arm

credit unions to achieve economic viability and arm you as leaders to "Walk the talk", recognizing that economic progress is strongly dependant on the basic value of responsibility: the sense that each is responsible for the advancement of all, and on the harmony of social relations at the national level and peace internationally.

Cooperation is not only a way but also a philosophy of life; it is a set of processes and procedures of behaving; and it is a set of principles of fundamentals for the guidance of both individuals and human society. Cooperation is a cause as far-reaching as the welfare of mankind. The principles of cooperation are universal truths basic to the formation and expansion of a social order wherein men and women seek to live peacefully and creatively together. These principles resist cramping regimentation, make destructive conflicts unnecessary, and decentralize economic and social controls.

W.P. Watkins, the former director of the International Co-operative Alliance stated: "The real difference between Co-operation and the other kinds of economic organizations resides precisely in its subordination of business techniques to ethical ideas. Apart from this difference the movement has no finally satisfactory reason for its existence."

Friedrich Wilhelm Raiffeisen, known as the Father of credit unions, said: "The credit Unions are supposed to contribute essentially to social improvements, they must not confine themselves to granting loans. Their main objective should be to control the use of money, to improve the moral and physical values of people, and their will to act by themselves."

Last year, at the ACCU forum in Malaysia, I said that after the melt-down of global credit markets in 2009, the bail-outs of big financial companies from public money and the injection of US\$14 trillion into financial markets by governments around the world, it had become clear that public companies do not always promote sustained economic growth in which all can benefit. The self-interested pursuit of profit will ultimately lead to failure and counterproductive regulations. Business leaders must always assert ethical leadership so as to protect the foundations of sustainable prosperity.

Responding to the call for corporate social responsibility in recent years, in many parts of the world, a mixed form of corporation has been formed attempting to combine the for-profit incentives of the business corporation with the charitable objectives of the not-for profit organizations: social entrepreneurs. Examples are the micro-credit companies, subsidized housing corporations and undoubtedly, cooperatives/credit unions.

The G20 leaders have met in June this year. One hundred heads of state and governments met in Rio, surrounded by 50,000 activists and concerned global citizens and the concluding statement defines an "economically, socially and environmentally sustainable future for our planet and for present and future generations." This future demands sustained, economic growth for all in the human family, social justice for all and sustainable living within our planet's ecosystem. Bringing this future about is the collective responsibility of governments, the private sector and civil society.

organizations. Paragraphs 46 and 47 of the statement affirm the need for corporate social responsibility in business, as the global community moves toward its desired future.

"46. We acknowledge that the implementation of sustainable development will depend on the active engagement of both the public and the private sectors. We recognize that the active participation of the private sector can contribute to the achievement of sustainable development, including through the important tool of public-private partnerships. We support national regulatory and policy frameworks that enable business and industry to advance sustainable development initiatives, taking into account the importance of corporate social responsibility. We call on the private sector to engage in responsible business practices, such as those promoted by the United Nations Global Compact.

47. We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments and relevant stakeholders with the support of the United Nations system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account experiences from already existing frameworks and paying particular attention to the needs of developing countries, including for capacity-building."

We, the cooperative sector certainly has a role to play to bring about such a future. It is the right time for us to rekindle our cooperative dream and to tell the world what we have been doing and will continue to do vigorously..

You would agree with me that here in the Philippines , as in the other parts of the world, the cooperative/credit union movement owes its success to men and women, who, in past years, devoted their lives to the grand adventure of translating the ideal of brotherhood into everyday reality.

In my nearly 50 years of serving the credit union movement, I have made many friends who are leaders and members of cooperative societies devoting themselves to cooperative activities with a zeal that is akin to religion. Among many these friends are spiritual leaders. Our credit unions, chapters, leagues , ACCU, WOCCU and affiliated organizations are the result of the vision , courage and tenacity of countless selfish souls. To me, there is an undoubted spiritual nature to cooperation. While cooperation is not a religion in itself, it has many religious characteristics. It is more than an ethical way of life; it is a cause, the

cause of helping to alleviate poverty; it has a mission, a mission to render service with others, not simply for others; it produces sacrifice, sacrifice in behalf of justice and peaceful human relations.

I also believe that sustainable development which we cooperators have talked so much about, must be based on and guided by fundamental human values and a spiritual perspective of life.

Do you believe in cooperation?

With your zeal , strong pledge and commitment, I see a new generation of responsible cooperative leaders emerging. Your decisions and determination for the good cause of cooperation rely on your awareness of cooperative principles and guided by fundamental human values such as fairness, honesty, humanity, prudence , responsibility and sustainability.