

The Co-operative in the World of Globalization

Associate Professor Yordanka Yovkova, Ph.D.

Summary: The article is devoted to the problems of the place and the role of the co-operative in the age of globalization. An attention is paid to the characteristics of globalization and its consequences. There is an emphasis on the negative consequences and on the opportunity to overcome some of them with the help of co-operative organizations. In this connection some basic questions are discussed – the essence and characteristics of the co-operative and co-operative values and principles; the place of the co-operative in today's economic and social environment and the opportunity created by globalization for the development of the co-operative. Some of the most important forms of globalization are pointed out – export, co-operation, production under licence etc. Through these forms the cooperatives will be able to adapt themselves to the contemporary conditions.

Key words: co-operative, globalization, dual nature of the cooperative, democracy, solidarity, identity, export, licence, co-operation.

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Globalization is a phenomenon associated with an increase in world trade and international investments as well as with an increase in and intensification of the

international flow of funds and changes in a number of political systems. It strongly affects the economy, but is not limited to it. Globalization includes many social and political changes, such as a universal perception of democratism and pluralism as leading political and economic principles as well as an increase in individual freedom and a decentralization of the decision-making processes in different areas of life. The globalization processes are enhanced by the development of information and communication technologies and the spread of the “Western” culture and way of life among more and more population groups in the world.

In the economy globalization leads to biggest changes. As a result of globalization the market economy is the prevailing economic model in the world. However, this does not mean that every economic activity is global. Many people are still employed in activities of a local nature and the local economic activity is as important for them as the global one, regarded on a world scale.

It is an indisputable fact that globalization has opened new opportunities for economic growth and development of the world economy. But at the same time the rapid course of the changes and the incorporation to global economic activities is accompanied by an increase in poverty, unemployment and social disintegration. In a certain way the global economy today reminds of the capitalist economy from the end of the 19th century – prosperity and opportunities on the one hand and unemployment, poverty,

insecurity and lack of opportunities on the other hand. For many people this implies a limitation of the possibilities for self-realization and social integration.

It was in a similar situation in the 19th century that the cooperatives emerged as a form of reaction to big companies. The analogy with the situation of today naturally poses the question about the place of the cooperative in the present-day conditions. And whether we should not remind ourselves what the essence of the cooperative is in order to correctly define that place.

Cooperatives can expand people’s opportunities for professional self-realization through the implementation of joint activities and they can provide social support by applying the principle of mutual assistance. On this basis the International Labour Organization at its first global forum on employment defined the cooperative as “an enterprise combining productivity and competition with social goals, which makes them unique bearers of a high-quality labour model”.

The globalization processes and the development of cooperatives in the present-

day conditions give rise to the following questions:

1. What is the real essence of the cooperative, since there were considerable deviations from it particularly in Bulgaria during the period of centralized planned economy, the overcoming of which deviations has caused problems in the development of the Bulgarian cooperatives that still persist?
2. What is the place of the cooperative in the globalizing economic and social environment?
3. What opportunities for the development of the cooperative does globalization provide?

The cooperative is a unique organizational form. Its creation and development are based on the application of universal cooperative principles formulated on the basis of common ideas. The uniqueness of the cooperative consists in the fact that it has a variety of functions ranging from the organization and carrying out of economic activity to the improvement of the social, cultural and educational status of its members. This variety of functions determines the so-called **“dual nature of the cooperative”** (G. Draheim). It is manifested

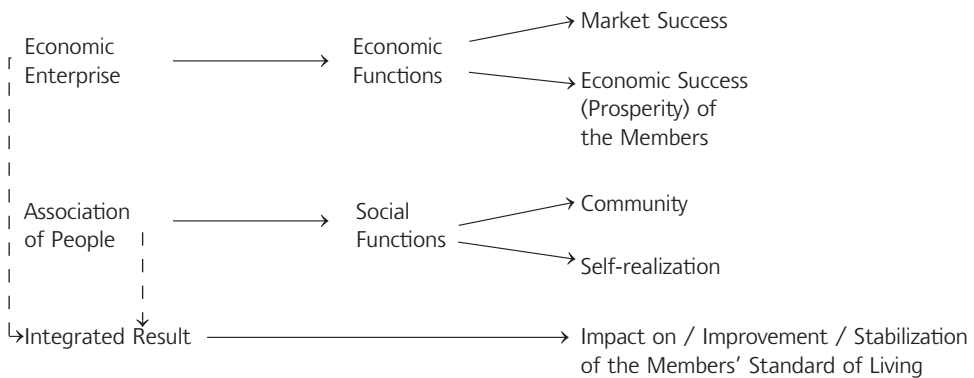


Figure 1. Dual Nature of the Cooperative

in the fact that the cooperative economic enterprise, which is democratically organized and has as its goal to provide economic assistance to its members, functions within the common structure of the “cooperative” on the one hand, while on the other hand there is a man-dominated association of people. This is illustrated in figure 1.

The co-existence of an economic enterprise and a personal union in true cooperatives leads to a split in goal setting, namely:

- a) the best possible achievement of the market, i.e. the economic, functions of the economic enterprise and
- b) the best possible achievement of the social functions of the personal association.

Consequently cooperatives follow an economically rational and a sociocultural and psychologically determined paradigm at the same time.

Apart from the dual nature of the cooperative as its main feature, it possesses other features as well which set it apart from other organizational forms.

The cooperative is a **social system**, in the actions of which the principle of emancipation (**lack of discrimination**) plays a special role. From their creation until the present day cooperatives have been free from economic, social, personal, legal, political, religious and other dependencies. It is possible to achieve this kind of freedom thanks to the application of the principle of self-assistance which is a distinguishing trait of the cooperative.

The assistance agreement is another feature of the cooperative. Cooperatives are not founded without a good reason. They are an instrument for providing assistance to the businesses and

households of their members. Cooperatives assist their members in two aspects due to their dual nature – in the material (economic) aspect and in the immaterial (social) aspect. With their membership in the cooperative the members enter into a kind of agreement with the cooperative for the forms and ways of providing this assistance (common sales, common supplies, training courses etc.).

Democracy is another distinguishing trait of the cooperative. The cooperative is a co-owned and democratically managed enterprise. Democracy has a lot of dimensions here. For example, the cooperative members participate actively in the process of defining their own problems and needs, which means that they participate in the goal-setting process. By participating in the General Meeting and voting according to the principle “one member – one vote”, the cooperative members practically take part in the making of all decisions regarding the activity of the cooperative and the distribution of the results of this activity.

Solidarity as another feature of the cooperative serves as a corrective which counteracts division and competition. It is solidarity that the development of the cooperative organizational culture, ethics and morals is associated with. Solidarity implies that every cooperative member assumes responsibility for the other members or for the community as a whole. In this respect a conflict between the member’s own (personal) interest and the social responsibility can arise. As a result a need for specific organizational activity which balances the two types of responsibility appears in the cooperative.

Identity is an especially important feature of the cooperative, because it is only the cooperative that offers its members to perform three functions at the same time –

co-owners (capital providers), customers and decision makers (controlling function). Ideally this guarantees that cooperatives are the most rational form of economic enterprise, because they unite the interests of the three parties that participate in the carrying out of the economic activity.

Along with the outlined distinguishing traits of the cooperative, we should also pay attention to its fundamental values and principles, some of which form the basis of the features above. The following can be mentioned in this group:

1. The cooperative principles, namely:

- open, voluntary membership which ensures the possibility to freely join and abandon the cooperative at any time. However, this means that the cooperative capital varies;
- democratic management which means that one member has one vote, regardless of how many shares or share contributions they have;
- limited interest accrual on the capital which means a renouncement of the pursuit of profit. To receive dividends is not a goal of the cooperative. The pursuit of profit is subject to the goal of assisting the members. The capital is necessary, but does not play a dominant part;
- at the end of the year the surplus is distributed among the members in proportion to their share participation in transactions with the cooperative (i.e. in proportion to the turnover);
- assisting the cooperative educational activity and instilling a spirit of support and community development;
- joint work (pooling) of cooperatives at the local, national and international level.

2. Legal principles:

- legal exemption of cooperatives of all kinds of charges related to their incorporation and registration;
- equality of the members which is stipulated in the law and results from the fact that cooperatives are traditionally regarded first and foremost as an association of people and secondly as economic entities. The emphasis on the cooperative as an association of people is known as “the principle of the person” and implies that the relationships between people prevail over economic and material relationships;
- legally stipulated participation in the management of the enterprise and consequently in the decision-making process;
- legally stipulated responsibility within the amount of the members’ share contributions and specific funding which includes initiation and share contributions, additional contributions, loans from members etc. as specific components;
- legal regulation of the cooperative auditing practices.

3. Economic principles. The cooperative carries on transactions with members and non-members. However, the transactions carried out with members must have a larger share. This is also associated with the taxation of cooperatives, i.e. they are exempt from profit tax only for profits obtained from transactions with members. On the other hand transactions with non-members must be in the interest of the members’ business.

4. Financial principles. They refer to the low share contributions. This is due to the fact that the cooperative is oriented towards the poor and middle-class population groups. Another financial principle is the varying capital basis, which makes it imperative for the cooperative to form larger reserves and indivisible funds.

There are certain interdependences between the principles and the characteristics of the cooperative. This allows us to define the cooperative as an economic system which strives to provide optimal assistance to its members, but it is also a technological system which strives to achieve optimal functioning in the manufacturing and sale of its products and services which in its turn must lead to the provision of assistance to its members. The cooperative is a social system which strives for optimal satisfaction of the social needs of its members by creating appropriate conditions for this purpose. In the present-day conditions cooperatives are also very often defined as ecological systems which strive for optimal environmental protection.

As pointed out in the beginning, the processes of stratification in the society intensify in the era of globalization. Relatively large population strata are affected by these processes which in more concrete terms are manifested in:

- insecurity, i.e. many people are incapable of coping with the challenges of the rapid social, economic and technological changes;
- the economically weak and insufficiently educated population groups are taken advantage of by the economically strong groups which apply new production methods and technologies;
- strong competition which results in small and weak enterprises being ruined by big companies and corporations;
- dominance of those who own the land, the capital and the functioning enterprises.

To oppose these processes, the development of a strong entrepreneurial spirit is required. However, there are relatively few individuals in one national economy and also on a global scale who possess this kind of spirit and there consequently would be few individuals who with their own resources and at their own risk could

achieve their goals in the economy and later in the social sphere as well. This is where **the cooperative plays a prominent role**. In this respect the cooperative association implies that every member for one reason or another does not possess a sufficient entrepreneurial spirit. This can result from and be manifested in the members' limited capital, in the impossibility to access all possible capital sources as well as in the lack of sufficient economic power to allow them to operate independently on the market. It is these aspects that are overcome through the cooperative. This is done by:

- collective action. In the cooperative the overcoming of problems, their solving and the making of decisions which is the essence of management are done on the basis of solidarity and community. Every member of the cooperative acts in accordance with these principles. Every member knows that the others support him and have furthermore assumed responsibility for his decisions and actions as he has assumed responsibility for theirs;
- awareness of and correct formulation of the goal (the main task) of the cooperative. There is a special peculiarity here. Private companies strive for a maximum economic result, state-owned companies must take into consideration and conform with a number of political, social and public goals, while the cooperative has as its goal to assist its members in the best possible (i.e. in an optimal) form. On this basis the economic result from the activity of the cooperative is just a means for achieving this goal;
- consistent application of the principle of democratism in the management and work of the cooperative. This means that the individual member joins the community voluntarily and also that he has realized that he is incapable of solving his problems on his own which causes a need for collective action. Democratism further means that the members of a cooperative regard their association as help for self-help,

i.e. they try to achieve their individual goals by mutual assistance. This in its turn means that every member of the cooperative receives the help of all others in the achievement of his individual goals. But it means also that there is a similarity between the individual goals of the cooperative members, or to put it differently, the cooperative is a community of the interests of its members;

- application of the principle “advantage to people and not to capital”, which does not mean that the role of the capital should be underestimated.

Bearing in mind the above-mentioned characteristics, values and principles of the cooperative, we can summarize that it is a good option for an alternative business model in the era of globalization. For this purpose the cooperative organizational form must develop the said characteristics, values and principles in conformity with the new conditions and at the same time take advantage of the **opportunities** for development and stabilization of the cooperative structures provided by globalization. Such opportunities can be found in different aspects, some of which are pointed out below.

One of the possible and widespread globalization forms is **export**. Through export the individual enterprises, including cooperatives, can successfully join the international flow of goods. Of course, it must be borne in mind that cooperatives, and particularly Bulgarian ones, are small in size and relatively weak in economic terms. The quality and competitiveness of their products must also be taken into consideration. Most negative aspects can be overcome through the association of cooperatives. It can be accomplished in two ways – either through the pooling of cooperatives according to one of the fundamental cooperative principles, or through the cooperative unions in which cooperatives of a similar type are members. In

both cases the result is formations which are significant in size and economically strong and which can go out on the international markets and join the global trade.

Pooling is another globalization form suitable for use by cooperatives. This refers not to the association of cooperatives with a common goal (to go out on the market together), but to association along the lines of producing the consumption value and the value of a given product – from primary cooperatives to cooperatives marketing the finished product. This form is more difficult to accomplish, since it can occur at a given, defined stage of the production that there is no cooperative with the relevant object of activity. As a globalization form this kind of pooling implies the association of cooperatives both within a national economy and from different countries.

Licensed production is another possible form for joining the global economy. It can be regarded in two forms – license purchasing or licensing of own production. The potential for joining the international flow of goods here results from the fact that there is a higher consumer demand for licensed products in the entire world. This form also implies that cooperatives unite (pool together) in order to purchase a common license or to license a common production (in most cases individual cooperatives are not capable of this on their own).

The opening of representation offices and/or branch offices in other countries is another form of joining the globalization processes. It is related to considerable costs and is possible and suitable for big economic subjects. That is why cooperatives again show the necessity for pooling into higher-range cooperatives or into unions which have the resources and funds for opening and maintaining this kind of structures.

The founding of subsidiaries is another globalization form which, when viewed through the prism of cooperative principles and legislations, is expressed in the possibility for cooperatives to found cooperative and intercooperative enterprises. From the point of view of joining the globalization processes the more suitable form is the intercooperative enterprise. It allows a significant number of relatively small cooperatives with not very big individual share to found a powerful intercooperative enterprise capable of successfully joining the international business and operations.

The above-mentioned globalization forms are not the only ones available, but are sufficient for cooperatives, and in particular Bulgarian cooperatives, to allow them to gradually find their own place in the global economy.

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