

GLOBALIZATION OF COOPERATIVE ORGANIZATIONS: A CHALLENGE ON COOPERATIVE PRINCIPLES

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ABSTRACT

The impact of globalization may be most visible in global organization, but in cooperative organization there are differences in universal application of Cooperative principles. This study, therefore, defined globalization and cooperative organization and examines the fundamental principles underlying cooperative business. It highlighted points of difficulties in universal application of cooperative principles. Conclude by explaining the various reasons accountable for variation in acceptability of Cooperative principles worldwide, taking into consideration the cultural, socio economic and other differences from one country to another. Hence, it was recommended among others that government should encourage Cooperative societies to register by making the registration attractive.

Keywords: *Globalization, Co-operative organizations, challenge, cooperative principles*

INTRODUCTION

Principles according to Hornsby (1974) in Oxford Advanced Learner's Dictionary is the basic true, a conviction, a general law of cause, a comprehensive or fundamental law, a guiding rule for behaviour. In his opinion, Bakken citing in Awojuyigbe (2007) describes a principle as a broad truth and an apparent law, a primary element that describes the course of an action. The cooperative principles remain a singular factor that distinguishes cooperative societies from other types of organizational business or otherwise. Calvert as quoted in Babalola (2004) describes a cooperative society as a form of organization where a person voluntarily associates together as human beings on the basis of equality for the promotion of economic interest of themselves. From the above definition some ideas forming the basic principles can be identified as follows:-

- i. Principle of self help
- ii. Principle of cooperation
- iii. Equality of members
- iv. Voluntary association
- v. Member's economic promotion

Encarta (2009) cited Watkin, describes principles as the ideas that underline the condition which people accept when they agree to cooperate. In his words, this

includes Principles of mutual assistance through co-operation.

Principles of responsibilities: The willingness and readiness to accept responsibilities.

Principles of equity: Promoting fairness and justice in the business of the society

Principles of economy: Economy here means the use of resources efficiently i.e without wastage.

Principles of democracy: This explain voluntary membership that is freedom to be or not to be a member.

Principles of Education: This explains the passing of information, knowledge and that required skill in managing a cooperation society.

In summary, one can see that there are three stages which must be undergone before a cooperative society can be guided by acceptable principles:-

1. Idea that provides a general knowledge of what we want or what to be done
2. From the idea principle can be derived
3. From the application or usage of the principles, it becomes a practice.

Origin of Cooperative Principles

There is no doubt or dispute that cooperative society originated from the working rules and regulation of the Rochdale equitable pioneer. Before this period, several attempts were made by various men of goodwill towards establishing a successful cooperative society but they were not successful. However in August 1844 a group of workers, weavers in a textile factory in Rochdale formed the first successful cooperative society. This was made possible as a result of the formation and application of guiding rules of operation which members obeyed. The Rochdale equitable pioneer principles in International Cooperative Alliance (ICA, 2010) are summarized as follows:-

- i Open membership i.e. freedom to be or not to be a member
- ii Democratic control: this means that the society and all its business activities are democratically managed by all the members. In addition members have equal vote
- iii Principles of limited interest on capital: this principles discouraged interest can be charge on the capital paid by members. This principles discouraged money laundry
- iv Principles of patronage refund: this encourages member's participation in patronizing the society since parts of the expenses incurred by members are later returned as profit.
- v Principles of cash trading: this promotes only cash transaction no credit sales. It is cash and carry basis.
- vi Principle of political and religious neutrality: issues of politics and Religion should not be brought for discussion in the society.
- vii Sales of pure and unadulterated good: the society should deal only with pure and unadulterated good. That is, original goods.
- viii Principle of continuous education of member. The society should serve as

means of advising its members as well as promoting mutual trade. Not only to enrol members but to make them good co-operators in a broad sense clear understanding of the principles.

The principles of Rochdale were intact as at 1930 though it was reversed by the I.C.A in 1937, 1966, 1995

Review of Rochdale Principles: In its congress of 1937 held in Paris, the international co-operative alliance (ICA) criticized the original Rochdale Principles.

Consequently, out of the original Rochdale principles, four were adopted as obligatory, universal and necessary for eligibility into membership of the ICA, while three were held as recommendations as follows:

- i. Open membership
- ii. Democratic control one man, one vote
- iii. Dividend on purchases
- iv. Limited interest on capital

The other three Rochdale principles were held to be only recommendations.

- v. Cash sales at market price
- vi. Political and religious neutrality
- vii. Promotion of education

The eight principles, sale of pure and unadulterated goods were dropped on the grounds that business honesty is not peculiar to co-operatives (ICA, 2010)

As a result of the immense expansion of the Co-operatives Movement, the general prevailing economic environment and the difficulty of applying the principles to agricultural and other types of Co-operatives, the ICA in its 1966, 23rd congress in Vienna approved the following six principles.

Open and voluntary membership: Without discrimination of religion or politics, no one who is in a position to use the services of a co-operative and who wishes to join in good faith should be denied access to membership; nor can there be any discriminatory barrier because of race, religion, sex, political persuasion or social background. Co-operation must be voluntary. Political and religious neutrality as been merged with open memberships

Democratic control (One man, one vote): No one should have undue advantage over others on the basis of the amount of capital contributed. Voting by proxy is not allowed.

Limited interest on capital: cooperatives are expected to exist principally to provide services to their members at the least cost and should not be expected to generate large returns from the capital.

Equitable distribution of surplus or economic results: Surplus (profit) over and above expenses and normal reserves is to be distributing in accordance with the rule of proportionality. In other words, members share from the surplus should be based on the services they rendered to the organization or according to how much they patronized it.

Education for members, officers, employees and the public: every co-operative should support educational programmes. This is why co-operatives have an Education Fund that is particularly mean for educational programmes. For example a credit society teaches members the proper use of money, a consumer co-operative trains members in what to buy as well as time value of money, etc.

Cash sales: Cash sales at market price were dropped because it was considered to be a business practice rather than a general principle.

In 1995, the co-operative principles underwent another review by the ICA. The new principles place emphasis on economic growth and viability of cooperatives, their autonomy and independence and their responsibilities in community development and rural transformation (ICA, 2011). The 1995 principles and their essential characteristics are as follows.

- i. **Voluntary and open membership:** it pre-supposes freedom for anybody who fulfils the conditions of membership to join any society without any form of discrimination.
- ii. **Democratic member control:** Members have equal rights of one vote each. Members should ensure full attendance at meetings. They should participate fully in the decision on making process of the society.
- iii. **Member's economic participation:** Member should be directly involved in the economic business of the society or by transferring this responsibility to the executive committee. In this regard, members must be financially up to date, attend meetings regularly and participate in the decision making process. Members are also implored to patronize their society in all its business as this constitutes part of the member's obligations to their society.
- iv. **Autonomy and independence:** This principle underscores the importance of self government and self - determination in the existence and operations of cooperatives. The principle also forbids government from interfering in the overall affairs of The Cooperative Society. The implication of this is that cooperatives should be self financed and self sustained. The overall goal is to develop member initiated, member planned, member formed and member managed Cooperatives. The responsibility of government in this regard is the creation of an enabling environment for the growth and development of Cooperatives.
- v. **Education, training to ensure development of Cooperatives:** Education and training to ensure development of Cooperatives. (Babalola (1999) opened that Dr. William King, one of the early fathers of modern cooperation said, 'you cannot be a co-operator unless you are a man of business and education. Members must fully understand the concept of cooperation, cooperative laws and bye laws, their rights and privileges, etc. Education breeds information and information breeds knowledge and understanding. Free flow of information promotes unity, commitment, loyalty, trust and dedication of members to their society.

- vi. **Cooperation:** Among cooperatives all cooperative societies, unions and apex organizations should cooperate at all levels of their operations and management.
- vii. **Concern for community:** This principle underscores the responsibility of cooperatives to the communities where they operate. Economically viable cooperatives would benefit the communities through enhanced income, provision of employment opportunities, development of community infrastructures and increased farm productivity.

Dr. Martin Abrahamson in Ihimodu(1988), listed five principles which according to him seem basic and that are in common use.

These are:

- Operation at cost
- Member control
- Member ownership
- Limited returns on equity capital
- Duty to educate (ICA, 2011)

Such individual contribution to the development of the principles of cooperation eventually get to the congresses of the ICA now held quadrennials, where they are debated, sifted and either adopted or kept in view.

Principles and values of cooperation

Enriquez in Anawo (2010) stated clearly four (4) object of Cooperative Societies namely to

- i. Improve the existing social order
- ii. Provide good life and happiness to people
- iii. Promote human dignity and
- iv. Bring about social justice and equity.

Ake in Anawo (2010) Cooperative values in a changing world identified basic ideas and ethics of cooperation as,

- i. Equality (Democracy)
- ii. Equity (social justice)
- iii. Liberty (voluntarism)
- iv. Mutual Self-help (solidarity and self reliance)
- v. Social emancipation
- vi. Altruism (social responsibility)
- vii. Economy
- viii. Internationalism (international solidarity and peace)

What also constitute the values of a Cooperative Society as exhibited by a cooperative man otherwise known as a co-operator? These are values which every co-operator must display at all times. These values of:

- i Honesty
- ii Humanity love and caring
- iii Solidarity

- iv Responsibility
- v Justice and fairness
- vi Democracy
- vii Constructiveness

For any cooperative society to succeed, the above mentioned ethics and values must be practiced. Also, the art of cooperation is mainly based on practical approach which justifies the saying that co-operator take the economy in their hands. The character of any Cooperative Society is purely economic, which must also be supported by moral, ethical, social, cultural and political motivational values. These core values, according to Ake in Anawo (2010) are transformed into cooperative principles.

The concept of equality: Where members cooperate and relate on equal basis. All members have equal access to the opportunities within the society which are shared on participatory basis. This constitutes democratic principle.

The concept of voluntarism: This implies the freedom to be or not to be a member of a cooperative society. This principle promotes loyalty and commitments on the part of every member.

The concept of mutual self help: This principle underlines the importance of cooperation and solidarity among members. Members' interests are also protected and promoted; this promotes self - reliance

The concept of socio-economic emancipation: The economic and social well - being of member appreciates from time to time to justify membership.

The concept of justice and fair-play: All activities in the society must be guided by good conscience and fair play. In addition, human values and dignity must be promoted.

The concept of identity: Every human being is ever willing to associate with a progressive group. So members want to identify themselves with the society to earn the society's goodwill, respect and honour. To promote this principle, member - society relationship must be promoted and sustained. There must be sincerity, honesty, self - help, self-respect and hard work among members.

Some expert's did a lot of works on the review of different aspects of cooperatives both in theory and practices. The understanding of various definitions and explanations will allow for better understanding of the concepts of the subject matter. It also brings into highlight ideas on aims, concepts, principles and practice of cooperation. Calvert citing in Babalola (1999) in his book "Laws and Principles of cooperation" describes a cooperative society as a form of organization wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interest of themselves. He further stressed that cooperation should be based on the principles of:

- a. Self - help
- b. Personal human cooperation
- c. Equality of members

- d. Voluntary association (of members)
- e. Members (economic) promotion.

Watkins in Anawo (2010) another author, described cooperation as the idea of people coming together to promote mutual aid to one another, he stated that such idea should be based on:

- i. Mutual assistance
- ii. Willingness to accept responsibility
- iii. Economy in the use of resources
- iv. Democracy, where members have equal rights
- v. Liberty freedom to be or not to be a member of the society
- vi. Education of members on cooperatives
- vii. Equity justice and fair play

Bakken's idea of cooperative thought are:

- i. Open membership
- ii. Selective membership
- iii. Democratic representation
- iv. Functional representation
- v. Service rendered at cost
- vi. Form each according to this capacity, to each according to his contribution
- vii. De - emphasis of capital role
- viii. Ownership and integration of businesses
- ix. Political, racial and religious neutrality
- x. Promotion of economic ideas

Munkner in Ohukwu (1988) institute identified the following principles:

1. Self help/promotion of the members interest
2. Identity as co-owners and customers simultaneously
3. Member's promotion
4. Economic efficiency
5. Voluntary association
6. Open membership
7. Democratic management and control
8. Autonomy
9. Fair and just distribution of the economic result of the society
10. Indivisible reserve fund
11. Promotion of education
12. Political and religious neutrality.

Co-operative principles are general rules. They are rules of behaviour, and are, in fact, obligatory. They represent those defining properties that set co-operatives apart from other organizations or business enterprises.

On the other hand, cooperative practices are methods of implementing the principles. The same principle may be observed through several different practices. For example, one man, one vote is a statement of practice, not of principle. It is way

of implementing the principle of democratic control. Similarly, dividend on purchases is a practice tenable only in consumer societies in prosecution of the principle of Equitable Distribution of Surplus. There are certain practices that are observed universally, such as, no voting by proxy, no selling of shares in the stock market, etc.

Cooperation is a process (means) rather than an end. It is important to briefly discuss some concepts of cooperation. Many cooperative practitioners saw it as an end rather than a means or a process of reaching an end. Cooperative societies are formed to enable members use them to achieve some definite goals. It is not the end or goal itself. This wrong perception contributed to why most cooperative societies collapsed in developing countries. Cooperatives will only work for those that work for cooperatives.

It becomes imperative to note that every member must contribute morally and financially to the working of a cooperative society to make it work. It is mandatory for member to voluntarily participate in the planning and execution of cooperative projects. It is only then that their objectives can be realized which is not universally practiced today. For example, every member must participate in decision making process by regularly attending meetings and must also be a financial member by paying all his dues timely. Such financial obligations include payment of shares, savings, levies and others as may be stated in the society bye-law.

Members that use their society as ends are ever unwilling to participate in their society's activities but are ever ready to share from the profit of the society due to violation of universal principles of cooperatives.

Reasons for Non-Universality and Universal Application of Co-operative Principles

The world owes a lasting debt to the Rochdale Pioneers for bequeathing to humanity a unique combination of wise and original rules of business management. But for the following reason, the principles cannot be universal in formulation and application:-

The Rochdale Cooperative of 1844 was essentially a consumer co-operative: In Nigeria, agricultural producer or marketing co-operating that emerged thereafter are not limited to the consumer type. For instance, more than 70% co-operative societies in Nigeria are agricultural producer or marketing co-operatives.

Prevailing socio-economic conditions: The principles reflected the experiences and the economic and political conditions of a specific period, namely, the early period of the industrial revolution. Those conditions have changed over time.

Economic systems: The principles were formulated under the system and conditions of extreme capitalism which since then have undergone refinements. In addition,, the socialist/communist system in Eastern Europe and different forms of mixed economies in the developing countries have since come into being with conditions different in several respects to those of the original extreme capitalism.

CONCLUSION AND RECOMMENDATIONS

It could be observed that the co-operative principles were more in favour of consumer co-operative movement because the pioneers of co-operative society were essentially a consumer co-operative. In addition, the prevailing conditions which the pioneer found themselves when they set out their ideas were changed with time. For the principles therefore to meet the aim and objectives of different parts of the world, the need for their continuous review from time to time has become obvious. It is because of that reason that positive attempts to modify the principles were made by the International Co-operative Alliance (I.C.A) and some writers on the subject. From the above problems in universal acceptance of cooperative principles the following recommendations are proffered for effective acceptability of the cooperative principles

- i The ICA should embark on congresses to review the existing cooperative principles and make it relevance to all cultures and races in the world.
- ii Conferences, Seminars and workshops should be organized for all registered cooperative societies with emphasis on universality of cooperative principles.
- iii Government should give aids, loans and assistance to cooperative societies to enhance their effectiveness.
- iv Government should encourage cooperative societies to register by making the registration fee free.

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