

COOPERATIVES - MARKET INTERVENTION STRATEGIES

1. The purpose and function of cooperatives

The purpose of a cooperative enterprise should be established by its members, which ordinarily is to remedy specific deficiencies in a specific market or marketplace. The purpose needs to be set out in terms of the specific outcomes that the membership want their enterprise to achieve on their behalf. These achievements will not only include socio-economic benefits - '*a better deal*' but also honest dealing, integrity, fairness, equivalence, autonomy - '*a better organization*' and continuity/resilience - '*a better future*'. The function of a cooperative enterprise is to intervene in a specific marketplace in the sustainable interest of its members. Coop leaders need to be very clear as to those markets/marketplaces where they should be intervening on behalf of their members. In most countries there are a lot of markets and marketplaces crying-out for cooperative intervention.

Those that are at a disadvantage in a market or marketplace often conclude that the only way get a fair deal is to act together with others having similar needs. In some cases people, usually producers or workers, act together as a group simply to improve their competitive position within a market. In both situations the group makes use of a cooperative as the means of carrying out their purpose. Such self-help and mutual action has led to the formation of many different forms of cooperative and mutual enterprises intervening within all manner of different markets and marketplaces. In fact coops have been established throughout the world to service the needs of groups of buyers and sellers in almost every situation where a market exists.

Some of the earliest cooperatives were established by consumers when their members wanted to get unadulterated foodstuffs, honest weights and measures and fair prices. Cooperatives of agricultural producers sought to get fairer prices and proper weights for their produce and to reach more distant markets. In other situations farmers wanted farming inputs of good quality at a fair price. Similarly, workers that wanted to get a fairer price for their labour and better working conditions formed coops. People in need of insurance came together to form mutual insurance societies, and people in need of credit and a fair rate for their savings set up building societies, agricultural banks, credit societies and credit unions. These are only examples of how different groups with different needs have formed various forms of cooperatives and other forms of member-controlled enterprise. In all cases they formed their enterprises because they wanted to get a better deal within in a specific market or marketplace.

2. Every coop needs a viable market intervention strategy

Cooperative ownership *per se* can promise little or no benefit to members, such benefits only arise when the collective power of the members is exercised in the marketplace. Simply setting-up and running a coop as an enterprise that operates in a similar way to a commercial business is never enough to sustain a cooperative.

At the heart of every truly successful cooperative there will be a viable market intervention strategy, this provides the means of securing a better deal for its members. The development of such a strategy involves finding better ways of doing things that result in providing members with benefits that are not available in the current marketplace. This can be a better price but this alone is rarely enough to maintain a cooperative over the long-term. The best way of understanding the kinds of market intervention strategies used by coops is to check out the examples provided by successful coops everywhere. Part of the overall strategy will inevitably include providing goods or services that offer better value and other features demanded by members, but will also include the need for a

coop to be trusted by its members to at all times act in their best interest, and be committed to them over the long-term. It goes without saying that any such strategy must be totally viable and needs to yield a surplus sufficient cover all costs and risks incurred in its delivery. In all cases it is essential to prepare an enterprise plan to validate the viability of the strategy both at the conception stage and on a continuing basis.

The basis of a coop's market intervention strategy is a response to the situation existing within a specific market/marketplace, which typically means that the existing players in the marketplace are not willing to provide what the people need, are exploiting their existing position within the market or are simply dishonest. Coop members need to at least understand the basic elements of the strategy and the member-leaders, executives and key employees need to fully understand both the strategy and the dynamics of the market in which they are operating. The market intervention strategy is usually the main driver for establishing a new cooperative, which occurs when the need for a specific set of actions is identified by a group that becomes its founding members.

A part of any successful market intervention strategy is a commitment from members and their effective engagement with their coop, usually the higher the level of commitment and engagement achieved then the greater degree of success and mutual member-benefits there is likely to be. In most cases such engagement is cemented by some form of financial commitment, such as by making an investment or placing part of their savings into their coop. A coop's invention strategy will in most case be built upon the organizational features that are unique to cooperatives. This will include the coop's commitment to honest trading, building long-term relationships with all other stakeholders and the strength and resilience that should be provided by a committed membership.

Other strengths of coops, when compared with other players in a marketplace, should also be evident. For example, where its finance is mainly self-provided by members and by other ethical investors, along with finance accumulated from retained surpluses, the overall cost of finance should be lower than those of investor-controlled businesses. Also, coops should not be driven by the short-termism, profit maximization or speculation, which in turn should mean that their coop can focus upon helping to provide members with a sustainable future.

3. Game-changing strategies

Creative thinking by the founding members of many coops has often resulted in the development of 'game-changing' market intervention strategies. The founders of such coops gained an understanding of the failings within a specific market and responded with bold new approaches that allowed their coops to radically change the situation by making use of the combined power of their members within the marketplace.

Amongst the really big ideas for cooperative market intervention strategies are the Rochdale model of consumer cooperation, the Raiffeisen system for agricultural credit, The *caisse populaire de Lévis* in Quebec, Canada, and the cooperative creamery model promoted by Horace Plunkett in Ireland. However, there have been and continue to be many more game-changing intervention strategies developed by coops everywhere. In more recent times these have included those developed by healthy and local food coops, community farms, community-owned shops and pubs and energy coops, to mention but a few of them. The fact is that most really successful coops are based upon a similarly ground-breaking idea, however, no idea is sufficiently robust enough to last forever and must be routinely reviewed, developed or discarded as market conditions change.

4. More singers than songwriters

Most market intervention strategies once developed and proven to work by one group of cooperators are quickly replicated by others groups in other locations or in different situations. There are always more singers than songwriters. The really creative pioneers who come up with the ground-breaking strategies that enable coops to provide exceptional benefits to their members provide the seeds that grow into many new coops, so it is important to provide support to those that are ready to trial new approaches and to facilitate the dissemination process once that new concepts are tried and tested. Cases of the widespread proliferation of coops, based upon a common market intervention strategy, often also internationally, abound. Examples are to be found throughout the history of cooperative enterprise and the same phenomenon continues today, whenever sound new strategies are developed they are usually quite rapidly taken up by other groups of co-operators.

5. Policies, practices and systems

It needs to be appreciated that whatever the intervention strategy pursued it is essential that this is supported by a complete package of policies, practices and systems, which can ensure its proper implementation and the realisation of the objectives of the strategy. Also, that if other groups of cooperators wish to replicate the success of pioneering cooperatives then they also need to implement the complete package. Often the propagation of new market intervention strategies is facilitated by a form of cooperative franchising, which is the means of providing new coops with the complete support package of support required. This has often been the basis of the approach to developing credit unions where they have spread nation-wide in many countries, and has been the essence of the support provided by the Plunkett Foundation for the development of community-owned retail shops and pubs in the UK.

6. Redundant strategies, renewal and resurgence

Some of the earliest cooperatives, initiated by Robert Owen and others, were based upon the idea that self-supporting communities could operate in virtual isolation, however, such approaches were generally found to be unviable. Only in situations where there was an external threat or a strong religious commitment were such communities sustainable, for example the Israeli kibbutz and some religious communities. Collectivism as a market intervention strategy has not proved to be appealing to many people.

A common predicament of many coops is that their leaders have remained wedded to a particular market intervention strategy when the conditions within the marketplace have significantly changed, with the result that the coop often become irrelevant to the lives of their members. The root of this problem of marginalisation within many coops has been a reluctance to change strategy when the external environment has changed. Too often the people running the coop place their personal interests above that of the majority of their membership, they seek to protect their jobs or positions within the coop when they should be embracing a new market intervention strategy. Coops must retain flexibility within their organizations so that they are able to respond to change whenever this becomes necessary.

It needs to be appreciated that as soon as a coop enters the market or marketplace that this changes it, because such an event will trigger a reaction from other players within the market. It is essential that leaders of coops are fully aware of the changes taking place in their marketplace and what is driving such change. Also, that the gathering of market intelligence is a critical function but this is not be the same task as it is within a commercial business, because it is the way in which the

changes in the market are impacting upon the members that needs to drive the response to such changes, and which should be the basis of any new market intervention strategy.

Many coops were established when the markets in which they operate were relatively under-developed and where over time the market has become more sophisticated. The problem is often that the kind of investment required to significantly challenge substantial players is often difficult to come by. The answer to this situation often requires a response that is both creative and radical.

Renewal and resurgence within coops is an important process that needs to be systematically addressed, otherwise when changes take place within their markets they may be too slow to respond. Coops need to be constantly reviewing their market intervention strategy and this task should be built into their strategic planning process, a process that needs to fully involve the members.

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