



After the CRASH

Building a new economic future
the co-operative way

A new report by Andrew Bibby

WELCOME

I am delighted that respected journalist Andrew Bibby and economist Diane Coyle have thrown their weight behind the idea that this is the time for a co-operative resurgence.

I am, of course, passionate about co-operatives but it's exciting that other people are waking up to their merits and potential.

Given what co-operatives have to offer we might reflect on why it's taken a global economic recession to bring co-operatives to people's attention.

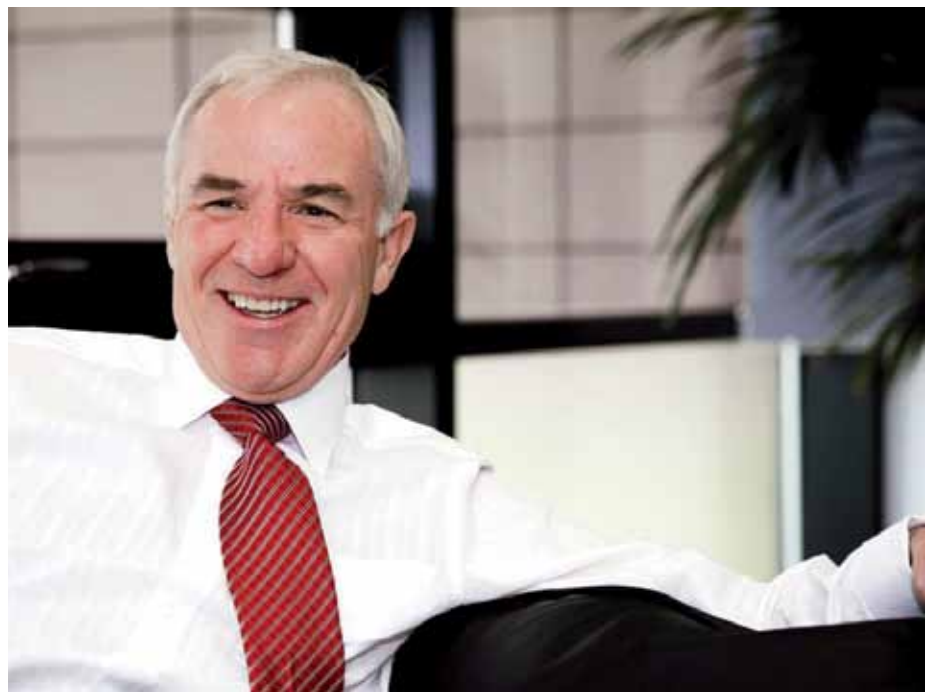
Part of the difficulty relates to the fact that because co-operatives are member owned, they are generally not stock market listed and so not subject to the scrutiny of analysts and consequently are not on the radar of the financial media. However, I think we would all accept that we have not been as successful as we would have hoped to be in promoting the co-operative option. We hope this report will start to address this need.

We need to be more assertive about what we have to offer. We need to work harder to inspire more entrepreneurs to consider the co-operative option and convince consumers that we are modern businesses offering first rate products and services. We also need to raise awareness of the ethos of co-operatives and the many positive benefits that supporting co-operatives will bring. The current recession and the loss of faith in traditional business models provides the co-operative alternative with an excellent opportunity.



The current recession and the loss of faith in traditional business models provides the co-operative alternative with an excellent opportunity.

 Peter Marks



CONTENTS

That opportunity will not last long. We need to seize the moment and promote our alternative while people remain receptive to our message. The Co-operative Group is certainly keen to play its part in that process and welcomes this publication as a contribution to our work.

Co-operatives across the UK already employ 205,800 people, have 11.3 million members and generate a combined income of £28.9 billion¹ but, as this report identifies, their potential is much greater.

This is a pledge that the Co-operative Group, together with the wider co-operative movement, will make every effort to help energise and build a new Co-operative future ■

Peter Marks
Chief Executive of the Co-operative Group

Welcome	1.1
Foreword	1.3
Executive Summary	1.5
Why we need a different model for doing business	1.7
The co-operative insight	2.0
Co-operatives as a real world solution	2.4
Co-operatives in the banking and finance sector	2.5
Co-operatives and public utilities	3.0
Co-operatives and housing	3.4
Co-operatives delivering public services	3.8
Co-operatives and the business we need	4.1
A more co-operative future	4.4
Co-operative case study details	4.6

¹ Co-operatives UK Co-operative Review 2009

FOREWORD




Diane runs the consultancy Enlightenment Economics and is the author of many books and articles on economics and business.

The global financial crisis has exposed serious weaknesses at the heart of the international financial system.

Even before the crisis there was public discomfort about banking profits and extremely high pay and bonuses. This has now been joined by a widespread suspicion of the risk involved in complex financial instruments. The financial sector turned out to have been destroying wealth rather than making a positive contribution to the economy. With bonuses soaring again even though astonishing amounts of taxpayers' money is being used to cover banks' losses, surely we need to challenge the business ethos that prioritises short term revenues and shareholder value over every other outcome.

Out of the catastrophic failure there has emerged a real opportunity to rebuild a business sector which presents the public with genuine choice, and where objectives other than profit are taken into consideration. It is clear that the banking system has not served consumers or growing businesses well, and it is only right that the public interest is taken fully into account at a time when the government has unprecedented scope to reshape the financial sector.

Co-operatives are not the answer to everything but they do offer one alternative way to do business. This crisis has demonstrated that there is both scope and a need for different business models to co-exist, and this report convincingly argues that the co-operative approach should feature more prominently in a plural business environment. As the examples here show, an expanded role for co-operatives could confer many advantages.



First, co-operatives are responsible to members rather than investors, making for a more accountable business approach, and spreading the financial risk as well as the returns.

Secondly, co-operatives balance the community, social and environmental benefits of business with the need to make profit.

Most importantly perhaps, in the current economic context, co-operatives offer a viable alternative for a successful business model that is transparent and, arguably, can operate on a more sustainable business premise than the plc. When other financial businesses are suffering a crisis in public confidence unparalleled in recent times, co-operatives, which enjoy widespread levels of public trust, could help to rebuild confidence in the economy and the financial sector.

These are the arguments set out in this report. Other approaches will no doubt play a role in the future too; but as well as deserving greater attention, co-operatives offer important lessons for business and perhaps another way to rebuild our struggling economy.

This is a good time to reconsider the co-operative model and the tangible benefits it can bring to communities, employees and members ■

Diane Coyle



This is a good time
to reconsider the
co-operative model and
the tangible benefits it
can bring to communities,
employees and members.

Diane Coyle 

EXECUTIVE SUMMARY

In order to help rebuild the country's economic strength we need strong, profitable businesses which aren't just run for short-term gain but which are sustainable over the long term, both environmentally and financially.

//
Kofi Annan has talked of the 'crucial role' played by co-operatives in meeting human needs and aspirations.

We need business models that address three sets of structural failings which the present crisis has laid bare. The tasks are to restore business accountability, to find new ways to deliver public services, and – more fundamentally – to consider what it is that we want our business activity to achieve. Profit for profit's sake does not make a sustainable world. Considering how businesses make their money is critical if we are going to be able to address the major problems the world faces.

This report suggests that there is, in the co-operative business model, a tried and tested alternative to the short-termism of conventional business, and that it is time to take a closer look at how co-operatives today are operating.

//
New social attitudes – concern for ethical trading, for the environment and for demonstrable social responsibility by business – have led to something of a public rediscovery of the co-operative approach, assisted by the fact that the UK co-operative retail movement has, at the same time, found the strength to change and rejuvenate itself. Nevertheless, the significance of the co-operative sector is sometimes overlooked. In the UK, co-operatives have a combined turnover of about £29 billion.

The co-operative business model can also be misunderstood. Co-operative businesses start from a different place than conventional companies: from the coming together of a group of people with shared interests who, together, create a new business organisation. A co-operative is an association of people, not of capital.

Although it is necessary to remain profitable, maximising profit is not primarily the goal. Co-operatives operate fundamentally to fulfil the needs of their members. They seek to provide the goods and services which their members need, and it is the members who benefit when the business is successful.

The co-operative movement takes its cue from the Co-operative Statement of Identity and Principles drawn up by the International Co-operative Alliance. Whilst businesses of all kinds today choose to highlight their social responsibility and community engagement, in the co-operative business model this is a central purpose of running the business. As Co-operatives UK puts it, co-operatives trade on a more-than-profit basis.

The co-operative business model has been attracting new interest in recent years. For example the International Labour Organization passed a formal ILO Recommendation in 2002 which urges governments to promote the potential of co-operatives worldwide, among other things to 'create and develop income-generating activities and sustainable decent work'; the European Union published a similar text in 2004. The former UN Secretary-General Kofi Annan has talked of the 'crucial role' played by co-operatives in meeting human needs and aspirations ■



WHY WE NEED A DIFFERENT MODEL FOR DOING BUSINESS

WE NEED BUSINESS

Make a few changes to regulatory regimes or to rating agency operations, for example, and then return to the task of making money.

This report will argue that present approaches, which involve throwing money at the problem, are not sufficient. If we are not to be fated to repeat the cycle again, if we are to bring public trust back to business life, we need business models that address the three sets of structural failings which the crisis has laid bare.

In particular, we need strong, effective businesses, which deliver the goods and services that people need. And, of course, which are profitable.

But as we survey the wreckage of a banking and finance system on its knees and a global economic system mired in recession, there is a growing realisation that we need something more than this. We need strong, profitable businesses which aren't just run for short-term gain or in order to pay astonishingly large remuneration packages to the few at the top. We need businesses which understand their commitments to their employees and to the wider social good, and their responsibilities to the environment. We need businesses which are accountable and sustainable, and here for the long-term.

What has happened in the past few months should act as a clarion wake-up call. Our banking system – the bedrock on which all societies depend for their economic health – has suffered a cataclysmic shock. Thanks to government intervention, we seem to have scraped through (though it is a rash person who tries to forecast what is immediately ahead of us). However, the pain is being felt by many: those who have lost jobs, those who are facing mortgage arrears or repossession, those whose businesses are struggling to survive, those whose security in retirement is now being called into question.

The recession will, in time, pass, but how do we ensure that the financial and economic shocks which we have experienced are avoided in future? Some people, it seems, appear to have adopted a 'make do and mend' approach: patch up the glaring problems, and once we are through the present problems we will be able to pick up where we left off.

Firstly, we need to restore accountability, and to reconnect our financial system with the economics of the real world. What has been revealed is the instability of a system geared to short-term profit and individual greed, which was justified on the basis that the 'hidden hand' of the market would be enough to keep everything in check. The excessive bonus culture of the City not only exacerbated income inequality but also has been shown to be profoundly wanting as a way of providing capital to generate long-term prosperity and balanced economic growth.

In the words of Paul Volcker, the former head of the US Federal Reserve and one of the architects of the deregulation which has led to the present situation; "Simply stated, the bright new financial system – for all its talented participants, for all its rich rewards – has failed the test of the marketplace". Or, in other words: It wasn't fit for purpose.

Secondly, we need to find new ways to deliver public services. The trend of recent decades to look to the "plcs" has many faults. The fascination for seeking market solutions for every social and environmental problem is tarnished. We need to search for new ways to deliver public services and do business in 'public interest' sectors, such as transport, energy provision, and health care. The answer is not to turn back to the bureaucracy, paternalism and inertia of old-style nationalised models, but neither – we can now see – is it to rush gung-ho towards deregulated market 'solutions'. We need a different kind of business solution.

Thirdly, we have to re-examine what, precisely, we are looking to achieve. The crisis has brought to the fore a soul-searching about the primacy of conspicuous consumption as the route to a better, happier society. This debate will be intensified by the enforced cuts in spending which the governments of the newly highly-indebted nations (not developing countries this time, but states like the US and UK which have incurred huge debts bailing out the banks) will have to impose.

Even more urgent will be the need to address the environmental challenges which our planet is facing, the coming shortages of food, water and energy and particularly the immediate danger of climate change.

In the past, efforts by mainstream business to address some of these issues – for example through skin-deep corporate social responsibility initiatives – have not challenged their fundamental business model. Indeed, 'corporate responsibility' has been marketed by some of its promoters primarily as a way of generating better business returns. This isn't adequate: profit for profit's sake does not make a sustainable world. Considering how businesses make their money is critical if we are going to be able to address the major problems the world faces. What we need are businesses which do rise to these challenges.

We do not have to start from scratch in the search for new ways of doing business. The broad family of co-operatives, mutuals and social enterprises already demonstrate that business success can be combined with wider social objectives. This report will focus particularly on the co-operative business model, and will argue that co-operatives can reinstall a sense of trust into business life: as we shall see, they combine a set of internationally agreed values within the discipline of accountability to members and to the market.

Paul Volcker talked of the 'talented individuals' in the world's financial institutions. As we sift through the wreckage, we can indeed record the astonishing human ingenuity which went into the development of highly sophisticated financial instruments and the energy and creativity which accompanied it. Our task now is to find ways to harness that same ingenuity and entrepreneurship in ways which will lead us forward towards a healthy, long-term, sustainable economic system ■



Simply stated, the bright new financial system— for all its talented participants, for all its rich rewards—has failed the test of the marketplace.

Paul Volcker 



After the crash

Why we need a different model for doing business

It is easy to overlook the significant role in the global economy which co-operative business already plays. From a British perspective, the very fact that the consumer co-operative movement was such a key part of life in the earlier years of industrialisation can imbue the whole concept of co-operative business with a faint sepia tint. This, it can seem, is an idea to file away in the social history archives, along with clogs and cloth caps and Wakes weeks by the seaside.

However, even during the period of decline experienced by consumer co-operatives in the decades after 1945, a significant share of British business remained in co-operative hands. Today new social attitudes – concern for ethical trading, for the environment and for demonstrable social responsibility by business – have led to the beginnings of a public rediscovery of the co-operative approach. It's helped that the co-operative retail movement has, at the same time, found the strength to change and rejuvenate itself, with a strong new brand which stresses its ethical vision.

There is, however, another reason why co-operatives have in recent years often seemed more marginal than, in reality, they are. Since unlike plcs co-ops do not have their shares publicly traded, there is no role here for the extensive army of fund managers and investment analysts who monitor and comment on the

operations of share companies. For the same reason, there is not the same media coverage of co-operatives. Co-operative businesses carry on their operations away from the spotlight.

If you take the global perspective, the significance of the co-operative business model becomes much clearer. A few examples must suffice. In Japan, co-operatives play a major part in the nation's economy: one co-operative insurer, Zenkyoren, alone has assets of £290 billion and an annual gross income of £31 billion. In Spain, the Mondragón Co-operative Corporation is the seventh largest business in the country, operating in the financial, industrial and retail sectors. Elsewhere in Europe, Co-op Norden, for example, dominates retailing in Denmark, Sweden and Norway whilst the Swiss consumer Co-op Migros has an 18% market share in its home market (as well as, incidentally, owning the UK winter sports specialists Inghams). France and Italy have strong co-operative and mutual businesses. The largest Canadian-based insurer is known, simply, as The Co-operators. And in the US, for some people the epitome of laissez-faire capitalism, forty-two million people get their electricity from co-operatives; and eighty-seven million US citizens are members of their local co-operatively-run credit union.

The International Co-operative Alliance, based in Geneva, each year compiles data on the performance of major co-operative businesses and their close cousins in the mutual sector, in its Global 300 list. These three hundred businesses, it says, together turn over about £730 billion a year, roughly equivalent to the size of the Spanish economy. This global co-operative economy is a broadly based one. Agriculture and food comprise 30% of the list (one New Zealand co-operative, owned by 11,000 farmer-members, alone claims a third of the total international dairy trade), retailing 23%, insurance 22% and banking 19%.

In the UK, the figures are also noteworthy. There are approaching 5,000 jointly owned and democratically controlled co-operative businesses in the country, who together turn over £29 billion a year. Between them, they have almost eleven million members.

So what is the co-operative business model? Co-operatives are businesses which – like all businesses – operate to make profits. In management terms, they can be structured in conventional ways. However, one big difference for co-operatives as opposed to plcs is in relation to the purpose of making those profits. Another, as we'll see, is in their governance arrangements ■

THE CO-OPERATIVE INSIGHT

Plc directors' central fiduciary responsibility is to their shareholders, and this drives the need to maximise short-term profitability and through it to maximise dividend distribution (...although in practice it could be argued that some plc directors seem by their behaviour to have thought that their chief duty was to maximise their own pay and remuneration – that is another story).

Co-operatives have a different business driver. They operate fundamentally to fulfil the needs of their members. They seek to provide the goods and services which their members need, and it is the members who benefit when the business is successful.

Co-operative businesses, in other words, start from a different place than conventional companies: from the coming together of a group of people with shared interests who, together, create a new business organisation.

A co-operative is an association of people, not of capital. Although it is necessary to remain profitable, maximising profit is not primarily the goal. Whilst some co-ops pay the familiar dividend out of profits to their members, the benefit to members can be given indirectly, for example by keeping prices low. For example, a co-operatively run insurer may deliberately choose to reduce its potential profit by offering premiums to members at the lowest levels it can. Low profits in this context represent a competitive advantage leading to greater market penetration, not a weakness.

(For this reason, specialist rating agencies such as AM Best use different criteria for financial co-operative institutions than those they use for plcs).

The search for short-term profitability (exemplified particularly in the US, with the relentless pressure on large conventional businesses to produce impressive quarterly reports to shareholders) is to a degree replaced in co-operatives by a much longer-term business horizon. The emphasis is on the long-term sustainable growth of the business. Significantly, all except two of the ICA's top twenty co-ops and mutuals have been trading for at least sixty years (in six cases, for over a century). This concern with sustainable growth, rather than maximising investor returns in the short-term, is linked directly with the way that co-operative businesses access capital. Though co-operatives are increasingly exploring imaginative new routes to the capital they need, in general they do not capitalise through the traditional equity route, instead relying primarily for business capital on the retention of profits.

In some circumstances, this may be a disadvantage – in a fast-changing market, it could limit the ability of a business to expand rapidly and to seize market share. But co-operatives argue that the benefits of their capital structure outweigh the downside: they are able, they say, to utilise their resources more effectively than equity based companies who are under shareholder pressure to pass out a significant share of profit as dividends. (Certainly the lesson of those UK building societies who demutualised ostensibly in order to access new capital has not been a happy one – not a single one remains an independent business today) ■

After the crash

The Co-operative insight

From the days of the pioneering nineteenth century ventures onwards, a share of co-operatives' trading profit has also been allocated for educational and social purposes – a kind of community dividend, to match members' own individual dividends. Whilst businesses of all kinds today choose to highlight their social responsibility and community engagement, it could be argued that it is only in the co-operative business model that this is systematically embedded as one of the central purposes of running the business. As Co-operatives UK puts it, in a neat turn of phrase, co-operatives trade on a more-than-profit basis.

The co-operative movement both in Britain and worldwide takes its cue from the Statement on the Co-operative Identity drawn up by the International Co-operative Alliance (see box), and these identify the role of education and of community engagement as two of the seven guiding principles of all co-operatives. Although the ICA does not say it in quite this way, it could be argued that a concern for the triple bottom line – for financial, social and environmental returns on business – is fundamental to the co-operative ethos.

The international Co-operative Alliance statement on the Co-operative identity was last revised by the ICA at its world congress in 1995.

**CO-OPERATIVE VALUES ARE AGREED AS FOLLOWS:
CO-OPERATIVES ARE BASED ON THE VALUES OF SELF-HELP, SELF-RESPONSIBILITY, DEMOCRACY, EQUALITY, EQUITY AND SOLIDARITY. IN THE TRADITION OF THEIR FOUNDERS, CO-OPERATIVE MEMBERS BELIEVE IN THE ETHICAL VALUES OF HONESTY, OPENNESS, SOCIAL RESPONSIBILITY, AND CARING FOR OTHERS.**


There are also seven Co-operative principles. These are:

- 1. VOLUNTARY AND OPEN MEMBERSHIP (OPEN TO ALL, WITHOUT GENDER, SOCIAL, RACIAL, POLITICAL OR RELIGIOUS DISCRIMINATION).**
- 2. DEMOCRATIC MEMBER CONTROL.**
- 3. MEMBER ECONOMIC PARTICIPATION. (MEMBERS CONTRIBUTE EQUITABLY TO AND DEMOCRATICALLY CONTROL THE CAPITAL OF THEIR CO-OPERATIVE).**
- 4. AUTONOMY AND INDEPENDENCE. (CO-OPERATIVES ARE AUTONOMOUS SELF-HELP ORGANISATIONS CONTROLLED BY THEIR MEMBERS).**
- 5. EDUCATION, TRAINING AND INFORMATION (CO-OPERATIVES COMMIT TO A ROLE IN EDUCATING AND TRAINING THEIR MEMBERS AND STAFF, AND THE GENERAL PUBLIC).**
- 6. CO-OPERATION AMONG CO-OPERATIVES.**
- 7. CONCERN FOR THE COMMUNITY (CO-OPERATIVES WORK FOR THE SUSTAINABLE DEVELOPMENT OF THEIR COMMUNITIES THROUGH POLICIES APPROVED BY THEIR MEMBERS).**

One of the lessons of the current financial and economic crisis has been the inadequacy of the regulatory and corporate governance structures in place to protect against corporate abuse. Co-operative businesses in Britain have given considerable attention in recent years to their own corporate governance structures, most notably in the work led by the Co-operatives UK Corporate Governance Review Group which published the Code of Best Practice for consumer co-operatives in 2005. This Code stresses the role of co-operative members in good governance: "We consider that an active and involved membership that has available to it open and fair information is the absolute essential ingredient of good co-operative governance," the Review Group stated.

This work has been extended with the publication last year of the Worker Co-operative Code of Good Practice, which bases itself on the ICA's seven co-operative principles. Similar codes have also been drawn up for the building society and friendly society sectors, for member-owned mutual insurance companies and for credit unions, and for housing co-ops.

Obviously, the governance arrangements for a consumer co-operative such as the Co-operative Group, with millions of members and a turnover of billions of pounds will be different from that of, say, a small start-up business structured as a co-operative. Nevertheless, there is a recognition throughout the co-operative movement of the importance of this issue ■

//

I THINK OUR CUSTOMER MEMBERS RECOGNISE THAT WE ARE NOT IN BUSINESS TO LINE THE POCKETS OF INVESTORS BUT TO SHARE OUR PROFITS WITH MEMBERS AND INVEST IN THE COMMUNITIES IN WHICH WE TRADE. POTENTIALLY THAT IS A POWERFUL COMPETITIVE ADVANTAGE, BUT ONE WE NEED TO COMMUNICATE MUCH MORE EFFECTIVELY.

//

Peter Marks, Chief Executive,
The Co-operative Group

//

WE SIMPLY BELIEVE THAT WE HAVE DEVELOPED A WAY OF MAKING COMPANIES MORE HUMAN AND PARTICIPATORY. IT IS AN APPROACH THAT, FURTHERMORE, FITS IN WELL WITH THE LATEST AND MOST ADVANCED MANAGEMENT MODELS, WHICH TEND TO PLACE MORE VALUE ON WORKERS THEMSELVES AS THE PRINCIPAL ASSET AND SOURCE OF COMPETITIVE ADVANTAGE OF MODERN COMPANIES.

//

Mondragón Co-operative Corporation, Spain

CO-OPERATIVES AS A REAL WORLD SOLUTION



**RUN A BUSINESS BADLY AND YOU ARE
LIKELY TO FAIL, WHETHER YOU'RE
OPERATING A PLC, A PARTNERSHIP,
A CO-OPERATIVE OR A STALL IN THE
MARKET. A CO-OPERATIVE STRUCTURE
BY ITSELF, IN OTHER WORDS, DOES
NOT BRING GUARANTEED SUCCESS.**

But this is a business model which, demonstrably, can work. The examples are numerous, both from Britain and abroad, of co-operative businesses operating profitably and meeting their wider social and environmental objectives. Furthermore, there is enormous diversity among co-operatives: they encompass major businesses with millions of pounds of turnover and small concerns with a handful of staff and, as we shall see in this section, they aren't restricted just to one sector of the economy ■

CO-OPERATIVES IN THE BANKING AND FINANCE SECTOR

**IT WAS IN BANKING THAT THE
CURRENT CRISIS BEGAN.**

**ON ONE LEVEL, THE WORLD'S PRESENT
ECONOMIC PROBLEMS CAN BE
TRACED BACK TO THE PROVISION OF
UNAFFORDABLE MORTGAGE LOANS IN
THE US, WHICH WERE THEN BUNDLED
TOGETHER AND ERRONEOUSLY BOUGHT
AS JUST ANOTHER LOW-RISK
INVESTMENT PRODUCT.**

But if it hadn't been sub-prime mortgages that precipitated an economic collapse, it would have been something else, for recent years have seen the development of ever more sophisticated financial derivatives. Financial products became so complex that hardly anybody, it seems, fully understood them.

And yet banking is an essential part of the fabric of every society. A well-functioning financial system is a necessary public good, as basic as, say, a reliable supply of drinking water.

At a time when many banks have had to look to the public purse for their survival, the co-operative banks and insurers which operate in many countries around the world have generally escaped the mayhem which has engulfed their plc competitors. Freed from the pressures of bringing in ever growing profits for investors, co-operative financial institutions have been able to focus on their core banking and insurance businesses ■

CO-OPERATIVE FINANCIAL SERVICES

Co-operative Financial Services (CFS) brings together the Co-operative Bank and Co-operative Insurance Services, two financial institutions with their roots deep in the nineteenth century co-operative movement. It is now extending its role dramatically, through the present merger with the Britannia building society.

In turn, CFS is part of the Co-operative Group, Britain's largest co-operative business with 110,000 employees, 20 million customers and a turnover of £14 billion. (The Co-operative Group also acts as a wholesaler for a number of smaller regional retailers, each operating as an independent co-operative.)

For Ian Jones SRI is an idea which comes from the roots of co-operation and mutuality.

CFS's ethical approach to finance has become widely known, summed up in its marketing slogan 'good with money'. The Co-operative Bank launched its Ethical Policy in 1992, which, among other things, identifies areas of activity for which it will not provide financial services. This policy has, uniquely, been subject to formal customer endorsement. The recent fall in trust in creaking plc banks has worked to the Co-operative Bank's advantage: new current accounts are up more than 120% and customer deposits and lending were both up 20% in 2008.

Less well known is CFS's approach to investment. CFS's Investment Assets division is responsible for investing CFS's own funds, and also for investing for 300,000 individuals who have bought into CFS's range of unit trusts and mutual funds. In total something around £2.5 billion of assets are under management.

CFS analyses carefully where it puts these funds, in order to maximise returns and minimise risks. But CFS also operates an active SRI (socially responsible investment) policy. A team of nine SRI analysts work with the division's financial analysts to identify

investment stocks which will provide strong social as well as financial returns. "SRI is good for the marketplace, for investment performance and for customer relationships. I don't believe it compromises investment returns," says Ian Jones, head of SRI and business development for CFS. He and his colleagues aim to actively engage with the senior management of the companies whose shares they hold, using their voting power as shareholders to support good governance practices and to encourage a longer-term approach to business strategy. He offers details of a number of successful interventions CFS has made to influence company behaviour, including one power utility which CFS encouraged to invest in research into renewable energy. "We explained that we saw ourselves as long-term investors, and wanted to see long-term R&D. Normally shareholders are just there for short-termism" he says.

For Ian Jones, SRI is a natural issue where the co-operative sector should take a lead. "SRI is an idea which comes from the roots of co-operation and mutuality, and it's particularly important for Co-op and mutuals – it's what we should be doing," he says. It is also an area where co-operation between co-operatives can be highly effective. CFS is part of an informal international network of co-operative financial institutions who arrange to share on a mutual basis the fruits of their SRI research into individual companies (this network is known as Voting and International Collaborative Engagement, Voice) ■

After the crash

Co-operatives in the banking
and finance sector

SOUTHWARK CREDIT UNION: OFFERING BANKING AND LOANS TO LOW-INCOME LONDONERS



Southwark is among the twenty most deprived boroughs in England, and poverty and financial exclusion are all too common. The banking crisis has compounded this, by making it harder for ordinary people to access the bank services they need. Southwark Credit Union offers a real alternative to the traditional financial institutions as well as to the loan sharks who might otherwise prosper at others' expense.

Like many credit unions, SCU began its life small-scale. It was set up by a small group of committed volunteers in 1982 who worked for Southwark council (mostly as manual workers) and who wanted to create a self-help savings and loan co-operative for themselves and their work colleagues. Although the credit union idea was at that time relatively new in Britain, credit unions were an established part of life in the Caribbean, and members of the local Afro-Caribbean community played a key role in bringing the credit union idea to this part of south London.

SCU today is a professional organisation with assets of about £8.5m and a thirty-strong workforce. The handful of initial credit union members has grown to more than eight thousand, who have access to savings accounts, loan facilities and insurance. SCU has also been one of the first credit unions in Britain to offer a bank current account service to its members, who receive a Visa debit and cash machine card and can arrange direct debits, standing orders and money transfers. "SCU has become a stable financial institution able to serve its members with the products and services they want and need," says Lakshman Chandrasekera, the credit union's chief executive.

What was once an organisation open only to council employees has broadened its remit, and now is available to all who live in the Southwark area. Mirroring a more general trend among Britain's credit unions, it has also merged with a number of other (predominantly smaller) credit unions. SCU has arrangements with several local employers to enable members to save directly from their wage packets, but it is also taking particular steps to reach out to low-income communities. Many members of the credit union arrange to have their welfare benefits payments credited to their SCU current account.

"Our members are our owners and we recognise that the strength of our credit union depends on the strength and quality of the relationship we have with our members," SCU says, pointing out that, as a financial co-operative, it bases its work on the seven principles of the International Co-operative Alliance. For Lakshman Chandrasekera, the dedication of members, volunteers and staff has laid the groundwork for future growth. "The best is yet to come. Proposed changes to credit union legislation will bring new opportunities for all credit unions. Changing the restrictive requirements of our current common bonds will, alone, enable us to reach out to many more people, particularly those on low incomes," he says ■

Our members are our owners and we recognise that the strength of our credit union depends on the strength and quality of the relationship we have with our members.

Lakshman Chandrasekera ■



After the crash

Co-operatives in the banking
and finance sector

SHARED INTEREST: UK SAVERS SUPPORT FAIR TRADE PRODUCERS

The Shared Interest co-operative calls itself the world's only 100% fair trade lender. Established in 1990, it has a simple function: it takes in savings from its members in Britain, pools these funds and then lends them to fair trade businesses in the developing world. This year, the total share capital invested in Shared Interest by its 8700-strong membership reached £25m.

Shared Interest's chair Philip Angier talks of his co-operative's role in creating an equitable system of trade based on trust, in contrast to the way that some financial institutions have been operating in recent years. "A Shared Interest investment is not a financial derivative or hedge fund premised upon short-term gain. Shared Interest provides credit to the real economy: to fair trade co-operatives and importers which in turn enable farmers and artisans in disadvantaged circumstances to earn a sustainable livelihood" he says.

Compared with major financial institutions, Shared Interest's resources are miniscule, but nevertheless the business loans it offers can make a real difference. Recent lending includes a group of 306 coffee farmers in a remote village in Nicaragua (appropriately, the farmers have constituted themselves as a co-operative), to a crafts and folk art enterprise in central Java, Indonesia,

a pineapple growers' group in Costa Rica (also a co-op), and towards a fair trade importing business bringing in olive oil produced in occupied Palestine. These are businesses which are profitable and successful, but which were effectively outside the world's banking system – even before the crisis made bank lending even more difficult to obtain.

"The purpose of our business remains sustainable livelihoods for a sustainable planet. Shared Interest members share in the risky business of making that possible" Philip Angier adds ■



CO-OPERATIVES AND PUBLIC UTILITIES

OUR UTILITY COMPANIES MAY NOT BE THE MOST GLAMOROUS PLAYERS IN THE BUSINESS FIRMAMENT, BUT THERE'S A SECRET IN THE SECTOR NAME: WHAT THEY DELIVER – WHETHER IT IS ELECTRICITY AND GAS, WATER AND SEWERAGE SERVICES, OR TELECOMS – ARE FUNDAMENTALLY USEFUL.

Today we are beginning to appreciate just how key these businesses are to long-term economic and environmental sustainability. We understand, too, that we can no longer assume that we can enjoy a limitless supply of energy or that water will flow endlessly through our taps.

Co-operative models can meet both the environmental imperatives and the need for business efficiency which utility companies – whether state-owned or privatised – have sometimes struggled to achieve. Community-based co-operative initiatives have led the way in a number of successful wind energy developments, for example, with much of the business capital coming from those within the communities themselves. Baywind Energy Co-operative in Cumbria, formed in 1996, was the pioneer: its 1,300 members have seen their vision successfully realised and have also been rewarded financially, with annual returns from the co-op typically around 6% gross.

Baywind's co-operative consultancy business, Energy4all, has helped to replicate its success with a string of other community-based co-operatives. As we shall see, co-operative engagement in renewable energy is also being given a new twist, to apply to water power as well.

The co-operative business models can work for other utilities sectors as well. One recent success story, that of the Phone Co-op (the first major consumer-owned co-op since the nineteenth century) provides our first case study ■



We can no longer assume that we can enjoy a limitless supply of energy or that water will flow endlessly through our taps.



THE PHONE CO-OP MAKING THE CONNECTIONS



It may well be the Phone Co-op's democratic and co-operative credentials which have helped to build its commercial success. First established in 1998, the company offers conventional telephone, mobile and broadband services to both individual customers and organisations. It currently turns over about £7m a year and employs about forty staff, mainly based at its head office in the Cotswolds.

As a consumer co-operative, the Phone Co-op is legally owned by its 7000 or so member-customers. It's not obligatory to become a member, but it certainly makes financial sense, for members benefit from the traditional share of profits through the co-op dividend. The Phone Co-op also transfers an amount equal to members' dividends into a loan fund it has established for other co-operatives.

Chief executive Vivian Woodell argues that his business's co-operative structure will help it through the present downturn. "Recent events in the economy have given rise to a crisis of trust. There is a perception that many businesses have not always acted in the best interests of their customers but instead have been focused on meeting the requirements of external investors and senior directors. Co-operatives on the other hand are owned by the customers, and therefore the interests of customers and stakeholders are essentially aligned. This is one of the reasons I believe that co-ops are fundamentally better equipped to ride out the recession."

The Phone Co-op reaches new customers primarily through over three hundred affinity schemes, signed with a wide range of environmental, campaigning, political and charitable organisations, each of which is rewarded with 6% of the business generated. "We'd far rather support organisations in the Third Sector than spend money paying big media organisations for advertising," Vivian Woodell says, adding that the total paid out in affinity payments to date is over half a million pounds.

Phone Co-op members can choose to invest in the business by buying shares in the co-operative. Unlike conventional equities these remain fixed at £1 par but attract interest, in recent years set at over 5%. The Phone Co-op has taken in £1.6m in members' capital, helping to boost its balance sheet. "The Phone Co-op is in a position of strength because we have retained profits over the years to build strong reserves, and we also have positive cash flows, healthy cash balances and no borrowings" Vivian Woodell says ■

...co-ops are fundamentally better equipped to ride out the recession.

Vivian Woodell



MAKING ENERGY WHILST THE WATER FLOWS



The town of New Mills in Derbyshire used to owe much of its economic prosperity to the power of the two rivers, the Sett and the Goyt, which in medieval times were harnessed to power the corn mills and, later, the cotton and textile mills which crowded the Torrs, the natural gorge which runs through the town.

Now this power is being harnessed in a new way. Torrs Hydro New Mills Ltd was established in 2006 with the support of the local Town Council to generate electricity from water power, using ingenious reverse Archimedean screw technology. Torrs Hydro estimates that the river can generate 240,000 kilowatt hours of energy each year.

Torrs Hydro was established as a community co-operative venture, and its 230 members have between them invested £126,000. Over half of the members are residents of New Mills and its surrounding villages, demonstrating the strength of local support for the scheme. There's been business support, too, from the wider co-operative movement, through a grant made by the Co-operative Group's Co-operative Enterprise Hub, assisted by a loan from the Co-operative Bank. (It's appropriate that the hydro-generated energy is now being used to power the local co-op food shop).

Torrs Hydro is one of the first community-owned and funded hydro plants in Britain. For the community of New Mills, there are considerable benefits in having their town's water power exploited by a co-operative business rather than by a conventional private sector venture. Profits will either be ploughed back into the business, or will be used to help regenerate New Mills and to promote environmental sustainability ■

CO-OPERATIVES AND HOUSING

THE PRESENT PARALYSIS IN THE UK HOUSING MARKET COULDN'T HAVE COME AT A WORSE TIME. AS THE GOVERNMENT HAS RECOGNISED, BRITAIN HAS A HOUSING SHORTAGE: THE COUNTRY NEEDS MORE GOOD QUALITY HOMES FOR ITS PEOPLE, AT PURCHASE PRICES OR AT RENT LEVELS THAT EVERYONE CAN MANAGE.

The mechanisms for meeting this housing need have broken down, however. The demutualisation in recent years of many leading building societies – once the dependable rock on which the housing market rested – has been symptomatic of a wider malaise: a get-rich-quick approach to housing, which has pushed the average income-to-price ratio well beyond the traditional levels associated with affordability. Socio-demographic trends, industry players and individual homeowners have all played their part in creating a housing bubble (and, now, the inevitable crash). Much that was unsustainable about the pre-crash economy in Britain can be traced back to our curious national attitude to housing, which saw individuals relying on rising house prices to underpin their credit borrowing and to support their household spending. The focus was on present consumption, rather than long-term provision for old age.

Worse, the housing bubble directly contributed to a growth in social inequality, as those unable to afford to buy were increasingly left behind from those already on the housing ladder.

Worse, the housing bubble directly contributed to a growth in social inequality...

CO-OPERATIVES AND HOUSING CONTINUED

So it's appropriate to look at how co-operatives can help provide the innovative and affordable solutions which the country needs to meet its housing challenges.

So it's appropriate to look at how co-operatives can help provide the innovative and affordable solutions which the country needs to meet its housing challenges. The housing co-operative movement can trace its origins back to inspiring examples of collective action for decent housing in the early nineteenth century, whilst the garden city idea at the start of the twentieth century was another practical example of successful co-operative housing. Today, co-operative housing models are of many different kinds: several hundred housing co-operatives in Britain provide quality social housing for their tenant-members, whilst recent years have also seen the development within the co-operative movement of the Community Gateway and Community Housing Mutual models for large scale housing stock transfers, which emphasise tenant participation and member democracy. Creative new ideas for affordable housing such as Community Land Trusts and Mutual Home Ownership are emerging. Co-housing schemes are developing too, giving their members the advantages of living in strong communities whilst enjoying the benefits of owner occupancy.

Strangely, though, Britain seems to underplay the role which co-operative housing models can play. It's an omission which would seem strange to people in countries where co-operatives occupy a central role in housing policy: in Sweden, for example, two large co-operative organisations together provide over 750,000 homes whilst in Canada and Norway national housing strategies are closely linked to co-operative housing models ■

REDDITCH CO-OPERATIVE HOMES PROVIDES SMART NEW SOCIAL HOUSING

Redditch Co-operative Homes' new houses achieve two goals: they provide affordable housing for thirty-six new families, and they also help protect the planet.

The co-op's new 'eco-homes' cost the same as traditional construction, but offer potential energy savings of around two-thirds compared with a standard home of the same size. The houses are timber framed with timber cladding, with all the timber used coming from sustainable sources, and each has been provided with heat recovery provisions, solar panels and high levels of insulation. The co-op says that, all in all, the building process for their twenty new houses and sixteen bungalows saved 12,550kgs of carbon alone, compared with conventional building methods.

The new eco-homes development is the latest in a story which goes back to the late 1990s when local councillors on Redditch Borough Council were looking for innovative ways to build new social housing and decided that the answer would be a co-operative one. A decade later, Redditch has five individual neighbourhood co-operatives which together look after over 250 homes. The co-operatives work in partnership with each other, each having a representative on the board of Redditch Co-operative Homes, which looks after the properties as the managing agent.

Redditch Co-operative Homes has been able to finance its new housing stock partly from Housing Corporation funding, partly from planning gain, and also through commercial borrowing from the mortgage market. It operates through a partnership arrangement with Accord Housing Association, which (together with Redditch council) is also represented on the RCH Board ■



TENANTS IN CHARGE IN SCOTLAND

It's fair to say that back in the late 1980s the tower blocks and low-rises of West Whitlawburn, a few miles south-east of Glasgow, were in a poor way. The buildings were becoming run-down and the estate was suffering from high levels of crime.



The housing conditions in Malawi are completely different from those in West Whitlawburn, however we have more in common than meets the eye.



Susan Small

In 1989, the tenants decided to take things into their own hands, by creating their own housing co-operative. Today the co-operative has full responsibility for allocating and looking after the 560 or so homes on the estate, most of them in the six high-rise towers that dominate the skyline. With the aid of housing grants, the co-op has been able to renovate many of the properties and to create new social housing, including a development of a hundred new terraces, semi-detached houses and apartments, together with one bungalow specially adapted for wheelchair use. These new houses, currently being completed, will all have access to next generation broadband services through fibre optic cable, supplied by a newly created business venture structured, naturally enough, as a co-operative.

Being a co-operative has clearly brought a new sense of community to the estate. It's also meant satisfied tenants – a recent tenant survey found not one complaint about the level of service being offered. In addition, in a very innovative development, West Whitlawburn Housing Co-operative has been able to twin with the first housing co-operative established in Malawi, located in the northern province of Mzuzu. "The housing conditions in Malawi are completely different from those in West Whitlawburn, however we have more in common than meets the eye. Both organisations are committed to improving the environment of their members, and community ownership and self reliance is at the heart of both organisations," says Susan Small, West Whitlawburn's project officer ■

CO-OPERATIVES DELIVERING PUBLIC SERVICES

THE EXPERIENCE LAST CENTURY OF NATIONALISATION, AS A WAY OF DELIVERING EFFICIENT PUBLIC SERVICES, WAS WIDELY DEEMED TO HAVE BEEN UNSATISFACTORY. INSTEAD, BOTH CONSERVATIVE AND LABOUR GOVERNMENTS CHOSE TO TURN TO THE PRIVATE SECTOR FOR A SOLUTION.

Now we have realised all too vividly the weaknesses of leaving everything to the markets. What solutions can we find to deliver the public services we require for the twenty-first century? How can a business-like approach be applied to services which are not delivered primarily for profit? Where can much-needed investment capital be found?

The answer perhaps is to look back, to reassess the advantages of nineteenth century models of mutuality, co-operation and common interest, as well as looking forward towards creating new models. The co-operative approach is an extremely flexible one, which offers a strong business orientation linked to a concern with social as well as economic returns ■

The co-operative approach is an extremely flexible one, which offers a strong business orientation linked to a concern with social as well as economic returns.

After the crash

Co-operatives delivering public services

GLL: ENGAGING ALL THE STAKEHOLDERS IN DELIVERING LEISURE SERVICES

It began when a hard-pressed local authority was looking for a creative way of financing its swimming pools and leisure centres. Now Greenwich Leisure Ltd – or more usually, GLL – has become a major player in leisure management across the south-east of England. GLL's turnover is £70m, with 1400 employees on permanent contracts (as well as several thousand more seasonal, sessional and casual staff). Its unique co-operative structure gives a role in the company's strategic management to all its major stakeholder groups.

For Mark Sesnan, GLL's managing director, it is the fact that GLL is staff-led that is key to its success.

When GLL was first established in 1993, the major driver was the opportunity for the local authority to save business rates by setting up an autonomous charitable enterprise. Very quickly, however, the other advantages of the new arrangement became clear: customer service improved and staff became much more directly engaged in their work. Old jobs-worth attitudes died away. People took pride in delivering an effective public service.

For Mark Sesnan, GLL's managing director, it is the fact that GLL is staff-led that is key to its success. The new venture was incorporated as an Industrial and Provident Society (the form of legal incorporation used by most co-operatives), with eleven of the eighteen Board members elected by

the company's employee-members. Other Board positions are filled by local councillor representatives, a trade union representative and – an unusual innovation – two people elected by members of the public who use GLL's leisure facilities. GLL, in other words, has demonstrated that the traditional co-operative model can be adapted to provide an effective structure for public service delivery.

GLL rapidly grew beyond its Greenwich origins, and now undertakes the management contracts for leisure facilities in fourteen local authority areas. Although the central Board structure has remained essentially unchanged, local Boards have been created for each of these areas which have a degree of autonomy. All permanent staff, wherever

they are based, are encouraged to become members of the co-operative, in exchange for a one-off £25 membership payment. Several hundred employee-members turn up each year for the GLL AGM, at which the employee Board elections are keenly contested.

Mark Sesnan argues that his company's co-operative structure helps give it an edge over rival private-sector operators, whose non-executive directors may not have direct knowledge of the business sector. He is proud of the plaudits GLL has won over the years for the way in which it runs its leisure centres ■




SHCA: PROVIDING THE CARE THAT PEOPLE NEED IN THEIR OWN HOMES

Sunderland Home Care Associates (SHCA) helps make everyday life possible for people who might otherwise struggle to cope by themselves. SHCA's team of about 220 staff can offer tailored assistance for each person they work with, ranging from shopping and domestic chores to night-time assistance and bed linen changing. The company also provides other services, among other things operating an academic support service for university students with disabilities, and working to help people with learning difficulties when they come out of long-stay accommodation.


Unlike similar home care businesses, SHCA is owned by its employees, and it is this, the company believes, which gives it its edge and helps maintain the quality of its service. "We are motivated by care of the client and not by making money. Staff members get a vital role in the decision-making process, because they own a share in the company. That means profits are spent on providing a better service or towards rewarding our staff," SHCA says.

SHCA also argues that its structure – which includes democratic general meetings of staff held every two months – leads to an engaged workforce and helps ensure high standards of training. "Well trained staff become more confident and are able to offer a better quality service. All staff get involved in training and all issues surrounding training, so that their training needs are met," SHCA explains.

What is now SHCA was launched in 1994 by Margaret Elliott, who had been active since the 1970s in two other co-operative businesses. She has described how this co-operative experience helped change her life: "We were just ordinary women but we were managing to run a successful business. We were earning money and standing on our own two feet, and it made us stand taller." SHCA has demonstrated that these experiences can be scaled up to larger business ventures, she says ■



We are motivated by
care of the client and not
by making money.



CO-OPERATIVES AND THE BUSINESSES WE NEED

THE BRITISH CO-OPERATIVE MOVEMENT EMBRACES A WIDE RANGE OF BUSINESSES AND A GREAT DIVERSITY OF CO-OPERATIVE STRUCTURES. IT INCLUDES AGRICULTURAL ORGANISATIONS SUCH AS THE FANE VALLEY CO-OPERATIVE SOCIETY AND FISHING CO-OPERATIVES SUCH AS THE ORKNEY FISHERMEN'S SOCIETY LTD AND THE CORNISH FISH PRODUCERS ORGANISATION.

The co-operative model is increasingly being used by community organisations seeking to take over, on a collective basis, key services such as village shops, pubs and post offices. The idea also applies to other important parts of local life: for example, in the case of four English league football clubs, majority ownership of the club is now held by the supporters, operating through a formally constituted co-operative Supporters' Trust. (Supporters' Trusts hold minority stakes in many more league and non-league clubs).

There are also several hundred worker-owned co-operatives, who between them provide quality employment to thousands of people. The top six workers' co-operatives together turn over £70m a year and include the long-established Suma wholefood business, based in a modern distribution centre off the M62 in Yorkshire, and Dulas, a fifty-strong renewable energy and consultancy business operating out of mid-Wales. Workers' co-operatives are also strongly represented in creative and digital sectors, such as graphic design, with successful co-op businesses including Wave, Total Coverage and Calverts ■

Workers' co-operatives are also strongly represented in creative and digital sectors such as graphic design...

SAVING THE COMMUNITY SHOP IN BERRYNARBOR

The village of Berrynarbor on the edge of Exmoor in north Devon nearly lost its village shop and post office for good five years ago, when the previous owners decided to retire. Instead, today the shop is as central to village life as it has ever been, thanks to the decision by the local community to take the business over and run it as a co-operative.

The villagers formed Berrynarbor Community Enterprise and contributed £10,000 in capital for the business through a community-based share issue. This, together with financial support from a number of national and regional sources, meant that the shop was able to stay open in the Autumn of 2004 when the previous owners left, under the charge of a manager employed by the community enterprise.

There was a problem however: the existing premises were only available on a four year lease. The task was to find new premises, and this Berrynarbor was able to do successfully, negotiating with the local council to build a new purpose-built shop and post office on the corner of a local car park area. The new building, which includes a small café, opened in 2008 and the move has helped boost business. Profits last year were up by 24% on the year before, and Berrynarbor had the pleasure of seeing its village shop short-listed for the 2009 national Best Village Shop/Post Office awards run by the Countryside Alliance. The shop certainly impressed head judge Alison Hawes: "This shop has drawn the community together and is a real inspiration," she says.

Berrynarbor is by no means unusual. In fact, up and down the country shops and pubs are now being carried on as community co-operatives. (One village community, Heskett Newmarket in Cumbria, not only took over the local pub but also the linked brewery business – both are doing well under co-operative control) ■



After the crash

Co-operatives and the businesses we need

CALVERTS: GO-OP STRUCTURE AT THE HEART OF ITS SUCCESS



Calverts is a successful graphic design and print company based in north London, first set up in 1977. From the start it has been run as a co-operative, and its sixteen current employee-members all are directly involved in deciding the business's strategic direction. The co-op's asset base is held in an asset lock, to protect in perpetuity its co-operative structure.

Calverts' members argue that this co-operative structure enables them to meet their clients' needs more effectively than businesses focused on returning profits to investors. The business has grown and developed through very changing times. The world of printing and design has been transformed out of all recognition by digital and computing technology, but Calverts has ensured that it has reinvested in new technology and in its members' skills in order to maintain its business. Its client base includes organisations such as the British Council and the British Museum, as well as campaigning groups such as Landmine Action and the Fairtrade Foundation. Its turnover is about £1.5m.

The co-operative aims to follow in its work practice the International Co-operative Alliance's seven co-operative principles in its governance structures. Calverts' continuing aim, the co-op said when celebrating its thirtieth anniversary two years ago, is to combine creative flair and excellence in print, while staying true to its founding values: solidarity, equity and social responsibility ■



A MORE CO-OPERATIVE FUTURE

HOLIDAY-MAKERS IN CONISTON IN ENGLAND'S BEAUTIFUL LAKE DISTRICT WHO POP IN TO THE VILLAGE SHOP FOR THEIR BREAD, MILK OR EGGS MAY BE SURPRISED TO KNOW THAT THEY ARE PATRONISING AN INDEPENDENT LOCALLY OWNED CO-OPERATIVE SOCIETY, WHICH HAS BEEN SUCCESSFULLY RUNNING THE VILLAGE'S GROCERY STORE SINCE 1898.

Holiday-makers a few miles away in the equally popular tourist destination of Hawkshead can also buy the supplies they need in a co-operatively-run business. The village shop in the main street here is one of over 2,500 food stores run by the giant Co-operative Group.

The point should be clear: co-operative businesses come in all shapes and sizes. Some co-operatives are micro-enterprises, employing perhaps just a handful of people. Equally, the co-operative model is being used in the UK to run a business that rivals in size and strength some of our largest enterprises. Look beyond Britain's shores, and the same rich diversity is apparent.

There is enormous diversity, too, in terms of the business sectors in which co-operative businesses operate, as this report has tried to indicate. In fact, it's hard to think of goods or services which, somewhere, aren't being offered by a co-operative.

What unites all these businesses is the commitment to much more than just turning a profit. The seven ICA co-operative principles lay down the key factors which fundamentally separate co-operatives from other businesses, even those who try to adopt good Corporate Social Responsibility or fair employment practices.

After the crash

A more co-operative future

The co-operative business model has been attracting new interest in recent years.

A MORE CO-OPERATIVE FUTURE CONTINUED

The co-operative business model has been attracting new interest in recent years. The 175 countries in membership of the UN agency the International Labour Organization passed a formal ILO Recommendation in 2002 which urges governments to promote the potential of co-operatives worldwide, among other things to 'create and develop income-generating activities and sustainable decent work'. The European Union published a similar text in 2004. The former UN Secretary-General Kofi Annan has talked of the 'crucial role' played by co-operatives in meeting human needs and aspirations.

How different, in fact, would our current plight be if rather more of this country's business was not part of UK plc, but instead was part of UK Co-operative Societies? What if HBOS or RBS had not been driven to maximise shareholders' short-term returns, but could have taken a longer-term perspective, meeting customers' rather than investors' needs? What if some of our High Street names, now owned by private equity concerns, had been co-operatively structured?

It's appropriate, therefore, to expect to see the co-operative business model included as an integral part of the UK government's strategy for our economic recovery (and it's disappointing that key documents, such as the April 2009 New Industry, New Jobs report, don't address this). The familiar plc model is not the only way in which successful businesses can be structured and government policy should reflect this diversity, and should offer a range of practical support measures for co-operatively structured businesses. Government should also encourage other agents (such as banks and professional advisers) to take a similar approach.

Of course, co-operatives are not the only solution to all the problems thrown up by the economic crisis, but they must be part of that solution.

They have a key role to play as we seek to rebuild trust in business and restore our troubled economies. They put people first. They offer a sustainable business model. They have social and environmental aims at the heart of their business objectives.

They need to be back in the business mainstream ■

CASE STUDY DETAILS

Baywind Energy Co-operative Ltd

is an Industrial & Provident Society and was formed in 1996 on the lines of co-operative models successfully pioneered in Scandinavia. The first two Baywind projects enabled a community in Cumbria to invest in local wind turbines. Baywind's aim is to promote the generation of renewable energy and energy conservation.

Berrynarbor



is a community-owned rural shop on the North Devon coast. In 2004 residents decided to form a co-operative to save the local shop and post office when the postmaster retired. The shop is staffed by nearly 30 volunteers and aims to support local producers, suppliers and the economy as well as provide a service to the community.

Calverts



is a graphic design and printing works co-operative established in 1977. It operates equal pay and flexible working for staff members and the business is managed through a process of consensus decision making.

Co-operative Financial Services

is the name for the Co-operative Group of businesses that includes The Co-operative Insurance, The Co-operative Investments and The Co-operative Bank including Smile.

Greenwich Leisure Ltd

is a charitable 'leisure trust', with a social enterprise structure. It manages over 65 leisure centres within the M25 area in partnership with twelve London Boroughs, Epsom and Ewell Borough Council, Reading Borough Council, Bellingham Community Project, the London Playing Fields Foundation and the London Development Agency. As a non-profit distributing organisation it re-invests any surpluses back into services.

Redditch Co-operative Homes



is a community based organisation that supports a number of housing co-operatives. It exists to provide affordable housing for people in need. Based in Redditch, it supports five neighbourhood co-operatives that are self managed organisations by the people who live in their homes. All its' co-operatives are run by tenants.

Shared Interest



is a fair trade financial co-operative based in the United Kingdom. It provides credit and financial services to fair trade producers, retailers, importers and exporters throughout the world. Shared Interest received the Queen's Award for Enterprise in 2008.

After the crash

Case study details

Southwark Credit Union



is a financial co-operative that exists for the benefit of members who live and/or work in the London Borough of Southwark. Its mission is to provide members with access to reasonably priced financial services and encourage the development of good financial practice.

Suma

is a workers' co-operative and the UK's largest independent wholefood wholesaler-distributor. Specialising in vegetarian, fairly traded, organic, ethical and natural products, it also has its own successful brand of food and non-food products.

Sunderland Home Care Associates

offer a range of home care packages and care services for people in the Sunderland area. It is an employee owned social enterprise, which means that staff members get a vital role in the decision-making process because they own a share in the company. Staff members have the opportunity to take part in democratic general meetings every other month and help set budgets, pay and conditions.

The Phone Co-op



is a telecommunications co-operative, which operates under self-imposed environmental and ethical guidelines. It provides telephone and internet services, including web hosting and broadband to private customers, charities and other co-operatives. In October 2008 The Phone Co-op received the UK Government-sponsored Enterprising Solutions Award for Best Social Enterprise 2008 and was Winner of the Federation of Communication Services Green Award for Small Business in 2009.

Torr's Hydro New Mills Ltd



is an Industrial and Provident Society for the Benefit of the Community. Torr's Hydro was registered specifically so that the community could own the hydro electric scheme to be built in 'The Torr's' in New Mills. A share of the revenue from the scheme will help Torr's Hydro achieve its aim to help regenerate the community and to promote the environmental sustainability of the New Mills area. It is considered to be the first community funded hydro electric scheme in the UK.

West Whitlawburn Housing Co-operative

established in 1989, manages and maintains high quality affordable housing. It has transformed local authority housing estates. As well as having responsibility for allocating and looking after the homes on the estate, WWHC runs a thriving Community Centre, which has become the hub of the community.

The **co-operative**

The Co-operative has commissioned this report however the views and opinions expressed herein are the author's and do not necessarily reflect those of The Co-operative.



This report is printed on Revive 100 Offset 150gsm text material and the cover material used is Revive 100 Offset 280gsm. This is a recycled grade containing 100% post consumer waste manufactured at a mill accredited with the ISO14001 environmental management standard. The paper is made using a totally chlorine free (TCF) process, and the inks used in printing this report are vegetable-based.