

## Leadership, capacity building and governability in cooperatives

Cooperatives distinguish themselves from other forms of social and entrepreneurial organizations as long as they successfully apply their principles and values in their ventures and businesses. As Georges Laserre puts it "...the theoretical superiority of the cooperative enterprise is only virtual, and it can be annihilated by its practice, not only by a low efficiency but also by insufficiency in the human quality"<sup>1</sup> of its environment.

Independently of its type of activity, and level of development or success, the existence of a cooperative form of organization is justified as long as it pursues a set of ethical and social values and principles that make a difference when compared to private enterprises. Cooperatives are not neutral actors in society and the market. Cooperatives are not created to maximize economic results. Cooperatives must perform efficiently in order to be "profitable", but they must also pursue the wellbeing of their members.

The most successful cooperatives have a socio-economic profile and a value-added that is unique:

- They comprise an extensive network of members, serving them with quality products that are relevant and opportune.
- They deal with essential aspects of the sector of operation.
- They perform successfully as enterprises, with efficiency and effectiveness, they reward innovation, and they *plan their future* and invest in the development of their human capital (members and staff).
- They give priority to the cooperative philosophy over the business philosophy, searching to contribute to a better life quality for their members (not only in the distribution of financial surpluses).
- They have smooth articulation with their communities, where they have a leading position. They have good relations with authorities but maintain autonomy and independence in their policies and strategies.
- They have adequate governance, with strong leaders that keep the organization moving forward; they have committed leaders, trained for the accomplishment of their functions, and follow democratic and participatory rules that are inclusive of minorities. They also include their staff in the democratic life of the cooperative.

In this paper we will address problems cooperatives are confronted with all over the world. But we will also try to contextualize those problems and at the same time propose ways forward to overcome them. We will mainly address the development of a culture of leadership and the capacity building of cooperative organizations, the role of Governments, the challenges good governability pose to cooperatives, the central key role members should play, as well as the way cooperatives should accomplish their mission as service deliverers and community actors.

### a. Leadership culture

In general, leadership is analyzed through two different perspectives:

- As an innate quality of a person, the leader, or
- As a function inside an organization, a community or a society.

In a perceptive work on good practices in cooperatives, Dante Cracogna and Uribe Garzón<sup>2</sup> consider that a leader must be honest, competent, visionary and inspirational. Such qualities are essential for credibility. But in a cooperative environment, good leadership is above all commitment to the mandate given by a democratic constituency. The leader is not a *solitaire*; the leader has a close and human relationship with members and staff.

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<sup>1</sup> George Laserre, "El Hombre Cooperativo". EDUCC, June 2008, Colombia.

<sup>2</sup> Cracogna, Dante and Garzón, Uribe, "Buen Gobierno Cooperativo: hacia un código de buenas prácticas". CCC, 2003, Bogotá, Colombia.

Leadership is service to the cooperative community and not camouflage of traditional power. As John Maxwell puts it in a famous motivational quote, "A leader is one who knows the way, goes the way, and shows the way".

Cooperative leadership<sup>3</sup> should be based more on the Aristotelian philosophy than on the thinking of Machiavelli. While the first shows us that the *mobile* of ethics and politics is identical – happiness, a good life - Machiavelli argues that goals justify means (good financial results at any price, independently of the means that have been used).

At the beginning of the cooperative movement, cooperatives were based on the voluntary work of many *good souls*, and on the empathic actions of visionary leaders. Although a particular leader could be more outstanding than others, the main trait of cooperative leadership was the collective action of many citizens who had been mobilized towards the accomplishment of a common will. This collective action assured social as well as economic sustainability.

Nowadays cooperatives act in very different environments. The need to compete in an open and globalized market has obliged them to rationalize structures, and professionalize many Boards of Directors. But this professionalization does not always produce more development or more capacity among the Governing bodies. One of the errors has been to believe that paid Boards of Directors would be more professional. The reality is that money has not succeeded in buying knowledge but, on the other hand, it has eliminated the solidarity of voluntary work.

Another remarkable aspect of leadership development among many cooperatives has been the coexistence of two important conflictive situations. On one side we have the preponderance of Chairpersons above the rest of the Directors, and on the other side the struggle between Boards of Directors and General Managers to control and lead the businesses. Both Managers and Directors should row in the same direction and help each other. As Peter Drucker puts it, "Management is doing things right; leadership is doing the right things".

Those conflictive situations are due to an erroneous conception of the division of roles and responsibilities between the different bodies that should guide and run a cooperative, and they are also due to a unipersonal leadership concept. Sometimes the business is run powerfully by a Manager backed by a Board of Directors that constitute a kind of committee to applaud and praise General Management. In other places it is the Chairperson who runs the business and the General Manager becomes a secretary and qualified assistant. In both cases, the organization loses the essential equilibrium between those who establish the policies – the Board – and those who plan and implement them –General Management and its team. As Bernard Shaw once wrote, "...when the master has come to do everything through the slave, the slave becomes his master, since he can't live without him".

Boards are a decisive success factor in a cooperative organization when they function as a team, have an entrepreneurial spirit and promote new initiatives, assume and control risks, know how to overcome difficulties and setbacks and always consider the members as the "raison d'être" of the cooperative endeavours. On the other hand, Boards of Directors are the origin of failure when they are passive, corrupt, non-transparent and incompetent.

The excessively protagonist role of a Chairperson, behaving like a private owner, is frequently a serious barrier to the active participation of other Board members. Sometimes, the Boards get neither updated nor trustful information. This makes the elaboration of proposals and the decision-making process more difficult. It is not uncommon that the election of Board members is based on compromises that limit their independence and integrity when they need to make decisions. Leadership development should include educational processes for the members (the cooperative base), to facilitate the development of a sound leadership culture.

### c. The Role of the State

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<sup>3</sup> In many cooperative organizations in Sweden it is common to talk about representatives (elected members) and leaders (managers). This use of the leadership concept reveals how cooperatives in Sweden have moved towards a form of professionalization that probably gave too much power to General Managers! A General Manager can be a leader but the leadership culture in coops must absolutely include members of Boards and other power structures.

Although in many countries the State has played a central role in cooperative development, its relationship with the cooperatives has been deeply ambivalent. Cooperatives have, on the one hand, been considered by the State as important tools for local development, and have been rewarded with important tax benefits and exclusivity in some market segments. On the other hand, they have not been allowed to act on the market in a totally free way, nor fully claim their associative autonomy and democracy. The role of the State has, in many cases, even been negative. Sometimes, because the support has not been accompanied by adequate mobilization, sensitization and education approaches, the members have been impeded from becoming main actors and owners of the process. Nowadays, State support is in most countries no longer what it used to be, but the State persists in the maintenance of perverse mechanisms of control, supervision and dependency that constitute an obstacle to capacity building.

Agrarian reform processes in Latin America during last century stimulated the creation of client cooperative movements. In part this was due to the American "Alliance for Progress Initiative" to fight the growing influence of Cuba and Guevara. Many of those cooperatives do not exist any longer or are in great need of reconstruction in order to continue to be relevant for their members and to stay in the market. From the 1990s onwards, State policies have changed and the cooperatives are no longer a priority. The State is putting all its attention on the private enterprises and external investors.

The thrust of the 1995 statement of Co-operative Identity and the ILO Recommendation 193 is the independence of co-operatives. However, there are still Governments that have not learned from past practices. In countries like Nicaragua, Venezuela and Bolivia, the State has in recent times converted the cooperatives in the principal instrument for social development. Tens of thousands of cooperatives have been created in very little time. For this purpose, the State has given land, enterprises and assets to peasants and employees to run cooperative businesses. Legal frames have been reformed and updated to make the initiative viable. So far so good! But the problem consists in the fact that due to the political control exercised by the State, the organizations are born weak. The members are not in the driving seat and therefore they do not have enough commitment. The development agenda is political and the operations are not adapted to member needs on an open market. In most cases, future failures will be a fact from the day the State stops providing support.

Many governments have not moved to amend the laws dealing with cooperatives (they have modernized the legal frameworks for private enterprises, market operations, and foreign investments, but they have not done it for the cooperatives). In other cases, for instance Cambodia, there is a regulatory vacuum that prevents further development and modernisation of all forms of cooperatives. The regulatory frames for cooperatives often constitute a constraint to their development. It is not easy for a successful cooperative to attract new member groups in order to develop new business opportunities. Capital formation is very traditional in many countries and it is not possible to manage cooperative governance that differentiates member groups. For most cooperatives, the development of business relations with corporations or organizations from other countries is very limited. It is also very difficult to make investments and develop business opportunities in other countries and markets. Although the world is a "global village" as it was once said, the cooperatives continue to be anchored in their local environments.

Anyhow, we consider that the State has an important role in the development of cooperatives. But there must be the right balance between regulation, enablement and control. Cooperatives are enterprises of the social economy and an important complement to other entrepreneurial actors that dominate the market. Cooperatives are the *social face* of the market. Therefore it is urgent that Governments modernize cooperative laws, facilitating for instance the formation of capital, the merger of cooperatives, and economies of scale in the cooperative world, as well as true independence for cooperatives, and the approval of sound mechanisms to finance member education and training.

It is also considered that Governments should again put in place *action plans for cooperative development*. These plans should also emphasize the role of strategic support from the state for the development of cooperatives. The concession of benefits, such as tax exemptions that facilitate the *capitalization of productive assets* of cooperatives is not that bad as liberal economists and politicians have declared (in several Latin American countries, the State has implemented taxes on beverages such as beer and soft drinks in order to finance cooperative integration, education

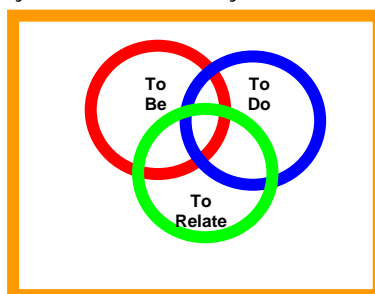
and training). Benefits are bad when they create a status quo of dependence, prevent creativity and modernization or stimulate unnecessary non-productive consumption in form of *Land Cruisers* for managers or construction of *white elephants* (in form of fixed assets such as *luxurious* corporate buildings).

In the framework of updated action plans, Cooperative Departments (and/or cooperative institutes partially controlled by the Government) could also have a modernised mission. They could energise strategic development processes addressing issues such as leadership for change, governability, and the production of *web-based* training materials to develop cooperatives and support them all along the productive chain. The *remaking* of Cooperative Departments only makes sense if they get funds to engage competent staff and implement adaptive modernisation plans.

There are good practices that reflect win-win alliances between Governments and cooperatives. For instance, the coffee producers' cooperatives in several Latin American countries, such as Costa Rica and Colombia, operate within a legal framework that allows them to generate a high social impact among their constituencies in the industrialization and commercialization of the coffee beans.

### c. Organizational Development in Complex Environments

In order to promote the development of cooperative organizations it is fundamental to understand the complexity and variety of cooperative associations. To do that, it can be practical to use a tool developed by the British civil society centre – INTRAC. This tool (here slightly modified) is not new but its practical utility is still very evident. The starting point is that organizations should be analyzed in a holistic way, as can be seen in the following figure:



The “to be” or internal organization comprises the purpose, the identity, the vision, the values, the accountability, the culture, the learning, the leadership, as well as the systems and structures. The “to be” comprises the by-laws, the type of members and their aspirations, and the capacity “to place” the organization in the future – the strategic planning.

The “to do” comprises the services to members and the community, the economic and financial performance, and the supporting structures of the administration and financing. This also includes the marketing, the business research, the purchase of products, the adding of value to products, the productive infra-structures and equipment, as well as the quality and development of its human resources. It encompasses the economic results, the market shares, and the role of members in the development of services and their perception of the relevance of those services to satisfy member needs.

The “to relate” comprises the capacity cooperatives have to articulate with the environment, mainly with the cooperative movement as a whole, the community, the authorities, the suppliers, the buyers and civil society.

The analysis of the “global picture” certainly provides a better understanding of cooperative needs and how to address them. That is why Organizational Development is a disciplined exercise, using a variety of processes and practices, to enable a cooperative:

\* to develop a deeper understanding of its reality and how it works;

- \* to plan and implement change in whole and complex systems;
- \* to become more effective in its actions and manage change as an on-going practice;
- \* to narrow the gap between leaders, managers and members and to learn through its practice.

Many cooperative movements and organizations have been practising important elements of this organizational development approach, mainly through processes of re-engineering and strategic planning. But in those processes there has been an important gap, connected with *governance of cooperatives* and sometimes with member education.

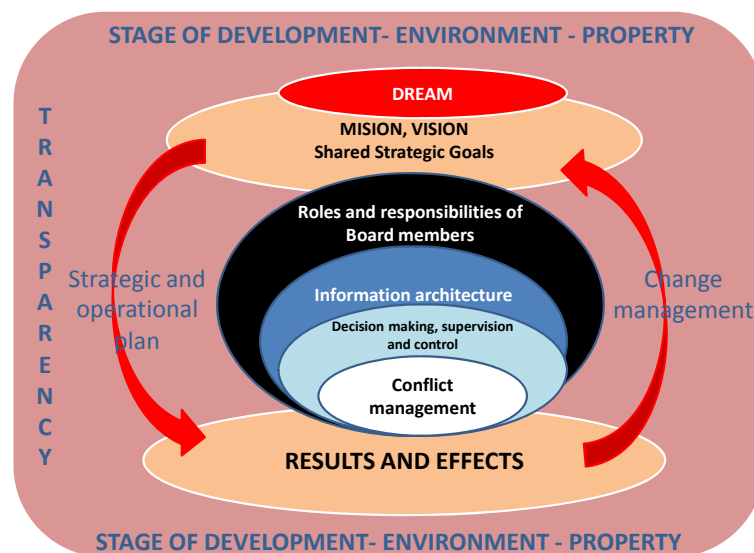
#### d. Corporate Governance for Cooperatives

Governance in cooperatives is the capacity they have to self-regulate their function and at the same time act towards the accomplishment of the mission their members have established. The Board of Directors is the main *Governing Body* of a cooperative, responsible for its good practices. Good governance is in place when the Board of Directors provides the Management with adequate guidelines for the strategic direction of the organization and at the same time acts as a watchdog, keeping under observation the efforts being made by the General Management to move in the right direction.

Better corporate governance for cooperatives is crucial to their credibility. Therefore the **development of national corporate governance guidelines for cooperatives** is today a fundamental initiative to develop their credibility and rescue their image.

Corporate governance for cooperatives is a complex exercise. It is not a question of updating by-laws and regulations. It addresses the core power structures and the application of values, principles and purposes – *la raison d'être* of the cooperative. This exercise is innovative when compared to past re-engineering processes as it places at the centre the two layers that embody most power – the Board of Directors which represents the members and the General Management which runs the business.

There are different models for corporate governance. Here we choose one where corporate governance rests on four pillars<sup>4</sup>: roles, responsibility and composition of the Board of Directors; information architecture; decision-making, supervision and control; and management of conflicts and crisis.



<sup>4</sup> Vita, Massimo, "Evaluación y Desarrollo de Gobernabilidad para las Instituciones de Microfinanzas", PROMIFIN, 2010.

- **Roles and responsibilities of Board members** (and other governance bodies): This responsibility is based on the delegation of authority from the General Assembly to the Board in order to enable its members to follow-up and monitor the work of the management, guided by the will of the owners – the members. This comprises the training of Board members in their responsibilities as well as in the issues they are continuously confronted with and decide upon.
- **Information architecture:** In order to make correct decisions, it is necessary to have access to information that is integral, that can be trusted and has the necessary quality. This is the information that strengthens the commitment of the members towards their organization.
- **Decision-making, supervision and control:** In order to optimize decision-making, as well as supervision and control, it is necessary to have adequate structures as well as clear and adequate procedures for every function and responsibility.
- **Conflict management:** All the above facilitates good management of conflicts. Moreover, it is important to develop formal and written procedures to avoid disputes. It is also important to develop *Codes of Honour as a form of protection to meet non-foreseen difficulties*<sup>5</sup>.

As Massimo Vita puts it, a “governance system (...) is a complex equilibrium between power, responsibility, transparency, internal and external relations, etc”. “Governance in cooperatives is a process that evolves in time and in accordance with the legal structure and the environment”<sup>6</sup>. The development of systems and tools to develop, reinforce and evaluate corporate cooperative governance is of foremost importance.

The evaluation of the performance of a governance system in cooperatives mainly comprises:

- \* The separation of roles and responsibilities between Boards and Managers;
- \* The aptitude and composition of the Board;
- \* The flow, quality and transparency of the produced information;
- \* The mechanisms of supervision, control and decision-making;
- \* The focus in essential questions;
- \* The management of conflicts and difficult situations.

We are convinced that with such mechanisms in place, many good cooperative organizations, such as, for instance “El Hogar Obrero” in Argentina, COFAC in Uruguay, or the Cooperative Banks in Uganda or Sri Lanka, would probably not have had the fate that compromised their existence.

Nevertheless, when developing national governance guidelines for co-operatives, two ways forward are advisable: differentiated sets of guidelines or codes should be produced for particular types of cooperatives or the cooperative associations should be advised and guided to select guidelines that can be implemented at their level and be fully committed to the implementation of the relevant parts of a Code of Best Practices. Recognizing that societies differ in sectors, size and resources, it is understood that levels of implementation of a unified code will differ.

A good example of this differentiation is given in Singapore, where the Code of Governance for Cooperatives was launched by the Singapore National Cooperative Federation in 2006. The Code comprises the best governance practices of the industry and aims to help cooperative boards and management better fulfil their roles. The code was tiered on the basis of credit and non-credit cooperatives. Credit Cooperatives, which are of greater regulatory risk (in view of their deposit-taking activities), are subjected to more stringent requirements regardless of their annual turnover. Non-credit cooperatives, on the other hand, are subject to the Code’s requirements based on their annual turnover.

## e. Capacity Building in Cooperatives

<sup>5</sup> Adapted from Vita, Massimo, idem.

<sup>6</sup> Idem.



In the ILO report "Working out of poverty"<sup>7</sup> (already produced in 2003 but still very useful), it is stated that "the core tools cooperatives need in order to flourish are advice on capacity building, entrepreneurship development, leadership training, market research, accessing loan finance and grant aid, inter-cooperative networking, and federation building". But this may have been a little simplified, non-holistic perception of the cooperative development chain. For instance, Venezuela's cooperative development is not much different from that and a sustainable take-off is far away.

In all successful cooperative endeavours, members' mobilization and sensitization is a central issue. The sustainability of a cooperative enterprise, as well as its failure, is very much connected with the understanding and sense of ownership members have in respect of their enterprises. It is there most failures have their origin. Nobody questions the relevance of capacity building, entrepreneurship development or access to finance loans. Simón Rodríguez, a mentor and teacher of Simón Bolívar, used to say that there would be no republics in Latin America without authentic republicans. One could also say that cooperatives can only be viable and sustainable if their members really identify with them, use them, and have business transactions with them. Cooperatives can only exist when owned and run by real cooperators. For that reason, it is again fundamental to address the issue of *cooperative members' education and understanding of the cooperative model of organization*. **The fundamentals of cooperative democracy and entrepreneurial organization should be taught at school.** This could be highlighted in *national action plans for cooperatives*. An interesting initiative of this genre has been on track in Costa Rica, as a result of an alliance between schools and the cooperative movement (CENECOOP).

Furthermore, the cooperatives must be efficient as enterprises in order to guarantee their sustainability. For that they should:

- strengthen their values and principles as a distinct form of operation;
- rely on solid governance;
- improve operations to be profitable;
- integrate new skills and innovations in business development;
- promote the development of human resources;
- articulate and network with other organizations and enterprises;
- grow in accordance with the needs of society and the market demand.

The development of capacities in cooperative organizations should leave behind some traditional indicators of success in private enterprises, although cooperatives operate in the same market. This is particularly important as capacity building has had a tendency to focus on the management of the balance sheet and less on the attainment of good results for members. Therefore, in many cases, even when obtaining surpluses, the cooperatives are far from attaining the goals that originally legitimated their constitution.

Capacity building efforts at national or local level should start with a practical-oriented diagnosis and they should take into consideration key elements such as the following:

- Work with tools and methods specially designed for the cooperatives, respecting their values and culture, as well as member mobilization and empowerment.
- Support the development of capacities at local level.
- Have, as points of reference, successful experiences from the cooperative movement. Good practices and the experience gained by those who deal with success stories is a key factor to convince others to accept change and innovation. This is even more important when successful cooperatives undertake to socialize their experience and support the development of others.

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<sup>7</sup> ILO, Genève, 2003.

- Give emphasis to the development of human resources, enabling cooperatives to become spaces of personal accomplishment and innovation and attract community members.
- Adapt tools and methods to Web environments, facilitating growth and modernization of the cooperatives.

Training programmes should be available on the Web, reserving teaching classes for discussions and socialization of knowledge. This enables multiplication and increases the possibility of doing practical exercises. This should also be privileged in countries with extensive territories such as India, China, Mongolia, Russia, Brazil and México. In these countries it is unthinkable to imagine a successful capacity building programme that does not take into consideration new technologies for training and technical advice.

#### f. Capacity Building in Rural Cooperatives and other Farmer-Owned Enterprises

The particularity of farmer organizations (farmers' unions, farmers' cooperatives, farmer groups, commodity associations, etc) in developing countries needs to be addressed separately. In these cases, development gains momentum when the main challenges are all addressed as linkages in the same chain. Capacity building means an answer to at least the following areas of intervention, aiming at sustainable development of smallholder farmers and reduction of poverty in rural areas:

- \* Membership mobilization and education;
- \* Organizational development;
- \* Capital formation in cooperatives;
- \* Leadership development for men and women;
- \* Sustainable agriculture production;
- \* Capitalization of the farming family;
- \* Business development;
- \* Entrepreneurial opportunities for women;
- \* Market access and sales;
- \* Financial services;
- \* Policy development and advocacy.

It is relevant to underline that the cooperative organization form does not, in many cases, serve small-scale farmers better. Celia Coronel writes that "this type of collective marketing often does not produce the desired result as it requires good management capacities, understanding the working of the markets, evaluating demand and buyers, the capacity to take financial risks, etc. There are cases where producers cooperate to better integrate access to markets without actually sharing the market operations. (...) This works particularly well for perishable products or products of high demand, where coordination between both vendors and buyers is crucial"<sup>8</sup>.

But what can be done with the huge majority of smallholder farmers, who are not close to the consumer market, do not trade in high-value products and do not have an organization? Although high-value export supply chains sometimes include many smallholder farmers, there is no empirical evidence to show that contract farming can address poverty reduction as well as market constraints for the enormous majority of poor farmers. The tendency in contract farming schemes and through vertically integrated estate farms is to put smallholder farmers out of the market, thereby accelerating the proletarianization of farmers who become wage earners.

Therefore, a relevant question is how to make rural cooperatives economically viable – then it is possible to overcome management capacity constraints. The origin of many cooperative failures is connected with the atomization of cooperatives (an atomization facilitated by laws that circumscribe a cooperative to a specific village). 20, 30 or 50 small scale-members do not make a cooperative viable. Size and volume of trade as part of economies

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<sup>8</sup> "Dealing with small scale producers", KIT Publishers, Amsterdam, 2010.



of scale can make a difference. Cooperative action plans for rural cooperatives need in many cases to address this issue.

Action plans for the development of rural cooperatives should address commodity value chain frameworks. As it is now, most cooperatives sell the produce without any value added and give basic services. Besides, the farmers have low productivity in their enterprises. This is the reason why, in many countries, cooperatives dealing with staples are confronted with huge sustainability problems. The same can be said of cooperatives that sell coffee, cocoa and tea in bulk on the world market. On the other hand, there are very good examples of best practices and success. Small coffee cooperatives in Guatemala, Honduras, Nicaragua and Costa Rica sell quality coffees to differentiated markets, obtaining good profits. The same can be said of big milk producers' cooperatives in India, Brazil, Colombia, Costa Rica and Argentina and Sweden. It is the same case with wine cooperatives in Southern Europe, Chile, Uruguay and Argentina that produce, package and export their own labels.

Fishermen cooperatives are considered rural and deserve a comment. Fishing is in decline everywhere as the catches are no longer as before. Many artisanal fishermen fish along the coast where overfishing has caused big problems. Fishermen cooperatives, such as for instance in Sri Lanka or Central America, deal often with savings and credits or constitute channels for government welfare initiatives. Fishing is no longer a priority for the cooperatives and they do not deal any longer with the commercialization of the catches. If fishermen cooperatives are going to survive it is essential to re-address their mission, and it is indispensable to re-think the sector. The re-engineering of the sector must lead to fewer cooperatives and fishermen. It must also orient fishermen towards income generating initiatives other than fishing and link them with the development of the communities.

#### g. Capacity Building in Apex Organizations

Although cooperative federations and unions have been conceptualized to do business, in practice many of them have mainly operated as political structures. It was assumed that the federations would have the capacity to supply financial as well as technical resources to develop production, and increase productivity and quality along the complete chain, from the producer to the consumer. In that way, federations would be responsible for the links in the productive chain that primary cooperatives could not take care of due to their local focus and limited size. Integration organizations search also "laborious for knowledge and technology transfer programs that can make viable the success of cooperatives; beyond that, they pursue the development of complementary services that can bring more success to the cooperative movement as a system".<sup>9</sup> Reality has been different in many cases and this may be due to any of the following reasons:

- **Premature birth:** some federations and unions are created without having in place the necessary conditions for them to become relevant and sustainable. The member primary cooperatives do not feel the need and do not have enough commitment.
- **Tied external support:** some integration cooperatives operate with external financing, mainly from governments, in order to implement programmes and initiatives with a political agenda. In many cases this agenda is far from the needs and aspirations of member cooperatives.
- **Non-member centred services:** some federations and unions deal with activities and services that have limited relevance and impact for the member primary societies. This is reflected in their limited financial contributions and their lack of interest in participating in decision-making processes.
- **Rearguard of "sleeping" politicians:** many federations and unions constitute favoured resting stations for politicians waiting for future opportunities.

These integration cooperatives are sooner or later affected by huge crises of credibility and sustainability. But integration cooperatives still have an indispensable role. **Qualified research should be done in order to identify and compare good practices and to benchmark the sector.**

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<sup>9</sup> De Sárraga, Alejandro, "Éxito en las cooperativas de ahorro y crédito: Un estado posible". COLAC, Panamá, 2002.

Capacity building efforts should be propelled from cooperative apex organizations or integration bodies, when these organizations exist and have (or can get) the capacity to deliver quality capacity building. Many cooperative movements rely on second level cooperatives specialized in training and technical assistance. These organizations may have weaknesses but they have the legitimacy, capabilities and resources (although limited) to assume new roles and new training concepts.

The International Cooperative Alliance and other worldwide organizations, such as ICMIF, WOCCU, etc should also undergo processes of deep reflection on the role they play. As Peter Drucker once put it, “effective leadership is not about making speeches or being liked, leadership is defined by results not attributes”. **These organizations should effectively play the role of think-tankers for genuine cooperative development.** They should act to facilitate the development of *transnational alliances*; not only in the export of goods, but also in attracting members, capital, raw materials, inputs, knowledge and human resources, as private enterprises do all over the world.

*Cooperativas sin Fronteras*, an agro-industry cooperative whose members are societies from Costa Rica, Panamá, Nicaragua, Canada, Brazil, Italia and Switzerland, is an interesting initiative aimed at transforming raw-materials from less developed countries into competitive products to sell in developed markets.

Cooperatives outside national boundaries should have the possibility to act as cooperatives and not as transnational corporations as in some cases (a negative example is the French *Credit Agricole*, which made an alliance with the cooperative ACAC in Uruguay, took over the society and liquidated it).

## Conclusions

There is a place for the cooperative movement in the globalized world. But present challenges demand an urgent revitalization of cooperatives as instruments of local development with a global outreach, able to create employment opportunities, market channels and wealth for millions of persons and multiple communities affected by social problems and poverty. The extensive network of cooperatives all over the globe has attributes, values and resources that can enable them to have a protagonist role in the modern world. But for that they need systematic and sustainable support for the development of their capacities, support that would allow them:

- to become more efficient and effective as enterprises operating in a competitive market;
- to attract more members, giving them more and better services, with special attention to lower-income citizens;
- to create more value added for their members and constituencies, stimulating the improvement of quality of life in communities;
- to consolidate their governance and inclusiveness, acting as schools of democracy in the communities;
- to propose solutions more in accordance with the environment and the preservation of resources for future generations.

Capacity building must have, as its starting point, the strengthening of the relations between members and their associations, as well as of these with society. The members must actively participate in the capital formation, in the government of the organization, and in the patronage of products and services delivered by the cooperative. On the other hand, the cooperative must include the society it is active in, performing not only for its better-off members, but also for those who have financial difficulties. At the same time, the cooperative needs to be guided by a long-term vision that can contribute to its sustainability.

To strengthen governance is a priority in most cooperative movements. Entrepreneurial capacity should be reinforced with cooperative philosophy, values and principles. Cooperatives must be profitable, but overall they should be organizations with the capacity to support the economic development and well-being of their members and communities, be relevant, and have a perspective for the future. One path to follow is the development of specific

tools for management and change, tailored for cooperatives. Integration entities should again play a fundamental role in the strengthening and development of cooperatives and for that they should be given support to build their capacities.

The State has played and will play in future a central role in the development of the cooperative movement. It is expected that it will actively support four main aspects: i) the improvement of laws and regulations, allowing cooperatives to operate in conditions equivalent to those that benefit other entrepreneurial forms of organization; ii) the elimination of unnecessary and pernicious controls that limit the modernization and the development of cooperatives; iii) the promotion of cooperative initiatives and enterprises as effective tools for local socio-economic development; and iv) the promotion of cooperatives as schools to foster local democracy and build citizenry.

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