

Cooperatives with  
multi-stakeholder membership:  
*learning from the past*

Andrew Bibby  
[www.andrewbibby.com](http://www.andrewbibby.com)

# Multi-stakeholder cooperatives

“Multi-stakeholder cooperatives (MSCs) are co-ops that formally allow for governance by representatives of two or more “stakeholder” groups within the same organization, including consumers, producers, workers, volunteers or general community supporters.”

*Cooperative Development Centre, Kent State University*

# Multi-stakeholder cooperatives

- Applies the concept of the stakeholder from business organizational theory (R. Edward Freeman, *Strategic Management: A stakeholder approach*, 1984)
- A growing trend in several countries?
- New legal structures in several countries
- “*More cooperative?*”

# Multi-stakeholder cooperatives

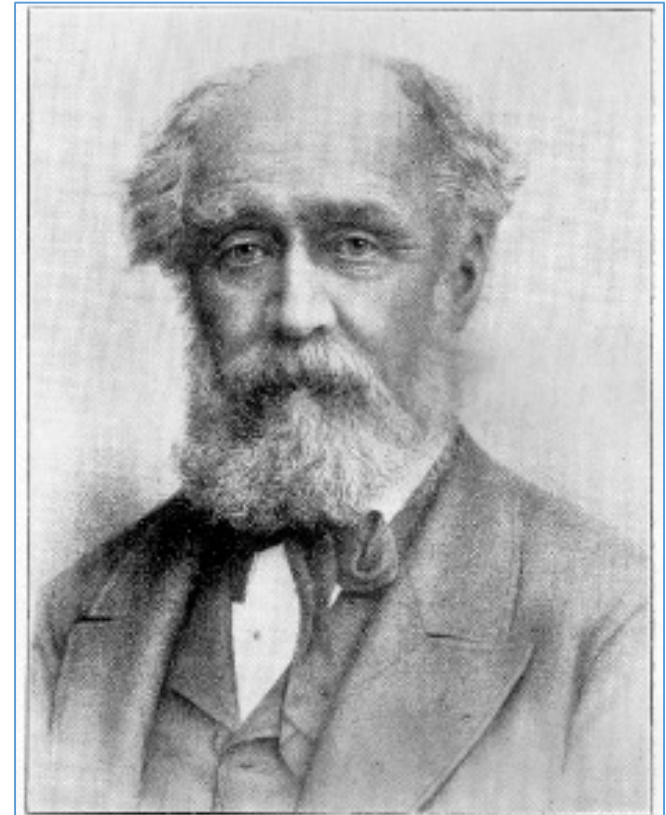
- Not just a new idea: an idea from the early cooperative movement
- My example: Hebden Bridge Fustian Manufacturing Co-operative Society, northern England, 1870-1918
- My conclusion: Different categories of membership in a cooperative is not an unproblematic concept

# Who should profit from a cooperative business?

“I would divide [profits] into four parts, assigned respectively to residence, work, capital, and custom”

*Edward Vansittart Neale*

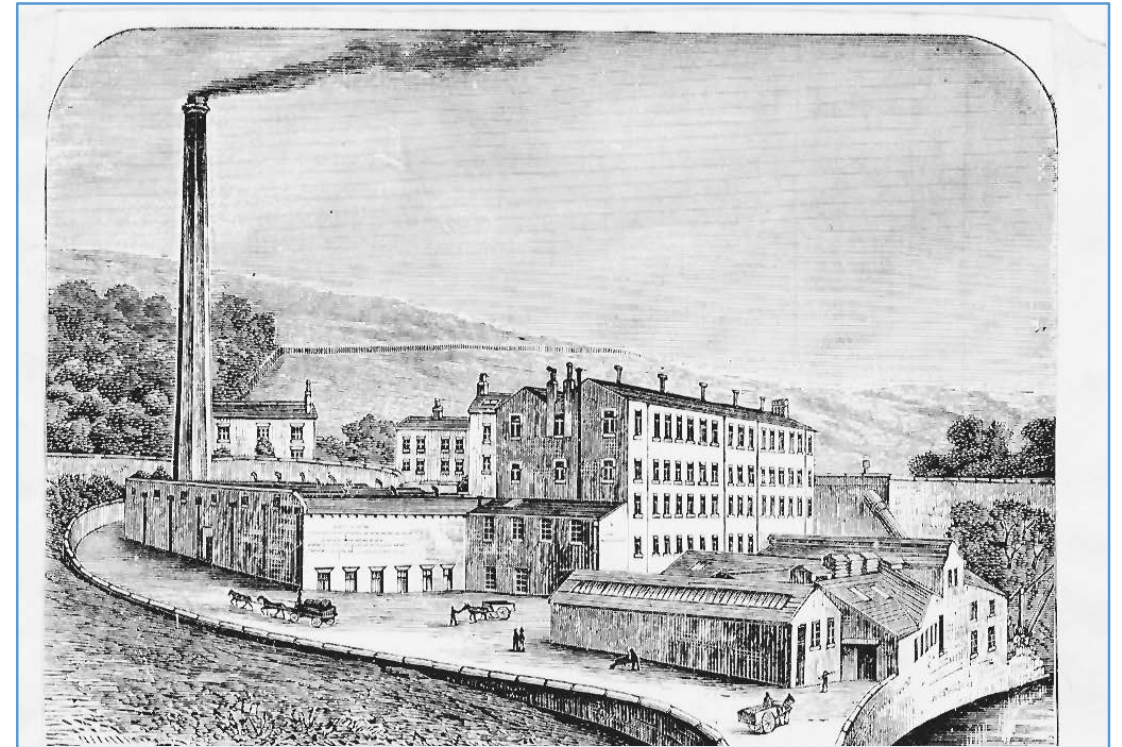
*Co-operative News, 18 March 1876*



EDWARD VANSITTART NEALE.  
1810-1892.

# The Hebden Bridge experience

- weaving, cutting, dyeing, tailoring of heavy cotton cloth
- operated profitably every year
- employed 300+



# The Hebden Bridge experience

- seen by some as the 'Rochdale' of manufacturing
- An exemplar, visited by national and international visitors

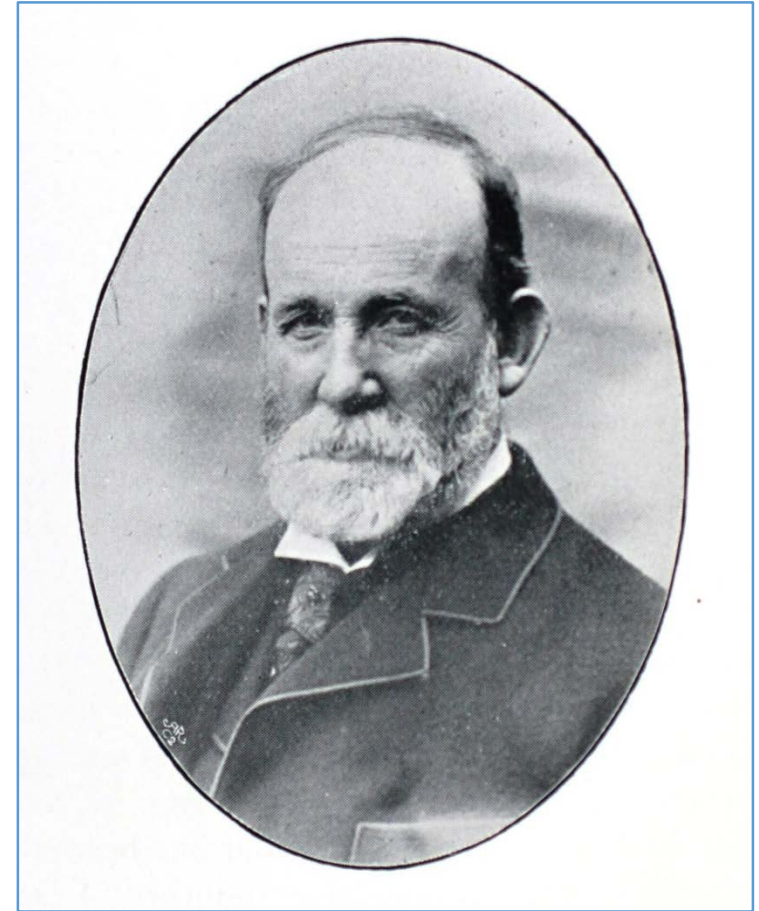


# Who should profit from a cooperative business?

“The first object of the Hebden Bridge Society was the redemption of the working people”

“They did not want life to be full of drudgery and ceaseless toil “

*- Joseph Greenwood*



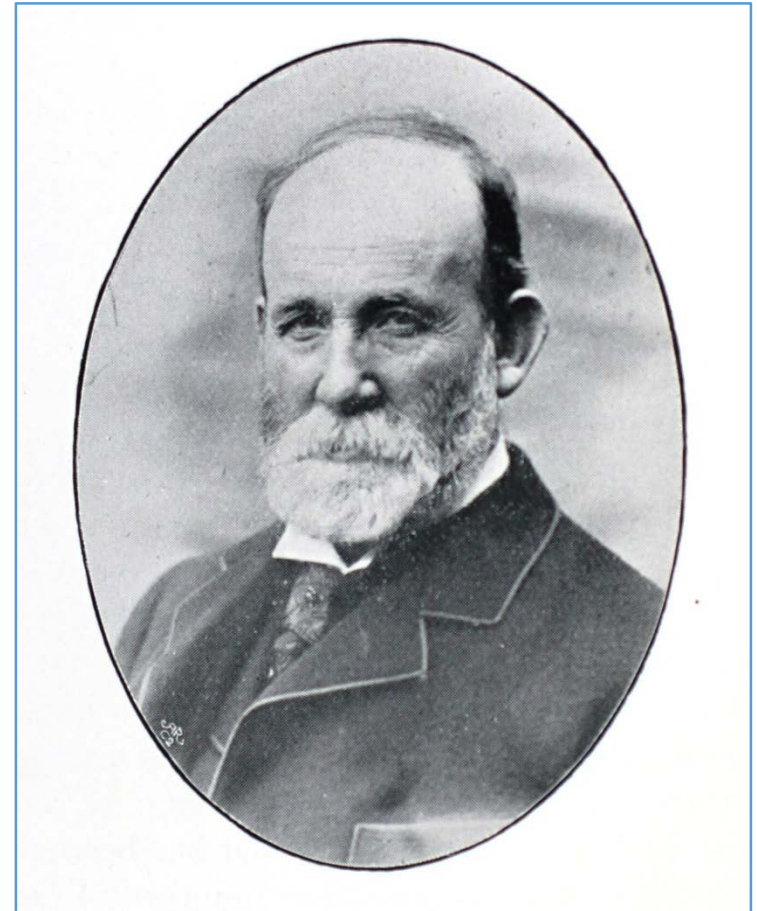


# Who should profit from a cooperative business?

Membership initially made up of 30 cloth cutters and cloth dyers.

“No one was to be a member unless actually engaged in the trade”

*-Joseph Greenwood*



Who should profit from a cooperative business?

BUT:

£1000 needed for dyeworks.

Members together contributing less than £0.40 a week!

Need for capital

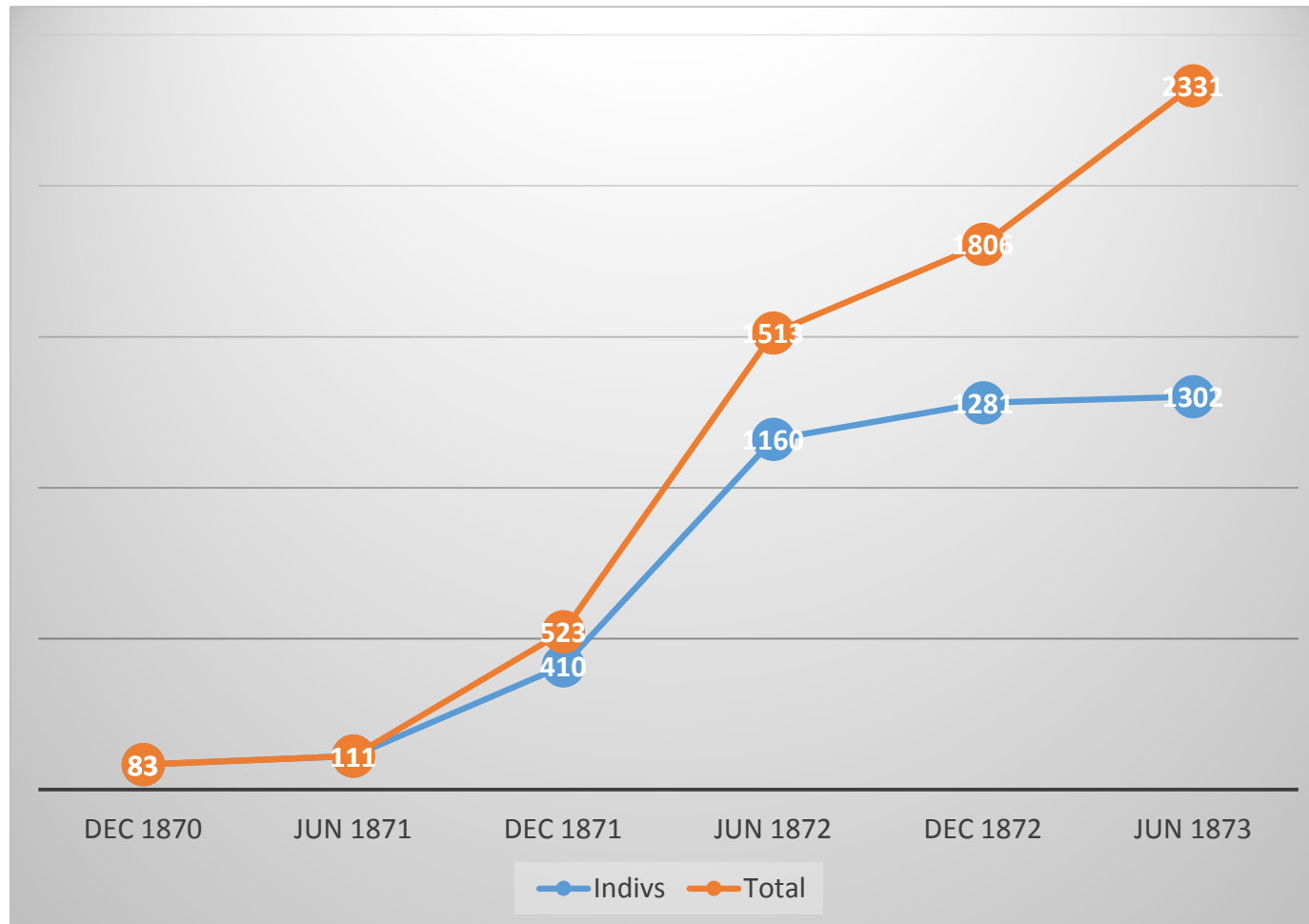
Agreed to accept external investors as members

# A 'multi-stakeholder' solution

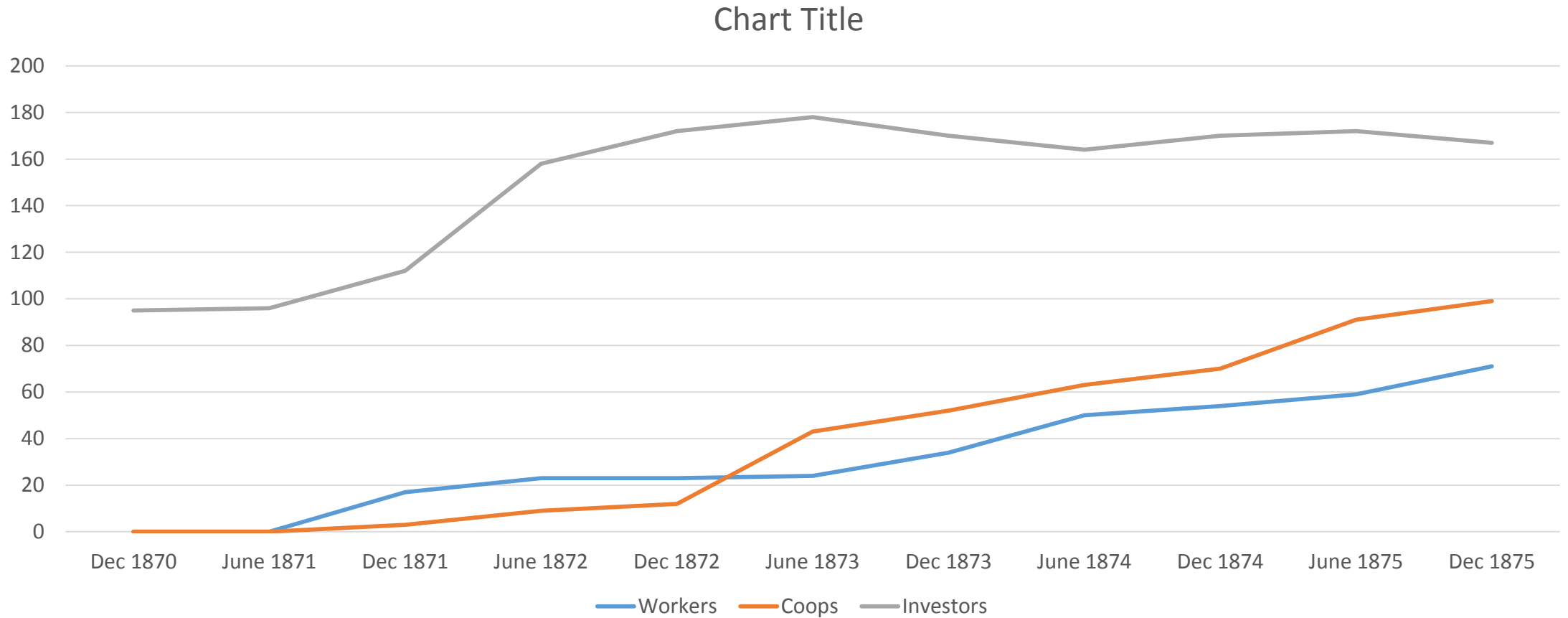
Membership open to:

- Workers
- Private investors
- Cooperative societies who were customers

# Capital growth 1870-1873



# Membership growth 1870-1875



# A fair reward to investors?

- High returns paid initially. Led to share speculation.
- Individual investor limit capped at £100
- Interest eventually (1890) limited to 5%

“The co-operator is not against capital. Capital is exactly like fire – an excellent servant when it warms the inmates but a bad one when it burns down the house”

- *George Jacob Holyoake, 1888*

# A fair return for workers?

What share of the profits to the workers?

“Bonus to labour” – the big controversy

1876: unsuccessful move at members’ meeting to stop paying profit share to labour:

“mere sentiment, a sham and a delusion” (Co-operative Wholesale Society delegate)

“[abolition] a great wrong to the men who were the founders and who had made the Society a success” (Joseph Greenwood)

# A fair return for workers?

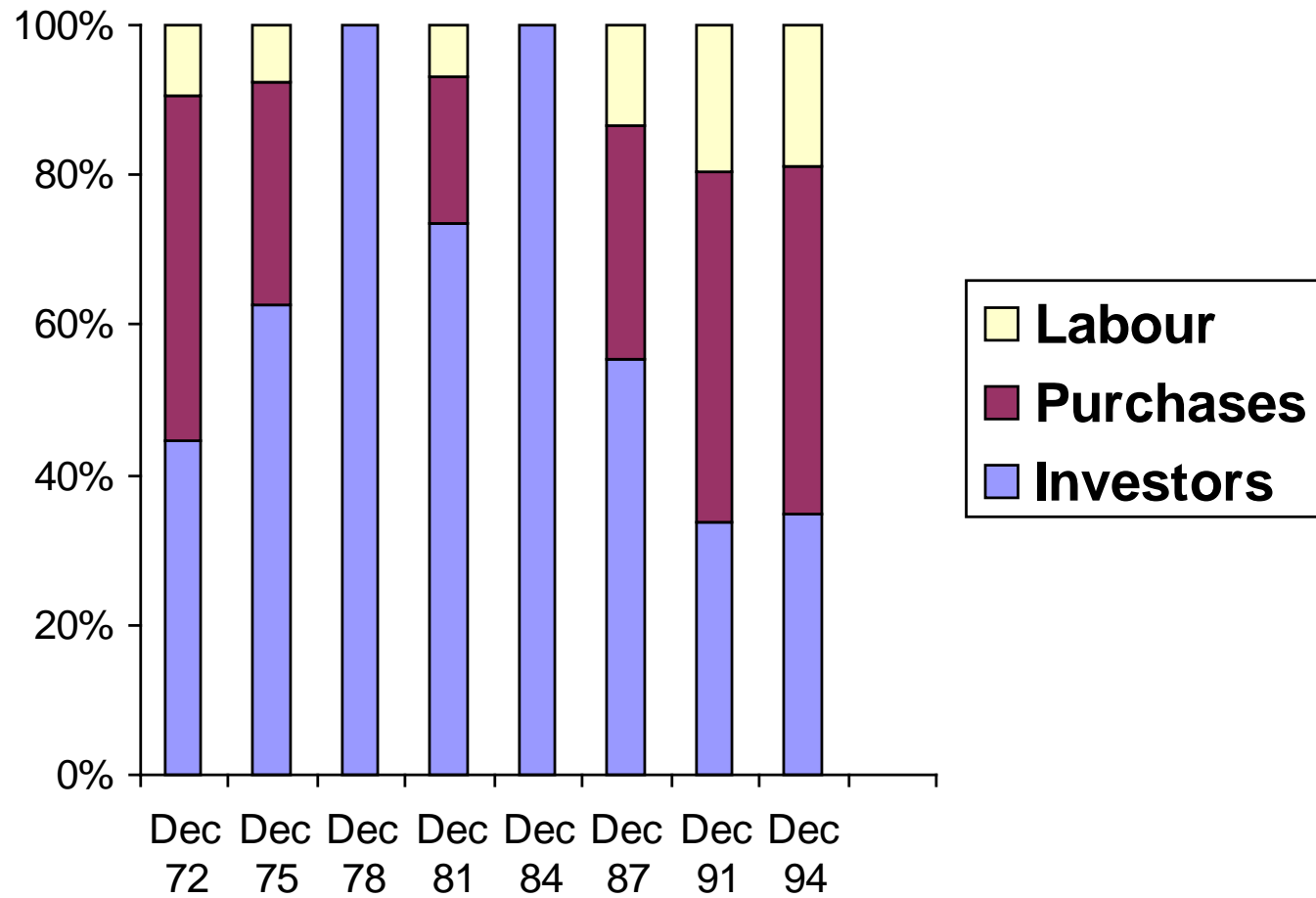
From 1890

- 5% to investors
- 5% of wages to workers
- 5% of sales to cooperative society purchasers

NOT splitting the cake 50:50 between workers and customers



# A fair return to workers?



# A caveat

The flexible concept of profit in a cooperative

Profit could be adjusted by

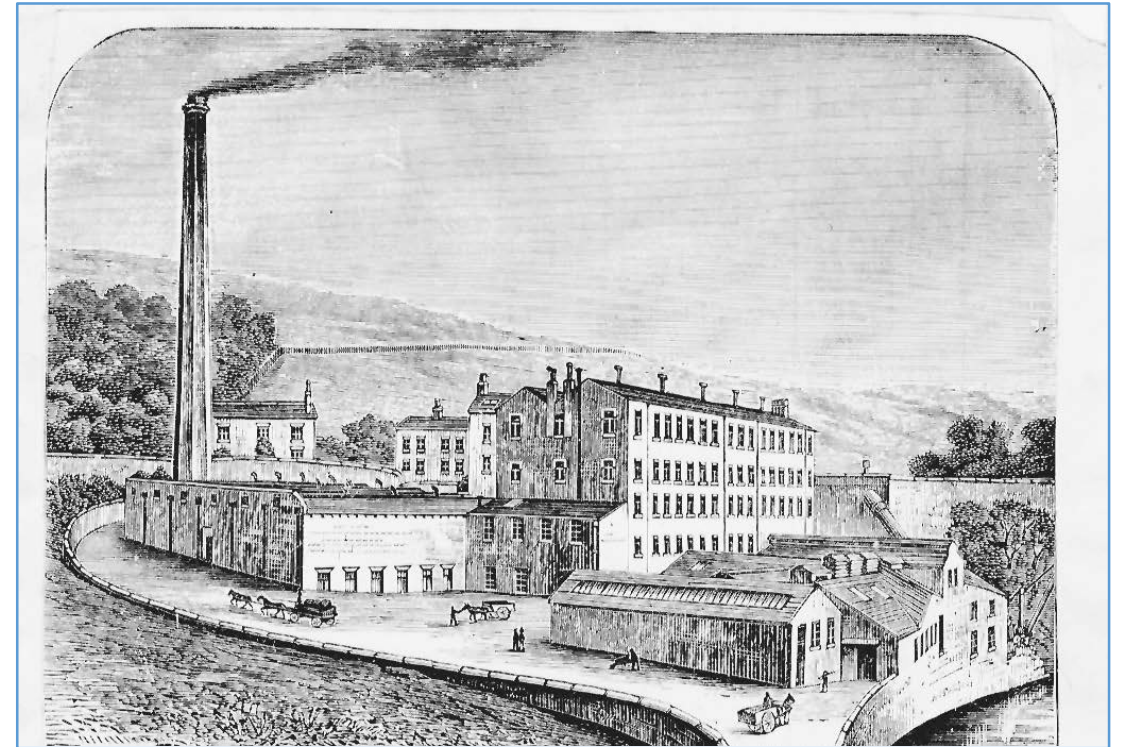
- Paying workers more (or less)
- Offering discounts to cooperative customers
- Adjusting items such as depreciation

# Governance arrangements

- All members in one single constituency
- All individual members: one vote
- Cooperative societies: one vote for first £100, one additional vote for each further £100 invested

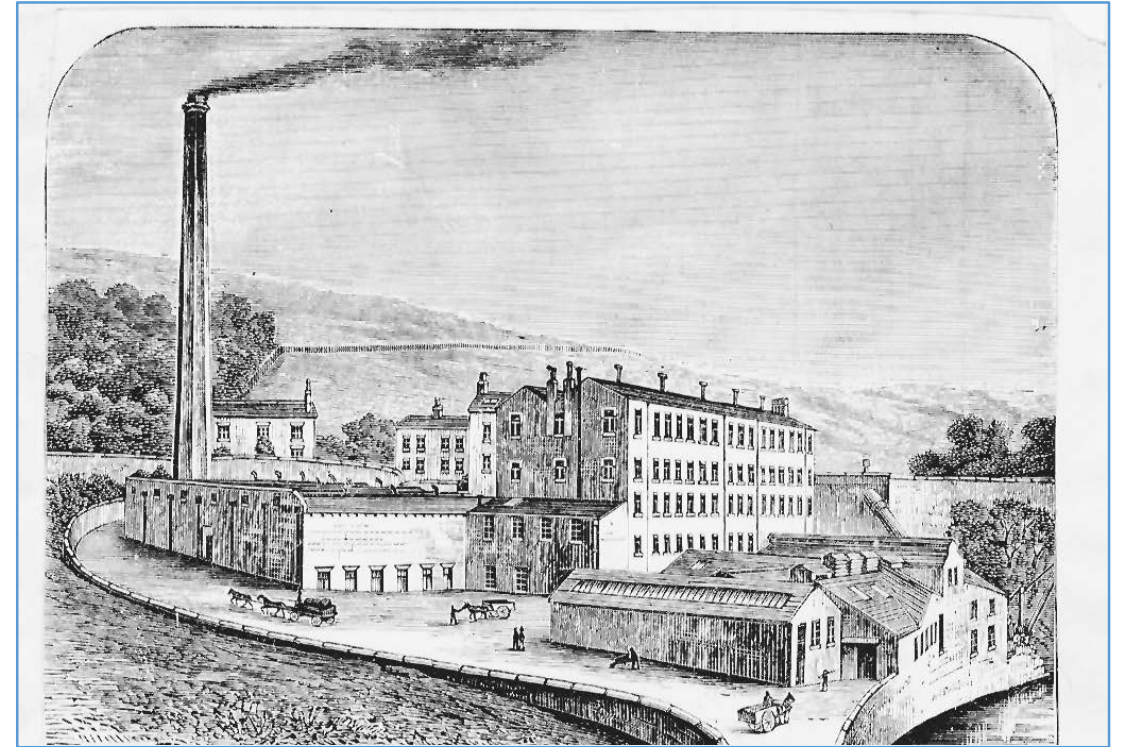
# Some conclusions

- Hebden Bridge's experience important as a well-known and profitable concern
- Later UK cooperatives learned from its experience



# Some conclusions

- At the heart of the ‘bounty to labour’ dispute: how employees are treated in a cooperative
- Saw extensive debate about relationship between capital & labour



# Making multi-stakeholder cooperatives work

- Recognise sectional interests may differ
- Focus on shared common interest (a successful cooperative business), not sectional interests
- Develop robust governance mechanisms to protect all classes of members
- Decide in advance an equitable division of profits
- Control capital (!)
- Empower cooperative employees

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