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# **The Employees' Awareness of Co-operative Principles**

**Results of an Empirical Survey of Employees Working  
in Austrian Credit Co-operatives**

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## Outlining the problem

- Co-operatives are strongly based on values.
- Employees – and thus co-operatives – can only act according to their characteristic nature, if their employees are aware of the co-operative’s values.
- Employees have to first internalize the “co-operative cultural core” in order to be able to implement it in practice.

## Outlining the problem

“One of the greatest dangers to mutuals and cooperatives comes from within – from managers and directors who are not committed to cooperative principles and values!”

R. Mathews (2000): Looting the Mutuals: The Ethics and Economics of Demutualisation, Dissent 3

→ *research question:*

***What do employees of credit-cooperatives actually know about the underlying principles?***

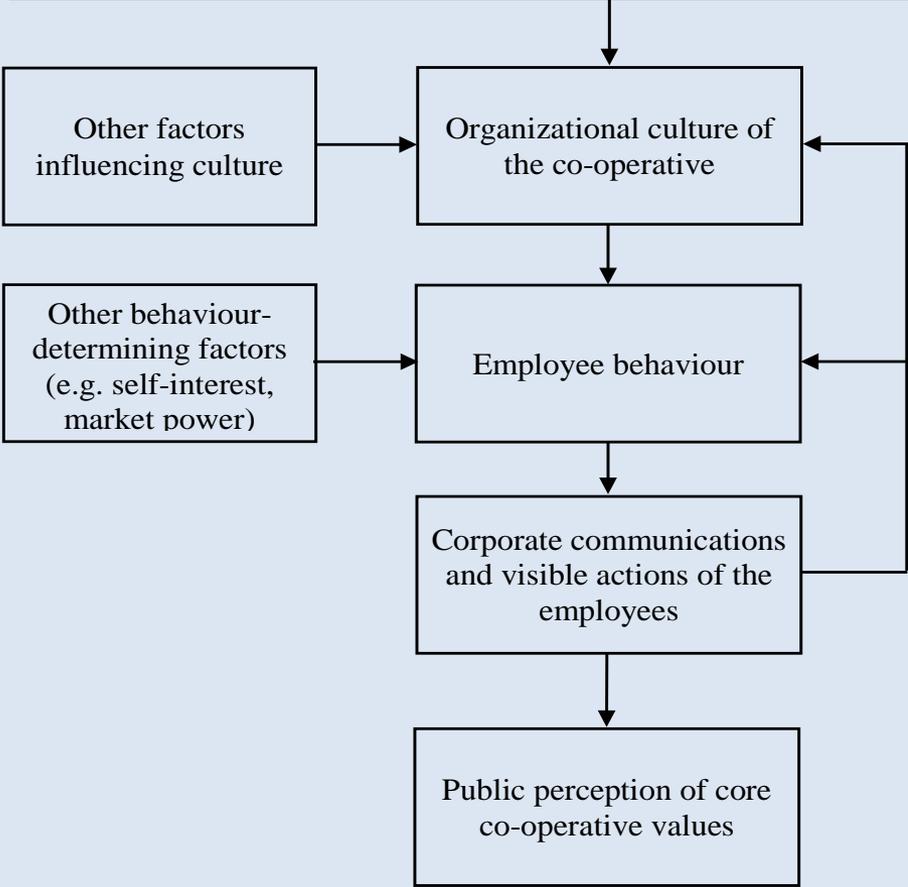
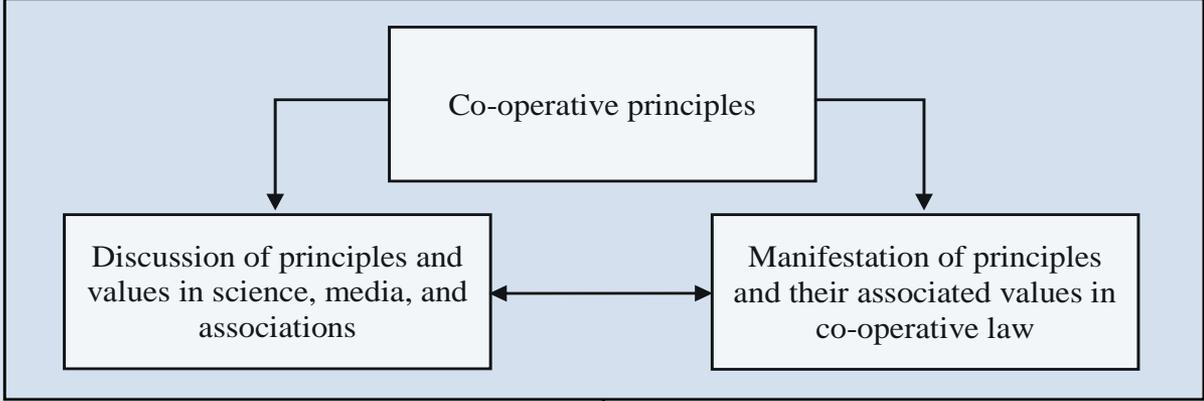
## Line of arguments

1. First, an overview of co-operative principles and their development is presented.
2. Secondly, against this background the current situation of credit coops will be outlined.
3. Secondly the design of the quantitative study is presented.
4. Then, the empirical results are analyzed.
5. Finally the results are discussed with respect to their implications.

## 1. Development of co-operative principles

**So where do the co-operative values come from that should guide employees' behavior?**

- the historical values of the founding pioneers
- values proclaimed by interest groups and co-operative associations
- values discussed at the scientific level
- values stipulated explicitly and/or implicitly in the statutes and in the mission statements of co-operatives
- values reflected in organizational regulations (e.g. delegation systems, one-member-one-vote) of co-operatives and in their visible actions



## 1. Development of co-operative principles

**So what is the co-operative “value set” that should guide employees’ and behavior?**

**The principles of Hermann Schulze-Delitzsch:**

- mandate to promote members
- principle of identity
- principle of self-help / independence from subsidies
- principle of self-government / democratic decision-making
- principle of self-responsibility / co-operative joint liability

# 1. Development of co-operative principles

## The principles of Friedrich Wilhelm Raiffeisen:

- charity or principle of self-help
- principle of self-responsibility / unlimited, solidarity liability of members
- principle of self-government / democratic election of administrative bodies
- principle of voluntariness / voluntary use of the co-operative organization
- principle of regionalism / decentralization
- principle of the universal co-operative / collaboration of co-operatives
- principle of co-operative associations

## 1. Development of co-operative principles

### **The co-operative principles of the Rochdale Pioneers:**

- refundments according to the individual sales of the members / further surpluses to be used for the development of the co-operative or the community
- limited interest of the members' shares
- voluntary and open membership / interdiction of discrimination
- democratic member control / “one member, one vote”
- education of the members / universalistic educational mandate
- co-operation amongst co-operatives

# 1. Development of co-operative principles

## The principles of the ICA:

- voluntary and open membership / interdiction of discrimination
- democratic control / “one member, one vote”
- economic participation of members
  - limited interest of the members’ shares
  - members have equal equity shares
  - surpluses are to be used firstly for reimbursements in relation to the services provided for the co-operative and secondly for the development of the co-operative
- autonomy and independence / self-help-organizations
- education, training and information of members and employees, public communication of the advantages of co-operatives
- co-operation amongst co-operatives
- concern for the community of the co-operative

Principles / Values	Co-operative founders			Interest groups	Science
	Schulze-Delitzsch	Raiffeisen	Rochdale	ICA 2013	Analysis according to Hill / Doluschitz (2014)
Self-help	Autonomy and independence	Principle of self-help (previously: principle of charity)	Implicitly discussed	Autonomy and independence	Self-help
Mandate to promote members / Identity principle / Members as recipients of promotion	Explicitly named	Implicitly discussed	Implicitly discussed (reimbursement, limited share interest)	Implicitly discussed (reimbursement, limited share interest)	Implicitly discussed
Voluntary membership					
Self-governance / self-structure					
Self-reliance / self-maintenance					
Regional care for the community					
Co-operative associations		over coordination functions and to provide consulting and training services			
Co-operative education mission			Educating members - universal educational mission	Provide training for members and officials, providing the public with information on cooperatives	
Co-operation with other co-operatives			Principle of co-operation between cooperatives	Cooperation to strengthen the co-operative movement	

➔ **co-operative core value-set:**

- self-help / mandate to promote members / principle of identity
- democratic decision-making / self-government
- self-responsibility

## 2. Situation of credit coops ↔ cooperative values?

**Initially, credit coops were established to improve access to credit. BUT today:**

- Credit coops are in direct competition with non-co-operative banks.
- The relationship between the coop and its members has developed into to a “quasi market relationship”.
- Competition and regulations make it difficult for co-operative banks to differentiate between members and non-member customers.
- ➔ The mandate to promote members through economic advantages is not fulfilled.
- ➔ For credit co-operatives with thousands of members it is difficult to implement the principle of democracy and the principle of self-management.

## 2. Situation of credit coops ↔ cooperative values?

### Developments have weakened their initial meaning:

- The *neighborhood principle* → undermined by numerous mergers
- coops with limited liability → *principle of unlimited and joint liability* is practically no longer existent
- share interest rates → the *mandate to promote members* according to their participation in the performance process is limited
- “Investing” members → erosion of *self-help* and the *principle of identity*
- non-member customers or clients → contrary to the idea of *self-help* and the *derived principle of identity*
- members of the administrative bodies are full-time professionals → the principle of *self-government* is being eroded

## 2. Situation of credit coops ↔ cooperative values?

### **Developments have weakened their initial meaning:**

- supervisory councils comprising of “promotional” or “investing” members → the principle of *self-government* is further eroded
- allowance of representatives meetings → member’s right to democratic participation eroded

→ Are these principles still part of the co-operative core? Do employees of cooperatives behave and decide according to these principals?

→ We just investigate whether employees know these principles and took the results as an indicator for their commitment towards co-operative principles.

## 3. Empirical Study

- co-operatively organized Raiffeisen banks in Lower Austria were selected
- total population consists of 481 independent Raiffeisen banks with 1,630 banking offices
- employees at all hierarchical levels were interviewed
- empirical data was gathered in 2015 from mid-April until mid-June by means of a questionnaire
- 126 people, from 12 cooperative banks were interviewed with 122 usable questionnaires

characteristics	attributes and distribution																															
<p><b>period of employment in a co-operative bank</b></p>	<p>The chart displays the number of interviewees for each year of employment. The data points are: 1 (6), 4 (7), 7 (7), 10 (4), 13 (4), 16 (4), 19 (5), 22 (2), 25 (8), 28 (9), 31 (2), 34 (7), 37 (2), and 40 (3). A mean value of 19.1 is shown in a box on the right side of the chart.</p> <table border="1"> <caption>Data for Period of Employment in a Co-operative Bank</caption> <thead> <tr> <th>Year</th> <th>Number of Interviewees</th> </tr> </thead> <tbody> <tr><td>1</td><td>6</td></tr> <tr><td>4</td><td>7</td></tr> <tr><td>7</td><td>7</td></tr> <tr><td>10</td><td>4</td></tr> <tr><td>13</td><td>4</td></tr> <tr><td>16</td><td>4</td></tr> <tr><td>19</td><td>5</td></tr> <tr><td>22</td><td>2</td></tr> <tr><td>25</td><td>8</td></tr> <tr><td>28</td><td>9</td></tr> <tr><td>31</td><td>2</td></tr> <tr><td>34</td><td>7</td></tr> <tr><td>37</td><td>2</td></tr> <tr><td>40</td><td>3</td></tr> </tbody> </table>		Year	Number of Interviewees	1	6	4	7	7	7	10	4	13	4	16	4	19	5	22	2	25	8	28	9	31	2	34	7	37	2	40	3
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<p><b>highest educational achievement</b></p>	<p>no secondary school certificate secondary school certificate academic degree no economic focus</p>	<p>30 77 15 34</p>																														
<p><b>membership</b></p>	<p>members of cooperative banks members of cooperatives (not in the banking industry) non-members</p>	<p>116 3 3</p>																														

## 4. Results – principle of “self-help”

The results show partly significant gaps in the respondents’ knowledge:

selected statements of the questionnaire	correct answers
The primary co-operative goal is to maximize the benefits for their members (= true).	92%
The mandate to promote members outlined in the Cooperatives Act specifies exactly how the members should be promoted (= false).	<b>11%</b>
The promotion of co-operative members can also take place exclusively through regular payment of dividends (= false).	<b>66%</b>
As a rule, co-operative members are also customers or suppliers of the cooperative operation (= true).	95%
According to the original co-operative idea only members could be customers or suppliers of the co-operative (= true).	<b>31%</b>
Today, so-called “investing members” who have no interest in the goods and services of the cooperative, can also participate in the cooperative (= true).	<b>30%</b>

## 4. Results – principle of “self-government”

Again, the results show gaps in the respondents’ knowledge:

selected statements of the questionnaire	correct answers
The Board of a co-operative is composed exclusively of members of the co-operative (= true).	97%
To avoid conflicts of interest, the Supervisory Board may not be filled by members of the co-operative (=false).	89%
Each member has one vote in the General Assembly. The statute may provide voting power depending on the number of shares (= true).	<b>79%</b>
Via the General Assembly the members of the co-operative have the authority to issue binding instructions to the management board (= true).	<b>74%</b>

## 4. Results – principle of “self-responsibility”

Gaps in the respondents’ knowledge:

selected statements of the questionnaire	correct answers
As a rule, each member is liable with all of his/her assets (= false).	91%
The statute may provide a supplementary payment obligation for the members in upwardly capped amount, for the event of insolvency (= true).	<b>70%</b>

## 4. Results – Raiffeisen-specific principles/values

selected statements of the questionnaire	correct answers
According to Raiffeisen, co-operatives should be organized so that as many parishes as possible are cared for by single association, in order to save administration costs (= false).	<b>31%</b>
Raiffeisen principally rejected the issue of shares to the members. Members should not have to invest in order to obtain membership. He also wanted to prevent members having a claim on dividend-payment through investment (= true).	<b>27%</b>
Principally, Raiffeisen envisioned a complete retention of profits (= true).	<b>39%</b>
According to Raiffeisen, in the event of dissolution of a cooperative, the surplus from the liquidation of the cooperative's assets should be utilized for future co-operative start-ups. Members should have no claim to the surplus from the liquidation (= true).	<b>43%</b>

## 5. Concluding remarks

**Initially, credit coops were established to improve access to credit. BUT today:**

- Credit coops are in direct competition with non-co-operative banks.
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## 5. Concluding remarks

### The data show:

- cooperative values are not an integral part of the corporate culture
- cooperative values are not reflected in the actions of the management and the employees

### If co-operatives want to be perceived as adhering to special values

- need to transmit these co-operative values to employees
- cooperative nature has to be preserved

### revival of membership could provide a competitive advantage

- necessary to make employees aware of the specific features of co-operatives
- co-operative values can only be actively lived when employees are familiar with them

**→ important to convey a co-operative corporate culture**

Thank you for your attention!