

FROM COOPERATIVE THEORY TO COOPERATIVE PRACTICE*

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The word “cooperation” has two distinct meanings. The broad sense, defined by economists and sociologists, refers to the coordinated activity of agents pursuing different objectives and seeking to establish common rules. The strict sense, defined by the cooperative movement, refers to the institutionalized practices of cooperative enterprises. For cooperative enterprises to survive and grow, it is argued below that they must bring together the strict sense and the broad sense. A review of how cooperatives have evolved in the second half of the twentieth century shows that many of them have adopted mainstream practices. However, around the year 2000, a reverse trend appeared. Cooperatives small and large, young and old, began reasserting their founding values and basing their development on new cooperative practices. These innovations are directly related to a rise in membership participation. For greater membership participation to be sustainable, it has to be supported by cooperatives, in particular by setting up member training initiatives. In the final analysis, cooperation is an act of mutual learning that produces innovations and democratic forms of control.

Cooperation: alternative and/or reform?

What is cooperation? What gives the cooperative movement its specific identity apart from its legal framework? The answer to this question is of interest not only to the cooperative movement but also to the entire social economy and third sector. Our hypothesis is that the social economy is based on cooperation.

In 1844, Robert Owen defined cooperation by opposition to conflict and capitalist competition. While the terms “cooperation” and “competition” may be opposites, in reality the difference between cooperatives and conventional companies cannot be described in terms of a simple opposition. Cooperatives are involved in both creating an alternative and the functioning of the capitalist economy. How do they accomplish this? Social and economic injustice, the symbolic violence and selfishness that the capitalist economy brings, and the pressure that this economy is likely to exert on government, including democratic governments, give an idea of the scale of the challenge the possibility of building a democratic economic alternative represents.

To answer these questions, we need to look again at the meaning of the word “cooperation.” This word has had two main usages. We believe that

the cooperative movement has to embrace both meanings of cooperation if it wishes to achieve economic success without betraying its ethical objectives.

The general meaning of cooperation

The term “cooperation” first appeared in the fourteenth century. Derived from the Christian Latin *cooperatio*, in the fifteenth century it meant a common endeavor, and is composed of *co*, which comes from *cum*, meaning “with” or “together,” and *operare*, “to act.” Thus, to cooperate is to act together, the joining together of individual efforts for a common end. In general, cooperation refers to any kind of collaborative work between individuals or groups, either voluntary or otherwise. Frequently used in the literature of sociology, economics and management, particularly in the areas of labor, organization, and the firm, the notion of cooperation is especially relevant when dealing with issues related to forms of work collectives. Although it is “one of the major problems of all societies” (Dadoy, 1999), this general sense of the term, which is by far the most widely used, is however, often implicit. This sense of the term is implicit in a number of words that are related to the idea of cooperation. Communication, collaboration, coordination, participation, mediation, interaction, and collective action are classic terms in sociology that presuppose, generally implicitly, cooperation.

Its usage was widespread during the industrial revolution and, since the nineteenth century, the concept of cooperation has been employed in the broader context of society and in the organization of work. In the first volume of *Capital*, Part IV, Chapter XIII, entitled *Co-Operation*, Marx wrote: “When several laborers work together towards a common end in the same process of production or in different but connected processes, their work takes the form of co-operation” (Marx, 1867, p.863). Marx showed the advantages of “work in co-operation” and added that it increases in relation to the concentration of capital: “The number of laborers that co-operate, or the scale of co-operation, depends in the first instance on the amount of capital advanced for the purchase of labor-powers” (ibid, p. 868). This dependence led Marx to say that “if capitalist control is in substance double-sided, because of the double-sided nature of the object he controls which is, on one hand, a process of co-operative production and, on the other, a process for extracting surplus value, the form of that control is necessarily despotic” (ibid, p.871). Marx therefore stressed the contradiction between the process of cooperative production, which requires that the workers agree with the objectives of the enterprise, and the extraction of surplus value, which is contrary to their interests. But he did not pursue this further, specifically the cooperatives that tried to resolve this contradiction. We know that Marx was well aware of the existence of worker cooperatives, but he made no reference to them in his theoretical discussion of cooperation. This silence is even more surprising given that Marx drew a distinction between the “simple co-operation” at work in pre-capitalist societies, which was based on the “shared

ownership of the means of production,” and “*capitalist co-operation,*” the “*productive force of capital.*” The issue of Marx’s complex relationship with the cooperative movement is, however, another topic that we will explore on a future occasion. Marx reserved another, more militant, style of argumentation for commenting on the cooperative movement, but in his economic writings he used the general meaning of the term as it applied to the organization of work. He concluded his discussion by saying that “co-operation appears as a specific mode of capitalist production.”

Half a century later, Frederick Winslow Taylor used the term “cooperation” to describe the relationship between workers and employers. As we know, Taylor wanted to develop a system for managing companies that would eliminate the conflict between employers and workers and thus lead to better productivity both quantitatively and qualitatively, bringing prosperity to all. In Marxist terms, this means reducing the contradiction between the process of production and the extraction of surplus value. It is interesting to see how cooperation again plays a role in Taylor’s work. Taylor’s “system of scientific management” depended on workers and employers changing their mental attitudes and realizing that it was their duty to cooperate to gain the maximum possible profit (Taylor, 1911). However, it was harder for the workers to replace antagonism and distrust with cooperation and mutual help, and they were clearly practicing “soldiering”—Taylor’s main concern—which was the consequence of the conflict between employers and workers. Unlike Marx, Taylor’s usage of the term “cooperation” refers to the organization of the enterprise rather than the work process.

Marx’s theories were powerful, but so too was Taylor’s praxiology. The “cooperation” advocated by Taylor would prevail, even if this dominance was not achieved through Taylor’s system of scientific management but on the contrary through compromise, a compromise that workers often had to fight for. The term “cooperation” was abandoned in analyses of the relationship between employer and worker and correctly replaced by “compromise.”

In 1893, Emile Durkheim published *The Division of Labor in Society*. The concept of social solidarity was central to Durkheim’s thought because his analysis was sociological, not economic, and the term “solidarity” had an ethical implication. By the late nineteenth century, the study of economics had already turned its back on ethics, leaving the way open for sociology. Durkheim showed that society was actually the birthplace of ethics. The division of labor produced solidarity because it “*created among men a whole system of rights and duties that firmly bound them together*” (Durkheim, 1893, p. 403). The assertion that solidarity includes or assumes cooperation is not inconsistent with Durkheim’s theories. By emphasizing solidarity, Durkheim gave cooperation an ethical foundation that would suit the cooperative movement. He also gave it a deterministic dimension, which ran counter to a basic cooperative principle: the right to join or leave the cooperative voluntarily. After Durkheim, nearly all sociologists

analyzed cooperation from a functional, structural and/or systemic perspective and rarely as a deliberate and intentional practice. Parsons expanded the usage of the concept of cooperation by showing that every social organization was a system of cooperative relationships. The conceptualization of cooperation then became more concise and heuristic in works on industrial democracy. *“Collective functioning based on the communication, expression and power of individual actors”* was opposed to *“Taylorist rationality”* (Sainsaulieu, Tixier and Marty, 1983, p. 238). However, Reynaud questioned whether the limited impact of industrial democracy was not due to the fact that these experiments *“seriously underestimated the nature and importance of existing power relationships”* (Reynaud, 1988, p.12). Using a similar approach, Aoki contrasted cooperative organization with hierarchical organization, the first based on *“horizontal coordination”* and the second on *“top-down planning”* (Aoki, 1991). The issue of cooperative practice can also be at least partially examined sociologically through the formulation of *“systems of concrete actions”* (Crozier and Friedberg, 1977) and by using the theory of conventions to examine the relationships of rationales of behavior. These usages and others found in the sociology of work, the sociology of organizations and the socio-economics of the firm do not in any way form a consistent whole, but they all define cooperation in relation to the organization of work. Lastly, the term “cooperation” has always been used in a generic manner (see, for example, Amadiou, 1993, and Bernoux, 1995). Cooperation in this general sense can be defined as the coordinated activity of agents pursuing different objectives and aiming at establishing common rules.

Simultaneously, for more than a century and a half, the concept of cooperation has been widely studied by cooperators, forming a school of thought ignored by academic sociologists and economists.

The specific meaning of cooperation for the cooperative movement

Here, the term refers to a particular type of enterprise. *“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise* (International Cooperative Alliance, 1996). The cooperative therefore meets the collective interest of its members (Fauquet, 1935). Cooperation in this sense concerns the collective action of associated members and not the organization of work, except in the particular case of worker cooperatives solely because their members are also their employees. The early utopian thinkers defined cooperation according to the general meaning. In 1844, Owen contrasted the individualistic system of competition with the system of mutual cooperation (Owen, 1844). However, the evolution of the cooperative movement, and particularly the *“heartrending reform,”* to use Gide’s expression, in which employees were eliminated and consumers became the only associated members, reduced the meaning of cooperation to that of the membership, which was equally called “members” or “cooperators.” This

(1) As far as we know, the last one to make this connection was Henri Desroche. Desroche's approach was centered on the communitarian cooperative and more specifically its utopia.

usage of the term can be defined as the specific meaning of cooperation. We do not know any recent sociological thinking that makes a connection between the two usages—general and specific—of the term.⁽¹⁾ The common origin of these two senses of the term in the writings of Robert Owen suggests that re-introducing the broader, general meaning may help the cooperative movement better define the scope of its practices, for example by including original ways of organizing work, new ways of organizing markets, etc.

Conversely, it could be argued that the increasingly limited range of application of cooperative principles is precisely why the cooperative movement has considered itself, since before World War II, less an alternative system than a different form of enterprise. Since then, the cooperative movement has increasingly seen itself as a sector ranked alongside three other sectors—capitalist, public, and small business (Fauquet, 1935). This conception of the cooperative movement reaches its limits with the process of moving into the mainstream that began to affect a part of the movement in the late twentieth century (Moreau, 1994).

Regulation and innovation: linking cooperation in the narrow sense to cooperation in the broad sense

The twin development of mainstream practices and new cooperative practices

Several changes illustrate how the cooperative movement has adopted mainstream practices. This corresponds to a general process of economic integration. From the end of the World War II until the 1980s, cooperatives became strongly integrated in the general economy, but this was at the cost of weakening some of their specific features, which in turn affected the way the movement viewed itself. These changes include the following:

- matching cooperative products with the products of capitalist enterprises;
- focusing on greater sales volumes;
- investing more in growth than specific areas like training and, in particular, training of board members;
- a declining rate of participation by members and elected officers;
- the growing power of paid managers;
- recruitment based on skills rather than social-economy values;
- a widening of wage differentials;
- external growth leading to forms of holding companies with capitalist companies sometimes more powerful than the parent cooperative.

The phenomenon of adopting mainstream practices (Moreau, 1994) and even conversion into conventional company form (Vienney, 1994) have been observed, especially among agricultural cooperatives and cooperative banks. In agricultural cooperatives, certain founding principles—such as cooperative exclusivity and “a-capitalism”—are less adhered to or in some cases not at all anymore (Mauget and Koulytchisky, 2003).⁽²⁾

(2) See René Mauget's article in this issue.

(3) See the article by these authors in this issue.

In cooperative banks, banking operations pursue objectives that differ from those desired by the founding members and are more consistent with a policy of pure economic growth than providing services to members (Richez-Battesti, Gianfaldoni, Glouviezoff and Alcaras, 2006; Ory, Gurtner and Jaeger, 2006).⁽³⁾

One of the main difficulties in overcoming this problem is the lack of a cooperative conception of the market. Several authors—Claude Vienney, Maurice Parodi, Daniel Côté, Serge Koulytchisky, René Mauget, Yair Lévi, Jacques Defourney and Danièle Demoustier—have shown that the market plays a central role in the evolution of cooperatives. This is a major issue, which the International Cooperative Alliance considers a top priority (Zevi and Monzon Campos, 1995; Spear, 1996; Chomel and Vienney, 1996; Côté, 2001). The problem of the market is examined not only in terms of cooperative adaptation but also in terms of cooperative participation in constructing the market. This type of approach began with Lambert and Peters (1972) and François Perroux (1976). The authors showed, on one hand, that price was not exclusively determined by the market and, on the other hand, that the allocation of the means of production is not tied to the relative cost of resources and was largely determined by the policies of the multinationals. Since these works, several currents in economics and socio-economics have re-examined the question of how markets are created, in particular the theory of regulation, the theory of closed markets, and the theory of conventions—theories that practitioners and researchers can draw upon for a better understanding of what is happening in the social economy.

It needs to be emphasized that the developments briefly mentioned above, which bring cooperatives ever closer to the mainstream, were not immediately obvious or widely accepted. There have been numerous debates about recruitment, wages, growth and the distribution of surpluses. The thinking has shifted as social-economy enterprises have become less and less involved in defining the rules of the market. Above all, pressing concerns have to be dealt with: making sure the enterprise survives, satisfying members who are also increasingly the cooperative's customers, and collective bargaining. The cooperative has to be able to offer products, wages or working conditions that are equal to or, if possible, better than those of the competition. Were (are) cooperatives or, even better, the social economy able to trigger the growth of internal markets and other forms of regulation?

However, there has been an important change since the 1980s. New cooperative practices have appeared:

- the creation of the first social cooperatives;
- recruitment policies that take into account cooperative values;
- courses for employees and board members;
- greater participation;
- in the banking sector, the development of social policies to benefit low-income groups and the promotion of alternative banks;

- in the agricultural sector, the development and implementation of social reporting;
 - the re-organization of democratic representation in the large cooperative federations;
 - growth strategies focused more on the region and less on the sector, reflecting an attempt by local actors to re-appropriate markets;
 - fostering complementary relationships between cooperatives both locally and internationally;
- promoting cooperatives and the social economy as an alternative (for example, through mass advertising campaigns).
- These new developments do not concern all social economy enterprises, but a cooperative revival is undeniable.

Membership participation as the foundation of cooperative practices

What compels an enterprise to reaffirm cooperative principles instead of following the slippery slope of mainstream practices? We would argue that the main cause is the participation of members. The process of demutualization that has affected the big mutual societies in Britain during the past few years has had repercussions throughout the cooperative world. It shows that all it takes for a cooperative or a mutual society to disappear is for a majority of members to withdraw their capital. This can occur in many ways: members' power is weakened with the arrival of outside investors but, even before that happens, members have to see themselves as corporate shareholders rather than cooperative members. However, if seeing the enterprise as, above all else, a simple partnership of capital is all that is needed for members to sell their shares, then conversely all that was needed to preserve the Cooperative Wholesale Society, for example, was for its members to become organized (Melmoth, 1999). This is a classic case. Exercising the dual status of member and user enables the cooperative to be preserved. As Georges Fauquet said, cooperative associations combine two elements: an association of persons and a common enterprise. This dual nature defines the "*social relationship between members in the association*" and the "*economic relationship between them and the enterprise*" (Fauquet, 1965, p.40).

It is clear that Georges Fauquet's conception has to be revisited in order to apply it to the whole range of cooperatives, in particular the cooperatives that have several different types of members. Often the two groups of users and members are not completely identical, particularly in social cooperatives. Rather, asserting the dual status as the central principle of cooperative practice is tantamount to establishing as a policy or one of the objectives the participation of the beneficiaries in the membership, i.e. their right and their duty to participate in general meetings. Conversely, it also implies that when active membership is not desired, the enterprise departs from cooperative practices.

However, when cooperators abandon the dual status practice, it is generally because their cooperative is no longer functioning as a cooperative.

In this case, abandoning the cooperative form in a way makes the rules of control defined by the legal form consistent with the autonomous rules defined by internal practices (Reynaud, 1988), which clarifies things in the end. At the risk of probably making a sociological oversimplification, this suggests that people choose the economic principles that suit them. If all the members of a cooperative think of themselves as customers and only as customers, and if they have the same attitude that they would have towards a conventional company, then the cooperative runs a strong risk of seeing the rules of control of a capitalist nature constrain its autonomous cooperative rules. Cooperative practices become separated from the cooperative status, which can cause new social tensions or greater economic pressure or even a change in the law and throw into doubt the cooperative form. When a gap appears between the status and practices, the most common way of closing it is by changing the legal form rather than reasserting cooperative practices (Chomel and Vienney, 1996).

This process is not, however, inevitable. Cooperative practices can be reaffirmed through the process of innovation. This generally assumes recognition of a “creative disorder” (Alter, 1993) and that the actors are given more leeway for autonomous regulation. This also assumes that there is a desire for change and learning together. Besides the necessary measures for protecting and extending the bylaws, new cooperative rules need to be produced. Innovations in the cooperative form establish a continuity between values and law, between the utopia of social change and social and economic constraints. As the experiences of the Italian social cooperatives demonstrate (Zandonai, 2002; Borzaga, 1997), these new rules anticipate future legislation, which generally institutionalizes innovative practices that are already used in the field.

● Conclusion: cooperation is a process of collective learning

The biggest problem facing social-economy enterprises is defining the rules of cooperative management, which makes it possible to resist the constant incursions in the enterprise of dominating, competing rules. The successive transformations of the social economy in the past, its current evolution, and the conditions for the transformation of the new social economy indicate that cooperative rules can only be produced by cooperation between members, an act by which the conventions and social and economic rules founding collective action are built. Far from being acquired habits, the conventions that enable cooperation—in work, in the organization of the enterprise, in the social and economic construction of markets—are constantly negotiated. Cooperation takes time, and is constantly challenged. It necessitates on the part of the actors an act of mutual learning and constantly striving for innovations and alternative forms of control. ●

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