

**ICA Committee on Co-operative Research  
Symposium  
Measuring Co-operative Performance and Impact**



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**MÉXICO**

# The value of measurement, or measuring the 'co-operative difference'

Keynote address

Sonja Novkovic, Saint Mary's University

Master in Management-Coops and Credit Unions  
and  
Measuring the Coop Difference Research Network



“In an increasingly performance-oriented society, metrics matter. What we measure affects what we do. If we have the wrong metrics, we will strive for the wrong things.”

*MISMEASURING OUR LIVES*

*Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi*



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“I hold a firm belief: We will not change our behaviour unless we change the ways we measure our economic performance.”

*Nicolas Sarkozy*



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# Metrics matter

- Co-operatives are a different kind of business
- The latter half of the 20<sup>th</sup> Century -proving they are not different , and became invisible
- Reasons
  - Dominant economic paradigm
    - Individual ownership of assets
    - Profit motive & efficient economic outcomes as a way to individual ‘freedom’
  - Less than supportive institutional environment for co-operatives
- Lack of understanding of the co-operative difference.



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# Prevailing economic thought

- Co-operatives are a collective of self-centered individuals who maximize their own benefit to the detriment of the group
- The co-operative model - inherently unstable; it would de-mutualize
- Co-operatives cannot compete in the markets -they are inefficient
  - If they were efficient, there would be more of them



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# Metrics matter

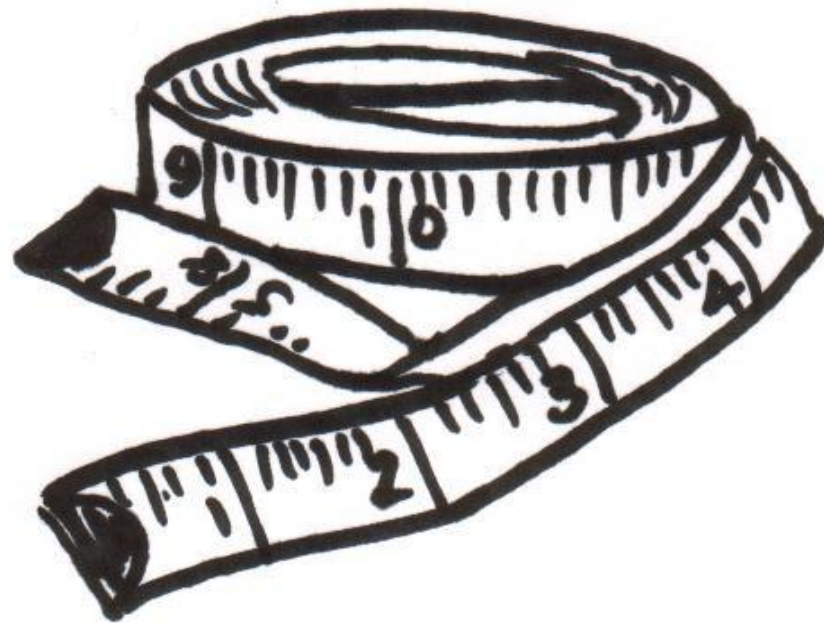
- Efficiency. What is it, and how is it measured?
  - Technical efficiency vs Economic efficiency
- If co-ops do their job right, they most likely would be inefficient by the economic efficiency standards.



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- Co-operatives need to set and measure their own standards of efficiency
  - Democratic deliberation
  - Invest in training
  - Invest in people
  - Solidarity



- Growth. What is it and how is it measured?
  - Growth in sales; growth of net income; or growth of dividends
  - The return to investors increases with increase in net income and/or dividends.
  - This bottom line -increasing the return to investors - forces a business to continually show larger and larger earnings, or growth.



- Are co-operatives under the same pressure?

No, they are not.

- Net incomes may be smaller because they pay people better wages
- Co-op growth strategies will be different because they may want to spin off other co-operatives, or start up new ones, rather than become larger themselves.
- They may build networks to secure scale economies.



- When co-ops measure growth using the same financial data as investor owned firms, and they measure efficiency using the minimum cost approach, they ‘mis-measure their lives’, and look more and more like the investor owned business.



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# What do co-operatives need to measure and why?

- First we need to answer

What do co-ops do?

- ‘Ownership logic’ suggests there is no difference between
  - A co-op owned by members and a club owned by members
  - A worker co-op and an employee owned firm

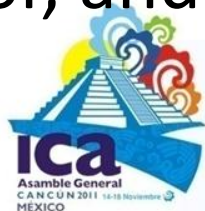


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# What do co-operatives need to measure and why?

- I. Understanding the different business model with its purpose, advantages and disadvantages;
- II. Understanding how the co-operative identity (ICA 1995) creates a strategic advantage in the business context;
- III. Understanding the impact of the co-operative sector on people and communities to influence policy;
- IV. Achieving public awareness of the size, the scope, and the benefits of the co-operative sector, and its promotion.



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# I. Are co-operatives different?

If co-operative business is no different from investor-owned business it is difficult to develop a rationale for its existence.

Robb, Smith & Webb 2010



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Co-operatives are **owned by their member patrons and exist to serve their members;**  
**they distribute profits or surpluses according to patronage (*use*) and not according to investment.**

In addition to their business activity, cooperatives also **provide goods and services for which no market values are available:** they are active in community development, member education, and government lobbying on behalf of members and are often regarded as providing a training ground for participatory management and democratic governance.

Parliament, Lerman & Fulton 1990



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# IOF vs Co-op

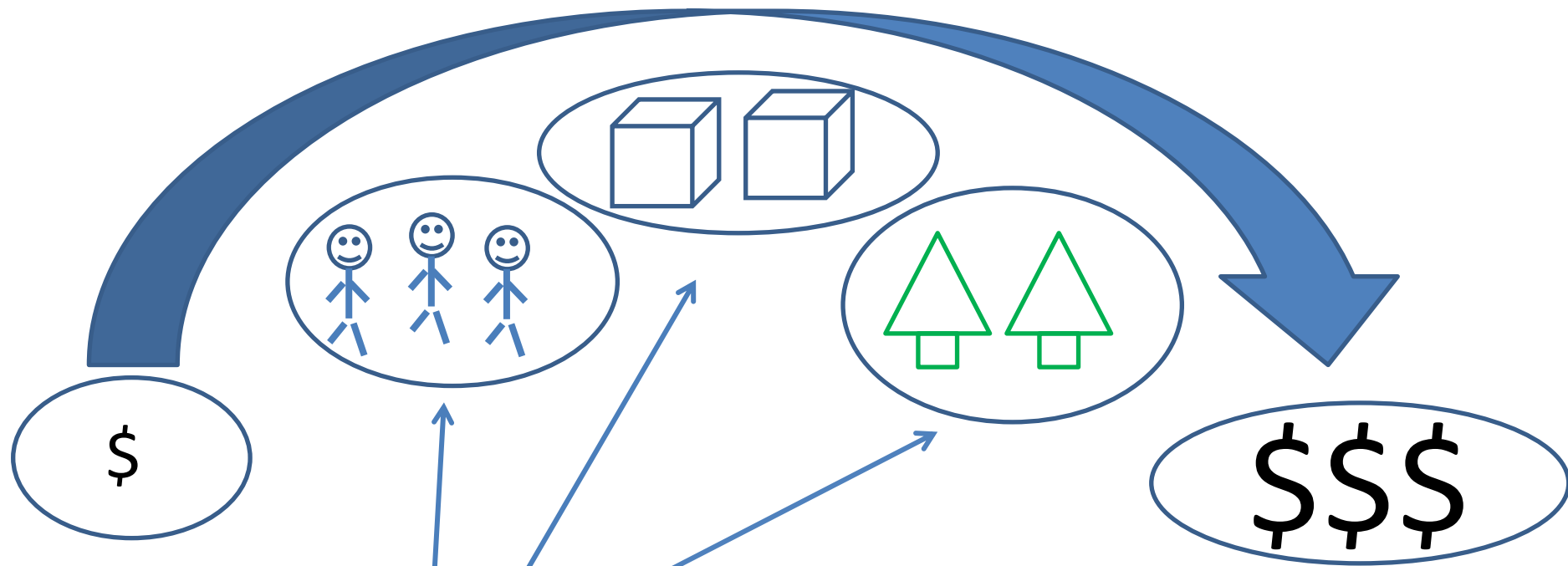
- What do firms do?



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# Investor owned business

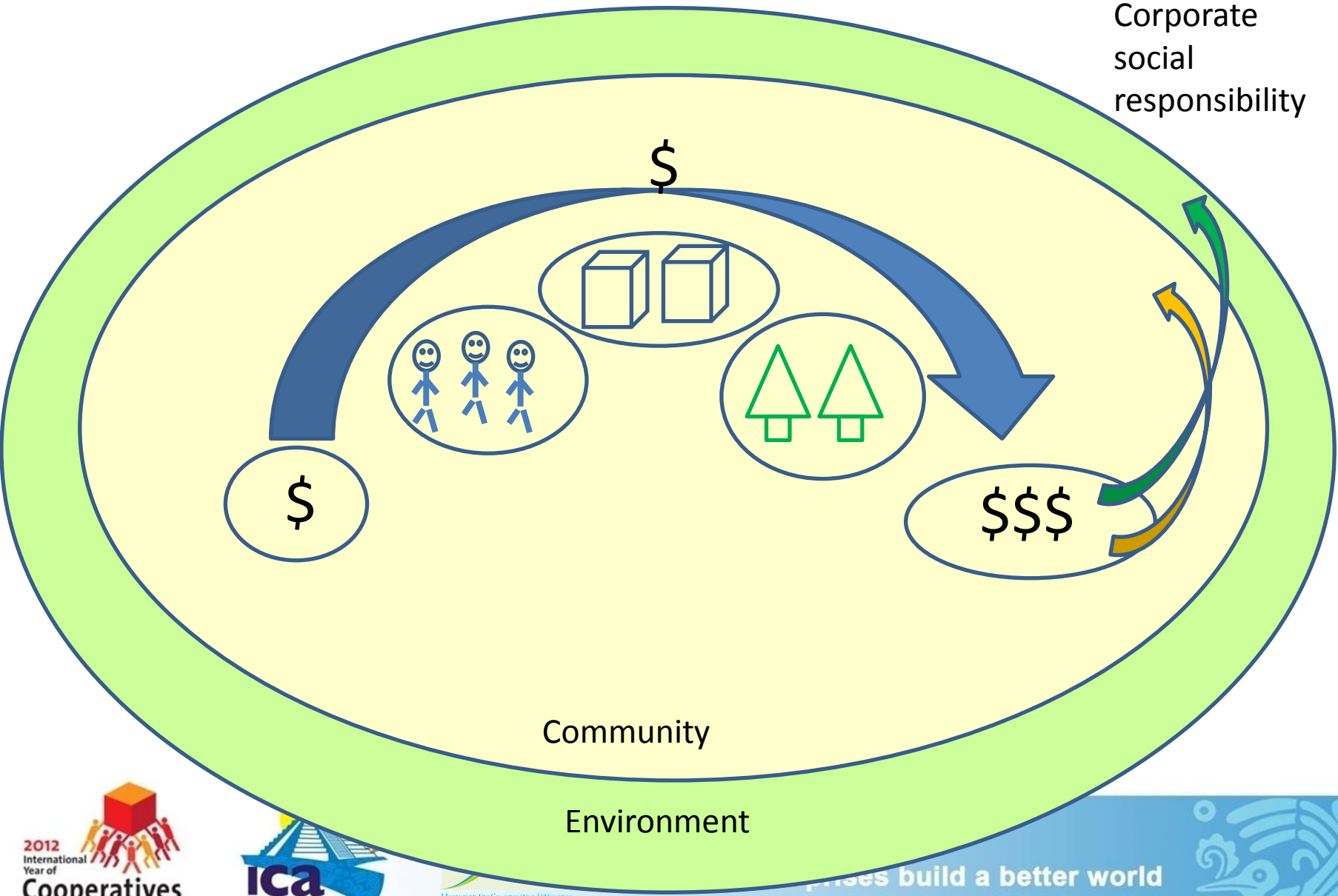


Minimize inputs to maximize output

Return on investment  
(how many times \$ multiplied)



Corporate social responsibility



Community

Environment



Measuring the Co-operative Difference RESEARCH NETWORK

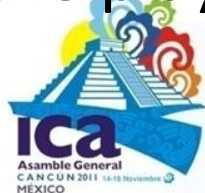
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# Measurements

## IOF

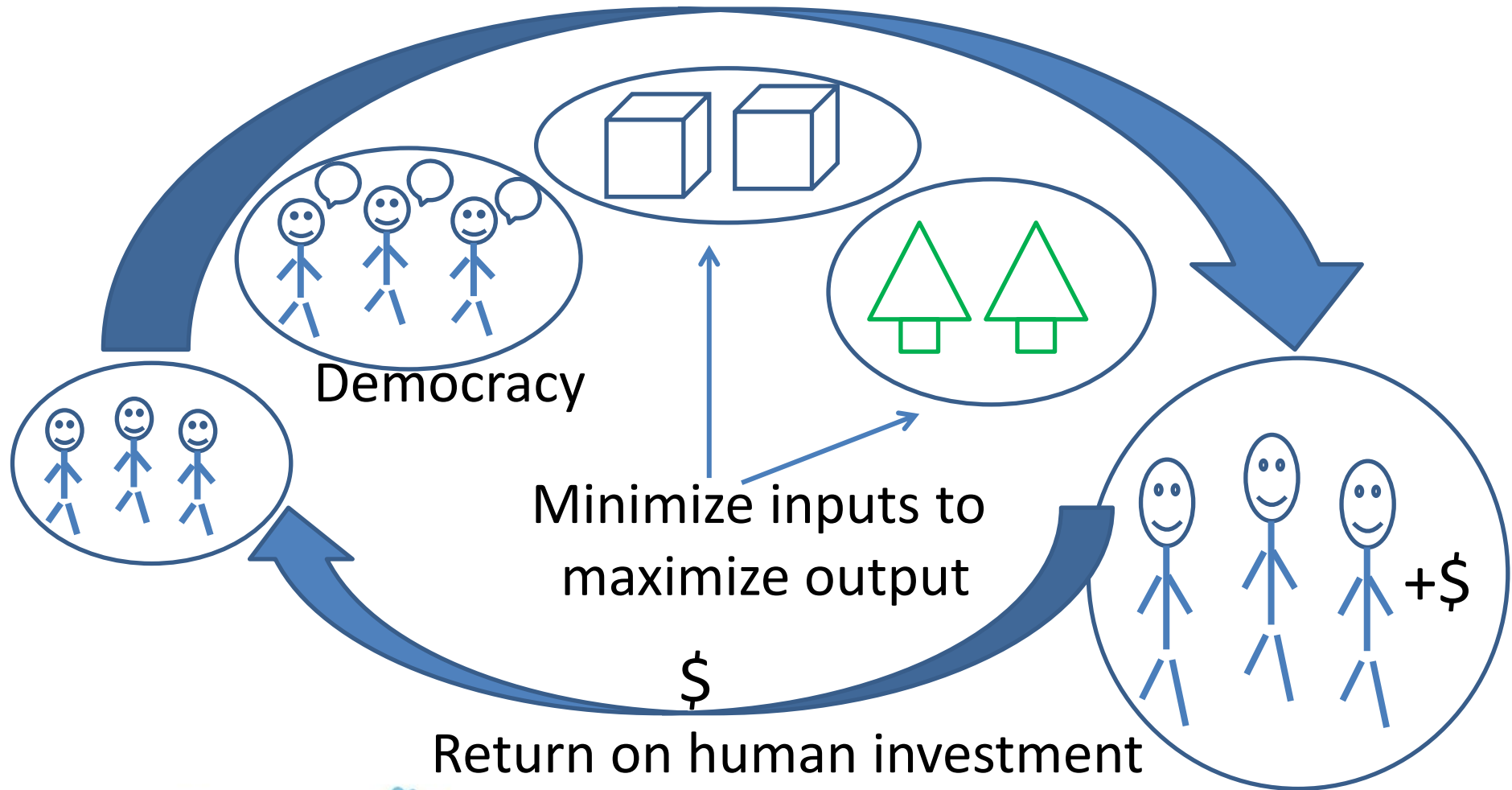
- Cost of labour and other inputs
- Return on investment (various financial measures)
- Meet the minimum ethical regulatory standards
  - IOFs are increasingly improving their record under public pressure; seek regulation to level the playing field

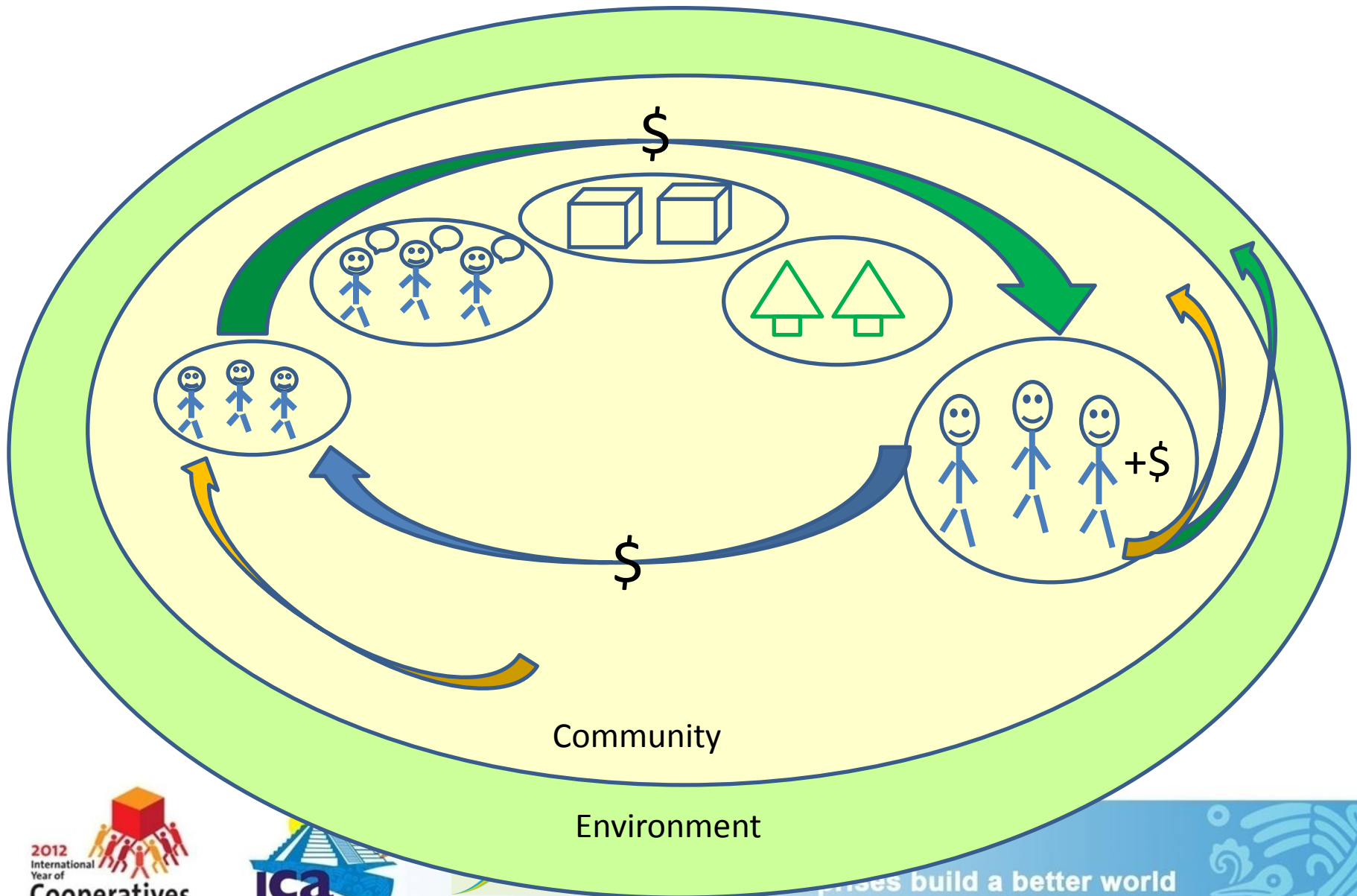


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# Co-operative business \$



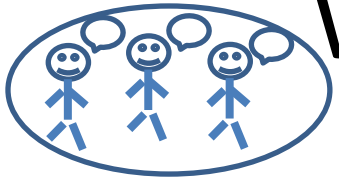


Community

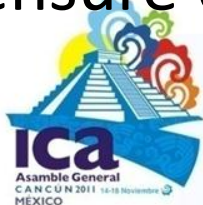
Environment



# What to measure and why



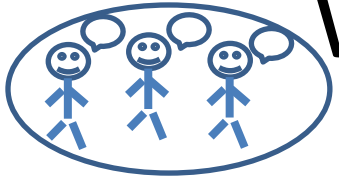
- Member engagement (inactive vs active members; volunteer hours, etc)
  - To ensure co-op is a people's business; loyalty
- Value of co-op to members (monetary or non-monetary terms)
  - To quantify non-market functions of co-ops
- Democracy (quantitative and qualitative indicators)
  - To ensure democratic governance



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# What to measure and why



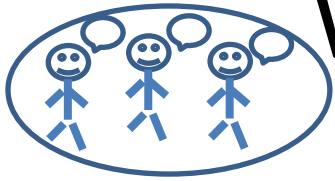
- Technical efficiency - minimizing throughput of natural resources and intermediate products per unit produced.
- Investment in the environmental protection
- Investment in people
- Employee involvement in decision-making
- Productivity



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# What to measure and why



- Cash flow (liquidity, solvency)
  - Ensure an economically sustainable business
- Impact on community, besides that captured by investments in sustainable practices, including the employment record
  - Sustainability reports and Social audits need to capture territoriality and longevity besides other measures



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## II. Co-operative identity as a strategic advantage

- What role do co-operative values and principles play in the internal interactions and processes?
- If co-operative values inform business decisions on all levels, the co-operative brand will create trust and loyalty of members, but also customers, employees and other stakeholders sharing these values.



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fairly traded *Solidal* line of products



“It’s a new line that holds the world united”



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The **co-operative**  
good for everyone



Ready.  
Set.  
Grow.

Banking Services  
That Work for You

Brooklyn Cooperative logo and contact information.

co-op logo and website navigation.

CO-OP OPPORTUNITY NATURAL FOODS

DELICIOUS BLENDS

GREEN VALLEY YOGURT & SALS

CREAT BUYS



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# Measuring 'cooperativeness'

- Besides marketing, product and pricing policies, each co-operative is a business that needs to **treat people with a difference.**
- The co-operative sector also needs its own measures of adherence to the co-op principles and values.



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# Measuring cooperativeness

## Co-operative life



CoopIndex

## Social audit



Sustainability report



Guidelines

## Social responsibility report

## Scorecard



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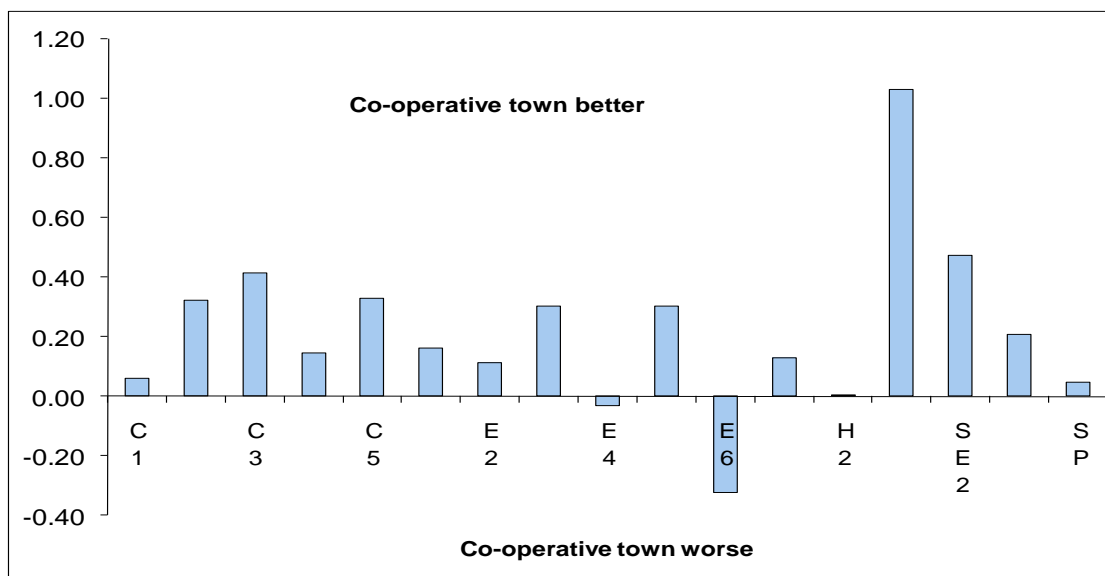
# III. Impact on people and communities

- Understanding and measuring the social return to
  - attract ethical investment
  - influence policy, and
  - gain support
- David Erdal's study of 3 Italian towns with 26% employed in worker co-operatives; 13%; and 0



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Crime: victimisation (C1), policing (C2), confidence (C3), feeling of security (C4), domestic violence (C5)

Education: level attained (E1), age leaving school (E2), truancy (E3), expected truancy (E4), post-school training (E5), perceived importance of education (E6)

Health: physical health (H1), emotional health (H2) (also measured: mortality)

Social Environment: perceived gap between rich and poor (SE1), helpfulness of authorities (SE2), supportiveness of social networks (SE3)

Social Participation: membership of clubs (SP) (also measured: voting, blood donation)



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# Community impact

- Other measures (MCDRN, 2010)
  - Impact of credit unions on rural communities; the ways in which they help their members create wealth, financial stability, and well being
  - the contribution of housing co-operatives to building social capital
- Market failure and ‘competitive yardstick’ role
  - benefits accrue to members and community, rather than the organization



# IV. Raise awareness

- ICA Global 300
- Coop100 list (US)
- Best employer; most democratic organization; and other lists and awards
  - demonstrating the cooperative difference
- Collaborate in the effort to collect and publish the data.
- Support co-operative research and education programs.



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# Build the metrics

That.....

- a. highlight the purpose of co-operative firms
- b. ensure their businesses are guided by the values of co-operation, and
- c. communicate the difference to stakeholders



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# For co-ops, by co-ops

- The challenge in the coming years:
  - further sophistication of the metrics made for co-ops by co-ops to capture ‘the difference’
  - consolidate, aggregate and disseminate the findings



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# The value of measurement



We know it...but we need to show it!



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