CO-OPERATIVE PRINCIPLES AND CO-OPERATIVE ATTITUDES: ACCORD'S 2004 NSW CO-OPERATIVE LEADERS SURVEY

ABSTRACT

This paper presents the results of the 2004 ACCORD Co-operative Leaders Survey, which gathered information from senior contacts in co-operatives across New South Wales. The findings are used to assess overall levels of compliance with co-operative principles and to examine differences in compliance along organisational dimensions: trading status, turnover, membership size and optimism about organisational performance.

INTRODUCTION

Co-operatives are organisations registered under relevant legislation that follow an approved set of rules and regulations. In Australia co-operative legislation operates at a state and territory level, although there have been recent government efforts to harmonise important aspects across Australia. The International Co-operative Alliance (ICA) defines a co-operative as 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' (http://www.coop.org). This definition makes clear the multiple objectives pursued by many co-operatives.

Co-operatives are economically significant organisations, for example recent research in New South Wales (NSW) showed they turned over $4.67 billion in 2002, had assets of $1.13 billion, a membership of 1.34 million people and employed 13,000 staff (Passey, 2004). After allowing for the effects of inflation, turnover grew by 85% in the ten years between 1992 and 2002 and net assets by 57%. Membership rose too, by 49% over the same period, although the number of staff fell by 13%. These aggregate figures mask some important trends. For example, 90% of the growth in turnover is accounted for by around 100 primary producer co-operatives (including agricultural co-operatives), and the growth of membership is accounted for by one consumer co-operative. There is obviously marked variability in performance, and so in the survey we were interested in the degree of optimism or pessimism among co-operative leaders about the current performance of their organisations and how it compares with the recent past.

Changing market conditions and new competitive forces have led some co-operatives to consider demutualising, often on the back of concerns about a co-operative's ability to raise capital for expansion or for the modernisation of existing processes. It was important therefore to gather views from co-operative leaders about the suitability of the co-operative organisational form to their organisation's current activities, as well as their broader attitudes to co-operatives, including the role of their organisations as deliverers of services alongside government and the private sector.

A further potential pressure on co-operatives comes from their members, whose views and attitudes will evolve over time. Such changes might lead the membership, in whole or in part, to question or adapt their motivations for being part of a co-operative. We therefore collected the opinions of co-operative leaders about why their members are part of their organisation, and attempted to capture both economic and social motivations to reflect the broad objectives for which many co-operatives and the co-operative movement are seen to strive.

We have already noted that a co-operative should follow a set of approved rules. However, a co-operative's rules are seen also to inscribe broad co-operative values into the organisation, such as mutual trust, self-help and communal benefit. According to the ICA, co-operatives promote their values through a set of seven co-operative principles. These principles are voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for the community. To be recognised by the ICA an organisation needs to conform to its definition, espouse 'co-operative values', and adhere to co-operative principles.

In NSW these principles have been adopted in state legislation governing co-operatives (Government of NSW, 1997). While adherence to co-operative principles is *not* made mandatory by the legislation, the Act does note that '[i]n the interpretation of a provision of the Act or the regulations, a construction that would promote co-operative principles is to be preferred to a construction that would not promote co-operative principles'. Registration can be refused if the proposed organisation is not designed to function according to co-operative principles. Co-operative values, that is, have been translated into legislation, and in theory compliance can be monitored.

This led us to collect information on whether or not co-operative principles are instituted within the behavioural practice of co-operatives themselves. If not, then a co-operative might have consciously decided against following them in practice, and is instead pursuing strategies based on power in the market place as opposed to pursuing social goals. Or non-compliance may be due to a lack of resources. In this paper the focus is on three specific co-operative principles:

- Education of members, board members, staff and non-members about the benefits of co-operatives and co-operation (the fifth co-operative principle);
- Co-operation among co-operatives (the sixth co-operative principle);
- Concern for community (the seventh co-operative principle).

These three principles were chosen because they tend to stress the social rather than economic objectives of co-operatives, and because they are more difficult for a regulator to monitor than the other four principles[1].

[1] The others are: (1) Voluntary and open membership (made clear in the rules of the co-operative at time of incorporation); (2) Democratic member control (exercised through obligatory annual general meetings and having members on the board); (3) Member economic participation (occurs through rules and activities, such as discounts or contracts determining the levels of produce to be marketed each year through a co-operative); and, (4) Autonomy and independence (in effect guarded by the

About the survey

Response rate

The NSW Register of Co-operatives was used as the sample frame for the survey. This database is maintained by the NSW Registry of Co-operatives and Associations, which is part of the NSW Office of Fair Trading. We thank the Registry for allowing us this access, and also for allowing us to use turnover and membership figures when analysing the survey findings. The questionnaire was piloted with six co-operatives, as result of which a small number of alterations were made. A copy of the final questionnaire can be found in Annex 1. In total 766 active co-operatives were mailed a copy of the survey along with a covering letter. Non-respondents were followed-up once by letter. There were 36 co-operatives where the address details were out of date, and fifteen responded to say they did not wish to participate or that they were in the process of winding up. In total 203 responses were received, a rate of 27.5%.

Comparing respondents with the co-operative population in NSW

Analysis began with a comparison of respondents with all co-operatives in NSW, to assess if there were any important differences that would impact on the findings of the survey. Three factors were compared: turnover, the number of members, and trading status. Among respondents there were slightly more large organisations compared with all co-operatives. For example; 10% of respondents had a turnover less than $10k, compared with 15% of all co-operatives; and 27% of respondents had turnover greater than $1 million, as opposed to 24% of all co-operatives. However, the very largest co-operatives did not respond, as shown by the fact that the average turnover of respondents was $4 million, compared with $7.2 million for all co-operatives in NSW. The mid-point of the range of turnover sizes (the median value) is $167k for respondents, which is close to the median for all co-operatives ($174k). The pattern for membership size is broadly similar – a smaller average among respondents (855) than all co-operatives (2,341) but much closer for typical co-operatives (68 among respondents compared with 76 for all co-operatives). The balance between trading and non-trading co-operatives is almost identical; 70% of respondents are non-trading co-operatives, compared with 69% overall. We conclude therefore that while respondents are slightly smaller in terms of average turnover and member numbers, they are generally similar to all co-operatives in NSW.

Attitudes of co-operative leaders

Optimism about current performance, concerns about the future

Respondents were generally positive about the current performance of their co-operatives, with 70% rating it as good or very good. In contrast only 6% rated it as poor or very poor. This picture is dampened a little by the fact that

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legislation). That said the practice of autonomy and independence, especially in negotiating and managing contracts, raises behavioural issues about how control rights are assigned within co-operatives (Bacchiega and Borzaga, 2001). Typically such rights will reside with a chief executive or director, working under the strategic direction of a board drawn form the co-operative's membership.

only 51% saw current performance as an improvement on the previous three years; almost two in five (39%) thought they were faring about the same, and 10% actually thought their current performance was worse than in the recent past.

Those who saw their current performance as either worse or about the same than in the recent past were combined to form a new category, which we termed *Static/declining* co-operatives. We then compared these organisations with those that saw their current performance as better than in the previous three years (we called these *Improving* co-operatives). As Table 1 shows, *Improving* co-operatives are larger in respect of membership, paid staff and annual turnover, especially when mean values are compared with those for *Static/declining* co-operatives. However, among the very largest co-operatives (those with an annul turnover of $10 million or more) only a minority classed their current performance as an improvement. Comparing these perceptions with actual turnover figures reveals differences; on average the turnover of *Improving* organisations grew by 26% from 2001 to 2003, compared with 18% for *Static/declining* co-operatives. The latter figure might seem surprising, and suggest that the informants were off the mark in reflecting actual performance. But, reference to the median figure (the mid point of the rate of change) shows that half of *Static/declining* co-operatives grew their turnover by less than 3.6% between 2001 and 2003. What is more the median figure is around five times smaller than the mean, a difference that suggests a small number of these organisations had relatively large growth and thereby dragged the mean figure up well away from the median. Therefore, when inflation between 2001 and 2003 is taken into account, it is likely that the majority of *Static/declining* organisations did indeed see either decline or at best only modest growth.

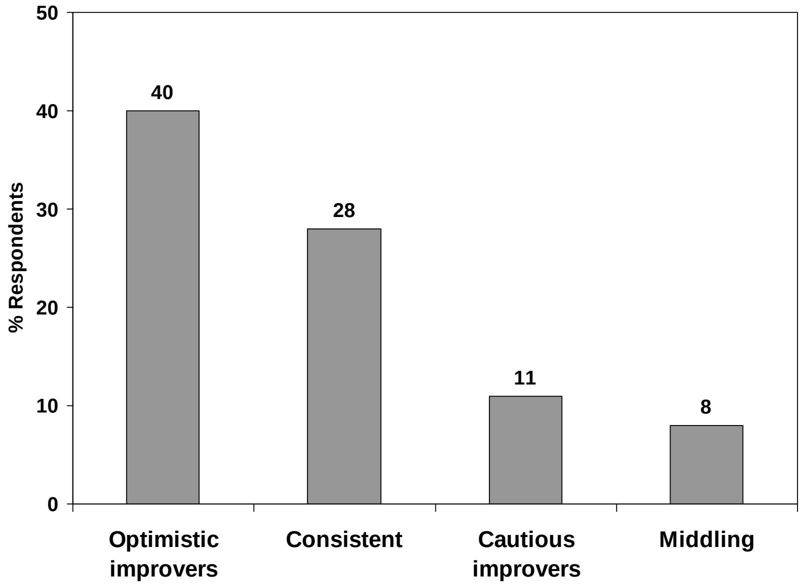
Table 1: Comparative performance and organisational attributes

	Static/declining		**Improving**	
	Mean	Median	Mean	Median
Annual turnover ($)	2,951,670	100,034	5,001,589	329,397
Number of members	925	50	783	85
Number of employees	20	8	40	9
Change in turnover 2001 to 2003 *	18.2%	3.6%	25.5%	10.9%

Note to table: * This figure has not been stripped of the effects of inflation

Other distinct clusters emerge when the two performance measures are combined (see Figure 1). Forty per cent we classify as ‘optimistic improvers’, since they saw their current performance as good or very good and reported an improvement compared with the recent past. A further 28% might be termed ‘consistent’, since they reported very good or good current performance and no change compared with the past three years. The 11% we call ‘cautious improvers’ rated their current performance as fair but still an improvement, while the 8% that rated current performance as fair and about the same as the past three years we might term ‘middling’ co-operatives. The remaining respondents fell into much smaller groupings.

Figure 1: Organisational performance clusters



When we turn to predictions of change for specific organisational factors the picture is less optimistic. It is worrying perhaps that while three quarters of respondents saw their costs rising over the next twelve months, fewer than half predicted increases in revenue and only one in three in their net assets. There was even less optimism about people. Around 30% predicted a rise in member numbers and in the activity rates of members. More common were predictions of no change: 42% for revenue, 55% for net assets, 54% for the number of members and 60% for the activity level of the members. However, close to 10% saw their revenue and net assets falling and 12% predicted a fall in the number of members. Among those employing staff the picture was similar; two thirds saw employee numbers remaining steady and 24% predicted an increase. Stability or even some sort of decline would seem to be the order of the day if these predictions are borne out.

Under section 14 of the 1992 NSW Co-operatives Act co-operatives may have ‘trading’ status. A trading co-operative has share capital and distributes returns on surplus or share capital, although any returns are proportionate to the amount of activity of a particular shareholder and not the value of the shareholding (the latter would be the case in a listed company). Non-trading co-operatives do not distribute returns to members, other than the nominal value of any shares if and when they are wound up. Only a minority of respondents have trading status and are thus able to make returns to members in the form of dividends or rebates. Of these only one in four predicted that returns would increase over the next twelve months, most (64%) saw them remaining about the same.

It would appear that the co-operative organisational structure is not to blame for these mixed expectations - 64% saw it as the most suitable for current activities. That said 23% were not sure, and 13% actually felt it was not the most appropriate organisational form for their current activities. Among the reasons why not were concerns over the inflexibility of the structure and the compliance costs associated with regulation and audit.

Most co-operatives operate locally – 83% report that they work mostly in one local government area, with a further 11% working across NSW and 6% nationally. This pattern is likely to be a product of size and/or the type of activity undertaken, although operating beyond state borders is complicated by the different legislative systems operating in each Australian state. Despite efforts at convergence between states and territories, differences will hamper efforts to work inter-state, and hence most co-operatives will work only in their home state.

Positive attitudes towards co-operatives

Respondents expressed positive attitudes towards co-operatives. Eighty-four per cent agreed[2] that co-operatives do good work; 82% that co-operatives show that people can still work together; and 62% that co-operatives help make the market place fairer (here 29% answered that they neither agreed nor disagreed). Just over half (52%) disagreed[3] with the statement that co-operatives are old-fashioned. However 23% answered that they neither agreed nor disagreed and 22% actually agreed – maybe for them co-operatives being described as 'old-fashioned' is not a negative statement, as some respondents noted on their survey returns.

In a second question set respondents were asked to choose between co-operatives/mutuals, government, or business as the best provider of a number of different services (see Table 2). Co-operatives/mutuals were not the first choice provider for any service but were second, with the exception of telephone and internet services where they were a distant third. Typically business came out first, however 35% of respondents thought co-operatives/mutuals best for banking services; 34% for community services (the only example of them coming second to government); 25% for insurance services; 21% superannuation products and policies; and 20% for food retail. The table also shows that between one in five and one in six respondents were not able to choose a preferred provider, but despite this co-operative leaders clearly see their organisations as valid and important players in a mixed economy.

[2] Agreed refers to the combined percentage of those answering that they 'strongly agree' or 'agree' with an attitude statement.

[3] Disagreed refers to the combined percentage of those answering that they 'strongly disagree' or 'disagree' with an attitude statement.

Table 2: Co-operatives in the mixed economy - % opting for which is the best provider

Service area	Coops / mutuals	Business	Government	Can't choose
	%	%	%	%
Banking services	35.3	42.8	5.9	16.0
Community services	33.9	9.1	40.9	16.1
Insurance products	25.1	48.6	7.7	18.6
Superannuation products / policies	20.5	45.4	18.9	15.1
Food retail	20.0	60.0	0.5	19.5
Telephone and internet services	9.0	50.5	23.9	16.5

Mixed motivations for membership

Respondents were asked to consider the importance to their members of ten possible motivations for being part of their particular co-operative[4]. Some caution needs to be adopted in assessing responses, since only one informant in each co-operative was asked about the views of the membership as a whole. Responses therefore do not directly reflect members' views, but instead they are views expressed by a senior figure in each co-operative[5]. Despite these caveats, this information was needed to build a picture of the relative importance of 'material' and 'non-material' motivations for membership.

The ten items were split evenly between material and non-material motivations. Some were deemed not relevant by many respondents; for example more than half of respondents saw neither 'family tradition', 'the co-operative being the dominant player', nor 'getting the best prices for products/and or produce' as relevant to their membership. Obviously particular motivations are context-specific. Getting best prices for produce or products will not be relevant to members of a retail co-operative who instead might be motivated by lowering their own outgoings. Similarly family tradition will only tend to count in long-standing co-operative endeavours.

By far the most relevant motivation was 'undertaking activities with like-minded people' – 86% of respondents claimed this was important[6] for their members. Next came 'accessing cheaper goods and/or services' (58%) and 'limited alternatives in their communities' (54%). The remaining reasons were seen by only a minority of respondents as important to their members

[4] For each of the ten possible motivations respondents were given four rating options: 'Not important'; 'Fairly important'; 'Very important'; 'Not relevant'.

[5] Just over half the respondents were co-operative secretaries, 10% were treasurers, 9% directors, and 8% chairs. The remainder classified themselves as other, most typically they were an executive officer, manager or co-ordinator.

[6] Important refers to the combined percentage of those answering that they thought a motivation was 'Fairly important' or 'Very important' to their members.

(remembering this includes those responding ‘not relevant’). Forty-nine per cent said that it was important for members to ‘protect themselves in the market place’; 42% that they were ‘committed to co-operative ideals’; 41% that they were ‘unhappy with dominant market values and see the co-operative form as a positive alternative’; 38% that it was important for members to ‘get the best prices for products and/or produce’ and ‘to combine social outcomes with economic activity’; 22% thought that the ‘co-operative being the dominant player’ was an important motivation for members; and finally 19% thought that ‘family tradition’ was important for members.

Table 3: Member motivations (ranked by importance)

People are members….	**% Respondents saying these motivations are** Important	Not important	Not relevant
to undertake activities with likeminded people	85.9	10.1	4.0
to get access to cheaper goods and/or services	57.9	11.2	31.0
because of limited alternatives in their communities	53.8	12.7	33.5
to protect themselves in the market place	48.7	13.7	37.6
because they are committed to co-operative ideals	42.4	37.4	20.2
because they are unhappy with dominant market values and see the co-operative form as a positive alternative	40.6	15.2	44.2
to enable them to combine social outcomes with economic activity	38.3	17.9	43.9
to get the best prices for their products and/or produce	38.1	10.2	51.8
because the co-operative is the dominant player	22.4	21.9	55.6
because of family tradition	18.8	20.8	60.4

Material and non-material motivations for membership reflect the economic and social bases of co-operatives[7]. The ranking (see Table 3) of the

[7] The statements are grouped thus: ‘Material’ - To get access to cheaper goods and/or services; To protect themselves in the market place; To get the best prices for their products and/or produce; Because of limited alternatives in their communities; Because the co-op is the dominant player.
‘Non-material’ - Because of family tradition; To enable them to combine social outcomes with economic activity; Because they are unhappy with dominant market values and see the cooperative form as a positive alternative; To undertake activities with likeminded people; Because they are committed to cooperative ideals

importance of motivations has a non-material reason at the top ('to undertake activities with like-minded people'), though this is then followed by three material motivations. Motivations ranked five to seven are non-material, eight and nine are material, and the least important ('because of family tradition') is non-material. Hence, while the responses point to a mix of motivations for membership of co-operatives, it is material ones that tend towards the top of the ranking. Either they are the most important of themselves, or they are more commonly relevant across a diverse range of co-operative organisations and co-operative activities.

Variation in compliance with co-operative principles

The principle of educating members, board members, and staff and non-members about the benefits of co-operatives and co-operation is part of a notion of co-operatives forming a movement that seeks to combine economic and social objectives. Co-operation among co-operatives sits too within this idea of a broader movement, while a concern for community stresses social outcomes stemming from a commitment to sustainable economic development. These three principles therefore manifest predominantly social objectives of co-operatives. The survey found different rates of compliance for each, as summarised in Table 4.

Table 4: Compliance with co-operative principles

	% Reporting compliance
Co-operative principle 5: education on benefits co-operatives/co-operation	
Resources on internal education	52.5
Resources on external education	27.2
Co-operative principle 6: co-operation between co-operatives	
Member vertical network	45.3
Member horizontal network	65.8
Co-operative principle 7: concern for community	
Supports community activities	80.7
Believes co-operative should have special relationship community	72.8

There is only limited compliance with the fifth co-operative principle, with a touch over half of respondents (53%) committing resources of time and/or money towards the education, training and providing of information for members, staff and/or directors. In contrast many (46%) do not. The provision of education, training and information for non-members is half as common, with only 27% committing resources to this end (64% do not). Combining the two shows that almost a quarter of respondents (22%) do both and thus comply in full, 30% do one only and thereby partially comply, but 38% report doing neither. Hence, as measured in the survey, nearly two in five co-operatives are failing to comply at all.

Two pieces of information were gathered in order to assess the degree of co-operation between co-operatives. First, respondents were asked about the formal networks to which co-operatives might belong. These links typically comprise membership of a peak body or a wider network, and are vertical in nature. Second, respondents were asked about their participation in horizontal networks. Typically such activities involve joint working with other co-operatives (and more broadly with other social economy organisations such as nonprofits[8]). This measure is a less rigorous test of compliance with the sixth co-operative principle than if we had asked only about links with co-operatives, however we were keen to see how co-operatives were networked more broadly in the social economy.

A little under half of respondents (45%) belong to a formal (vertical) network. The vast majority of those that did so were members through choice, with only around one in three having to belong to this kind of network as some kind of sector or sub-sector requirement. Three-quarters of co-operatives that belong to a vertical network are eligible to vote or have some other formal say in its operations and activities, suggesting a high level of internal democracy within such networks, if only in a strictly formal sense. Most commonly a co-operative's vertical networks were NSW-wide; although there were many examples of regional and national levels. Membership of local or international networks was much less common. Since most co-operatives work at a local scale, members of formal networks were often linked more widely than their day-to-day geographical scope of operations. Horizontal links were more common. Only one-third report working solely with their members. The other two-thirds of co-operatives reported working with other co-operatives and/or non-profit organisations, with 35% doing so on a regular basis. Since working regularly together is more common than doing so sometimes, we conclude that where horizontal links exist they take the form of strong rather than weak ties.

Combining these two measures of co-operation reveals that 23% of respondents were not working in either way with other co-operatives (and/or non-profits), leading us to conclude that a sizeable minority of co-operatives are not conforming with the sixth co-operative principle. Only one in three co-operatives (33%) reported membership of formal (vertical) networks and working either regularly or sometimes with other social economy organisations (horizontal networking). A further 30% rely on horizontal links only – suggesting that there is only limited vertical networking among co-operatives in NSW.

We find much higher levels of compliance with the seventh co-operative principle (concern for community), with 80% reporting that they support community activities and only 16% saying they do not. We also asked informants whether they thought their co-operative should have a special

[8] See Quarter et al (2001) for a definition and discussion of the social economy

relationship with its local community. The majority (73%) agreed they should, although 18% said no, and a further 9% were not sure. Half of those co-operatives that did not support community activities also did not think their organisation should have a special relationship with its local community. However, 37% of these non supporters did think they should, suggesting some kind of disconnect between values and behaviour in respect of this co-operative principle. That is, some co-operatives are not able to translate values into behaviour. An assessment of why this might be the case forms the next section of this paper.

Explaining patterns of compliance

We now have a sense of how deeply co-operative principles are instituted within the behavioural practice of co-operatives, at least as measured in the survey. Simply, some are more deeply ingrained than others. There is markedly higher compliance with a concern for community than with education about co-operatives and co-operation (both internal and external to the organisation) and with co-operation among co-operatives. Three organisational dimensions are assessed in trying to understand this pattern of compliance. Firstly, trading status is used to provide some insight into one likely explanation for non-compliance with co-operative principles, i.e. those not following the principle(s) are instead pursuing strategies based on economic as opposed to social goals. Secondly, two measures (annual turnover and membership) are employed to try to unpick another possible reason for non-compliance - a lack of organisational resources. Thirdly, optimism about performance is used in order to assess whether or not such perceptions are related to compliance with these predominantly social objectives, and further to indicate whether or not performance is assessed more broadly than simply by financial growth.

Trading status

Some authors have emphasised an important distinction between co-operatives that have shares and those that don't, arguing that the latter will place greater emphasis on social objectives than the former (cf Quarter et al, 2001). This paper draws the net tighter by distinguishing between 'trading' and 'non-trading' co-operatives. In mid 2002 there were 186 trading co-operatives in NSW, which disbursed $14 million in dividends to their members and accounted for 92% of the sector's turnover (Passey, 2004). Clearly in NSW trading co-operatives are the major economic players in the co-operative sector, whereas the remaining co-operatives are economically far less significant. As a result we propose a distinction between primarily economic co-operatives (those with trading status) and those with primarily social objectives (non-trading co-operatives). Are there any differences in compliance rates between economic and social-oriented co-operatives? The findings in Table 5 suggest there are, although the picture is by no means straightforward.

Table 5: Compliance by trading status

	% Respondents reporting compliance	
	Non-trading	Trading
Resources on internal education	48.9	62.7
Resources on external education	23.7	30.5
Member of a vertical network	45.2	45.5
Member of a horizontal network	69.6	57.6
Supports community activities	82.6	74.1
Believes co-operative should have special relationship community	72.9	67.3

Trading co-operatives are more likely to provide education about the benefits of co-operatives and co-operation internally (63%) and externally (31%). The comparative rates for non-trading co-operatives are 49% and 24% respectively. There is no variation in membership of vertical networks; instead differences occur in the level of horizontal linkages. Fewer than one in three non-trading co-operatives (30%) report working solely with their members, compared with 42% of trading co-operatives. The former are also markedly more likely to work regularly with other social economy organisations than trading co-operatives (38% as opposed to 29%). Overall this means that non-trading co-operatives are better linked with other social economy organisations, that is they exhibit more compliance with this principle, since 34% work with other social economy organisations and are members of formal networks, compared with 30% of trading co-operatives. In contrast 30% of trading co-operatives report no membership of formal networks and work solely with their members, as opposed to 20% of non-trading co-operatives. Trading co-operatives are also more likely to rely solely on formal networks (15%) than non-trading co-operatives (11%). Finally, non-trading co-operatives are both more likely to support community activities (83% do so) and agree that they should have a special relationship with their local community (73%) than are trading co-operatives (74% and 67% respectively). Therefore even allowing for their more limited resources social-orientated (non-trading) co-operatives would seem much more bolted-into their communities[9].

Organisational resources

It is likely that some co-operatives will only have minimal resources to devote to activities that are not directly about day-to-day economic realities. In order to assess what impacts organisational resources might have on compliance with co-operative principles we assessed three measures: turnover (in five bands) and membership size (in four bands). The two measures are related, since generally the larger the turnover the larger the membership. For example, 70% of co-operatives falling in the bottom quartile (25%) of the

[9] It should be noted that only the difference in support for community activities was statistically significant, and then only at the 90% confidence level: Pearson's chi-square = 2.56, p = .1

range of membership sizes had a turnover below $100k, whereas 60% of the upper membership quartile had a turnover of $1 million and more. But this relationship is not necessarily so linear; 20% of co-operatives in the second membership quartile had a turnover of $1 million plus, compared with only 16% in the third quartile. Therefore while both are proxies for co-operative size, it is possible that they could operate in a slightly different fashion when considering compliance with co-operative principles.

Turnover

The very biggest co-operatives are the most likely to expend resources on internal education (all report doing so) whereas the rate is around one in two among those with a turnover below $10 million (see Table 6). As for the education of non-members, the largest proportion (46%) complying is again among those with $10 million or higher turnover. In contrast only 14% of those between $100k and $1 million expend resources for this purpose. Membership of formal networks increases too with turnover; only 25% of co-operatives smaller than $10k are members of these kinds of networks, compared with over half of those with a turnover greater than $1 million. Smaller co-operatives are also much more likely to work with their members only; 56% under $10k report doing so, compared with only 18% of those with a turnover of $10 million or more. While in all turnover bands there was a majority of respondents providing support for community activities, the trend was again an increased likelihood as co-operatives got bigger. Responses were more mixed as to whether or not informants thought their organisation should have a special relationship with the local community. Again there was a majority saying yes in each size band, but figures ranged from around two in three of those below $100k to over 80% in the $1 million to $10 million bracket. In almost all of the turnover bands the proportion providing support for community activities was higher than those agreeing that there should be a special relationship with the local community. This suggests that provision of support is seen as an organisational choice as much as, or even more than, as an organisational obligation for co-operatives of all turnover sizes.

Table 6: Percentage of co-operatives within each income band complying with principles

	Less than $10k	$10k - $100k	$100k-$1m	$1m-$10m	$10m plus
	%	%	%	%	%
Resources on internal education	47.4	53.3	48.2	52.4	100.0
Resources on external education	26.3	35.0	14.3	23.8	45.5
Member of a vertical network	25.0	43.1	43.4	55.3	60.0
Member of a horizontal network	44.4	55.9	75.9	71.4	81.8
Supports community activities	75.0	75.0	80.0	84.2	100.0

Believes co-operative should have special relationship with the community	64.7	66.1	70.9	82.1	72.7

Membership
A four band membership size variable was devised to assess the relationship between the number of members and compliance with co-operative principles (see Table 7). In terms of educating internally and externally about the benefits of co-operatives and co-operation the pattern by membership sizes is different than that revealed for turnover. The smallest and largest membership co-operatives comply at a higher rate than those in the middle of the range. The pattern was similar for educating non-members, with 30% of the bottom quartile reporting doing so, compared with only 21% in the second quartile. In relation to vertical networks, the main variation occurs in the upper band in which 60% of respondents report membership, compared with between 39% and 46% elsewhere. Horizontal networking was both more common and more mixed; 49% in the bottom quartile work only with members, compared with only 18% in the third quartile. Once again regular working is more common than doing so occasionally, except in the upper quartile where this pattern is reversed and hence where weak ties were more common than strong ones. Finally, as the number of members grows so does the likelihood of providing support for community activities. Around two in three of co-operatives in the bottom band do so, rising to 98% in the upper band. There was a weaker link between membership size and whether or not a co-operative should have a special relationship with its local community. Around 60% in each of the bottom three quartiles agreed that their co-operative should do so, compared with 87% in the upper band.

Table 7: Percentage of co-operatives within membership size band complying with principles

	Lower quartile	2nd quartile	3rd quartile	Upper quartile
	%	%	%	%
Resources on internal education	58.7	47.6	50.0	56.8
Resources on external education	30.4	20.9	26.5	27.3
Member of a vertical network	45.5	38.5	43.3	59.5
Member of a horizontal network	51.1	61.9	82.4	75.6
Supports community activities	62.8	83.3	73.3	97.7
Believes co-operative should have special relationship community	58.5	65.0	62.5	86.7

Optimism about performance
The degree of optimism about performance is used as final cut through the findings on compliance with co-operative principles. It should be noted that there are differences between *Static/declining* and *Improving* co-operatives in

terms of average turnover and membership size (essentially the former are on average larger organisations) and hence this variable is related to the organisational resource measures discussed above. As Table 8 reveals there are marked differences in compliance rates. In all cases, those classifying as *Improving* were more likely to comply than those classified as *Static/declining*, and for three compliance measures the difference was statistically significant (see note to Table 8).

The major differences were in membership of organisational networks – our measure of compliance with co-operative principle six (co-operation among co-operatives). Both measures had statistical significance, especially that for membership of vertical networks. Forty-one per cent of *Improving* co-operatives report membership of both type of network, compared with one in four *Static/declining* co-operatives. The other statistically significant variation occurred in whether or not the co-operative should have a special relationship with the local community, with almost 80% of *Improving* co-operatives stating it should, compared with two in three *Static/declining* co-operatives.

Table 8: Compliance by organisational optimism [10]

	% in each optimism type	
	Static/declining	**Improving**
Resources internal education on co-operatives / co-operation	47	58
Resources external education on co-operatives / co-operation	26	28
Member vertical network **	35	55
Member horizontal network **	60	72
Supports community activities	77	82
Should have special relationship with the local community **	65	79

To summarise, for some principles resources do matter. There was variation at the two extremes of the turnover range, while the impact of membership size was less clear with only the very largest membership co-operatives standing out. However the main variation occurred when comparing by organisational optimism – here the more optimistic co-operatives were more likely to comply, especially with the principle of co-operation between co-operatives. This suggests perceptions of performance are based on an evaluation of social as well as economic factors. The implication is that these organisational factors work differently in explaining patterns of compliance

[10] ** Delimits statistically significant differences. Difference in whether or not their co-operative should have special relationship with the local community was statistically significant at the 95% confidence level: Pearson's chi-square = 4.1, p = .043; Difference in membership of a vertical network was statistically significant at the 99% confidence level: Pearson's chi-square = 12.0, p = .002; Difference in membership of a horizontal network was statistically significant at the 90% confidence level: Pearson's chi-square = 4.3, p = .066.

with co-operative principles. That said only a few of the differences were statistically significant.

CONCLUSION

The survey evidence shows that some co-operative principles are more deeply embedded in organisational practice than others. Support for community activities – the co-operative operating as a good organisational citizen – is the most common. However principles that relate to a broader co-operative movement (education and inter-organisational co-operation) are less common. Socially-oriented (non-trading) co-operatives are more likely to work with other social economy organisations and provide community support than their trading counterparts. It is possible that this reflects a greater dependency on joint working to maintain their activities, especially since they tend to be much smaller than trading co-operatives. That said they do seem to be pursuing more social aims through adhering to the certain co-operative principles through which they are able to embed themselves in their local geographical and organisational communities.

Co-operative principles are not only important in a definitional or legal sense, but have public policy implications too. Eighty per cent of co-operatives operate locally, and their organisational form enables them to 'lock-in' assets and resources to the communities in which they (and by extension their members) operate. The co-operative principles are a significant contributor to this lock-in effect, operating as 'action recipes' that are filled in through organisational behaviour (Reed, 1992). A degradation of co-operative principles could have the effect of disembedding co-operative resources from the very communities and economies in which such resources are generated. Their maintenance seems important for sustaining a range of economic, and social, activities (Passey and Wickremarachchi, 2004). Therefore, should the evidence of mixed compliance start alarm bells ringing in the co-operative sector? Two issues spring from this question. First, there may be concern over the relatively higher rates of non-compliance among trading co-operatives and the possible loosening of asset lock-ins. Second, there may be a development need for funding sources to be used (or created) that support co-operatives currently struggling to find the resources necessary to educate members and non-members about the benefits of co-operatives and co-operatives.

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