

Cooperatives:

Background, Principles, and Potential as a form of Indigenous Enterprise for Pacific Peoples



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Background

Numerous records show cooperatives being initiated as basic grassroots organisations existing in Western Europe, North America and Japan in the mid-19th century. On the 14th of March, 1761 the Fenwick Weavers Society of Scotland was the first cooperative to be documented. Nevertheless, it was the Rochdale Pioneers who professionalised and institutionalised the modern cooperative society and they are regarded as the founders of the Cooperative Movement in 1844 (ICA, 1995; Vieta, 2010; Singh, 2014).

The Rochdale Equitable Pioneers Society was a group of 28 artisans who worked in the cotton mills in Rochdale, a town in the north of England (ICA, 1995). These weavers were working in depressing working environments. Their very low income made it difficult to provide for food and household goods. They decided to pool their already limited resources and work collaboratively to be able to purchase basic needs at an affordable price at a trade store where customers were shareholders (ICA 1995; Holyoake, 1893; Vargas-Cetina, 2005). Combining resources and working collaboratively to meet the shared interests and needs of members continues to be a central element of cooperatives in contemporary society.

The International Cooperative Alliance (ICA) was created on the 19th August 1895 in Manchester, England as the sole authority for identifying cooperatives and the respective principles those cooperatives are based upon. Representatives were cooperatives from Argentina, Australia, Belgium, England, Denmark, France, Germany, Holland, India, Italy, Switzerland, Serbia, and the USA. Collectively, they established the Alliance's primary aim: to make information accessible, describe and support the cooperative principles and develop international trade (ICA, 1995; Cullen, Johnson & Sakano, 2000; MacPherson, 2004; Rousseliere, 2010; Johanisova, Padilla & Parry, 2015).

Social entrepreneurship and cooperatives

Social entrepreneurship has a close connection to cooperatives as they are based upon the same idea of having autonomous organisations to positively impact communities. Meeting such a goal requires a solid financial foundation and commitment. As detailed in this report a cooperative focuses on the needs of members who pool resources together and engage in economic activities to gain financial benefits and later improve the wellbeing of members and their community. This refers to the dual characteristics (page 11) of cooperatives having both a business and a social arm which together aim to achieve member benefits.

The non-profit sector has diverse concepts which merge entrepreneurial activities with social goals. They have been described as: non-profit ventures, non-profit entrepreneurship, social purpose endeavour, social innovation, social purpose business, community wealth enterprise, public enterprise, social entrepreneurship and the like (Defourny & Nyssens, 2010). For the purpose of this report social entrepreneurship can be defined from two perspectives by two schools of thought; the social entrepreneurship and the social innovation view. The social entrepreneurship view refers to effort to carry out business through commercial and trade initiatives to expand its financial source to fully support the organisation's social objectives (Massarkey, 2006; Nicholls, 2006). The social innovation view focuses more on the process and creation of new opportunities to serve the mission better through constant innovations e.g.:

.... playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created. (Dees & Anderson, 2006: p4).

Both of these definitions are similar in their characteristics; having a social aim and diversified enterprises to execute this social aim. This is similar to cooperatives as they need to run a successful business, but cooperatives focus more on pooled resources and their cooperative advantage. Cooperatives and social entrepreneurship both have social ends, but cooperatives focus on members while social enterprises seek to benefit the general community without limiting themselves to members.

The general business and the social characteristics of cooperatives and social entrepreneurship are tabulated in Table 1.

Table 1: Key features of cooperatives and social enterprises

Cooperative	Social entrepreneurship
Business dimension <ul style="list-style-type: none">• Focused on the specified cooperative activity.• Governed by the cooperative values, principles and operation regulations.• There is risk but rely on pooled resources and member contributions.• Motivated by member benefits.	Business dimension <ul style="list-style-type: none">• Diversified income generation and constant selling of goods and services.• High extent of autonomy.• Economic risk.• Cost cutting measures.
Social dimension <ul style="list-style-type: none">• Benefit members and immediate community.• Initiated by the same interest and needs.• Shared decision making and consult corporate business expert for advice.• Distribute profit according to share.	Social dimension <ul style="list-style-type: none">• Explicitly to benefit the general community.• Initiated by a group of citizens.• Balance of decision making power.• Involve various stakeholders affected by the activity.• Limited distribution of profit.

Adapted from Defourny & Nyssens (2010).

Defining Cooperatives

Definitions of cooperatives vary and some are contested in many aspects. There are, however, common areas of agreement. For example, cooperatives are business ventures which are owned and run by, and for, their members. The members are themselves the customers, employees or residents who have equal say in determining the business directions and a share in the profits. For the purpose of this report, three related definitions are considered.

The ICA defines a cooperative as:

1. *...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 (ICA, 1995, p. 1).*

Meanwhile, a recent document from the Eastern Finland University (Puusa, Hokkila, & Varis, 2016) introduced a definition that reflects cooperatives fulfilling their dual business and member community roles:

2. *A co-operative is a business enterprise and a social group of members and as such has both a business and a member community role...the member is both a patron (customer/supplier) and an owner (shareholder) (Puusa, Hokkila, & Varis, 2016, p. 23).*

Another broadly acknowledged cooperative definition was adopted in 1987 by the United States Department of Agriculture (USDA). Their straightforward definition is:

3. *A cooperative is a user-owned, user-controlled business that distributes benefits on the basis of use (Zeuli, Cropp & Schaars, 2004, p. 1).*

These definitions all complement each other. Whereas the ICA's definition is more descriptive of how a cooperative operates, the definition by the Eastern Finland University focuses on the dual roles of cooperatives (see page 11) and the one used by the USDA largely reflects the three primary cooperative principles of user-ownership, user-control and relational distribution of benefits.

Pacific Island development should be conceived from the perspective of holistic development. When Prakash (2003) analysed the ICA definition of a cooperative, he suggested this embodies the qualities of providing better development; culturally, economically, intellectually and spiritually. Therefore, the definition by ICA is perhaps the most suitable to define cooperativism in the Pacific and for development groups like CIDANZ. Thus it can be considered that economic enterprises whether cooperatives or otherwise will only be of value for Pacific communities if they improve the quality of life of all members and they reflect and enhance socio-cultural relationships.

Cooperative types

There is no single stem from which all types of cooperatives branch out. As noted above, the first documented cooperatives were in Europe, but they now exist all over the world in various forms based on different needs and contexts.

Three categories of cooperatives were identified by van Oorschot et al. (2013).

1. Firstly, community-inspired cooperatives whose members are individuals and directly link to civil society;
2. Secondly, cooperative production in public organisations where members belong to groups in the public sector; and
3. Lastly, cooperating corporations involving many corporations forming a large cooperative where a financial goal and business sustainability are the primary objectives.

From these, it is apparent that types of cooperatives will vary according to whether social, community, government or business goals are the priority.

Table 2 provides a summary of different types of cooperatives that could be useful to CIDANZ.

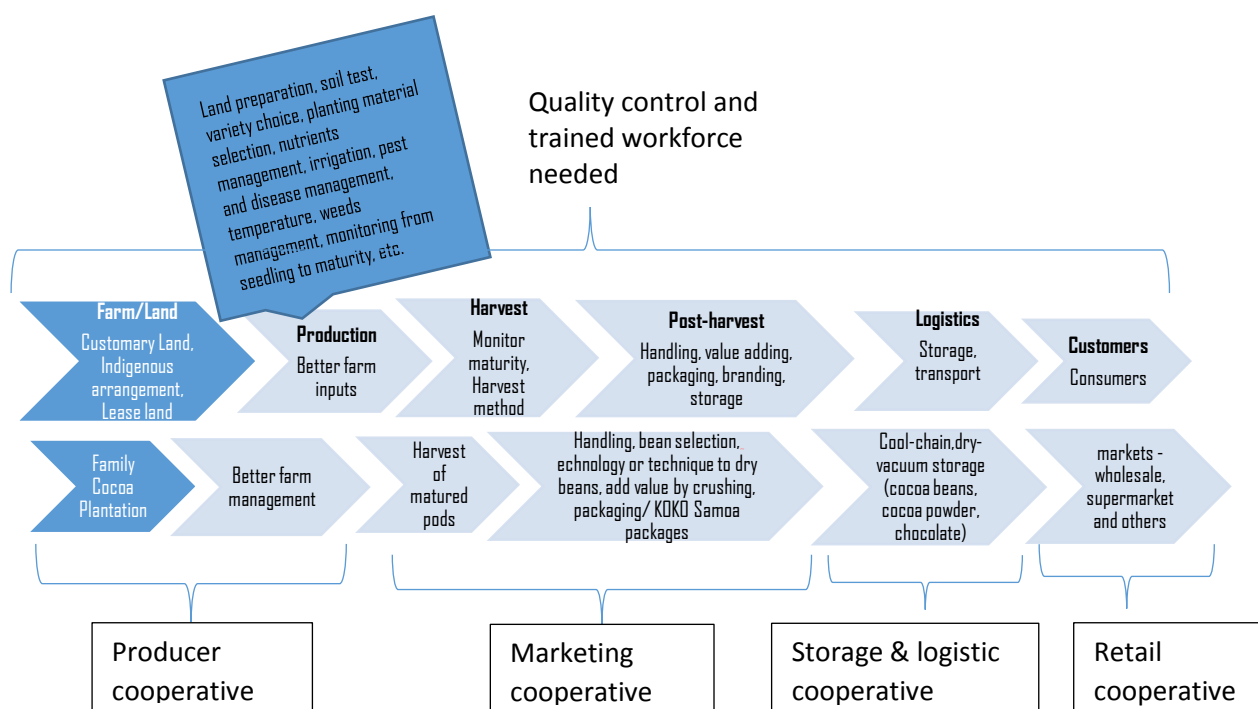
Table 2: Common cooperative types

Consumer Cooperatives	An association of consumers who buy goods and services from a business which is owned and governed by members (consumers) and at the same time they are also shareholders. This links back to the work of Rochdale pioneers. For example, retail cooperative grocery shops, electricity and telephone services.
Worker Cooperatives	Businesses which are owned and governed by employees: this can range from partnership firm bakeries to large industries highly depending on start-up capitals and arrangements for membership. The foci are: using collective efforts to take advantage of business opportunities and providing employment using cooperative principles.
Producer Cooperatives	These are often known as the agricultural cooperative, but could also relate to other fields of production. The primary role is to process the raw materials produced by members into specific products to be sold by the cooperative to its members and non-members. These cooperatives depend on the commodity produced by its members. The products will be sold under the brand and packaging of the cooperative. For instance, there are many dairies, beef, poultry and other agriculture-related cooperatives.
Marketing Cooperatives	This type of cooperative is also frequently found in the agricultural sphere and can be divided into two distinct elements. One is more related to producer cooperatives when farmers use the same packaging and brand of cooperatives but have different pathways to the market. The other focuses solely on getting the produce from members and assists in identifying and maintaining the marketing of their products. This cooperative can also branch into many forms such as packaging, storage, transportation and distribution of (farm) products.
Credit Cooperatives	A consumer-owned financial service institution where each depositor becomes a member. The cooperative upholds and executes savings and lending services among its members by pooling together a certain amount of funds. Its main purpose is to provide assistance and provident functions to its members. It can be a multi-branch union employing many individuals or a community-based credit union serving lower-income communities.
Service Cooperatives	This type of cooperative began in industrial Europe and was focused on providing better service to people and services to remote communities. The cooperatives are owned by members and target the needs of the member communities. Some of the examples of services provided include medical, transport, housing, electricity, information, and communication.
Hybrid Cooperatives	This form of organisation is a combination of a few types of cooperatives formed by individuals who have a common interest or need. They are also called multi-purpose or complex case cooperatives.

Sources: ICA (1995); Prakash (2003); Chaddad & Cook (2004); McLeod (2006).

Figure 1 provides a brief representation and example of an agricultural supply chain from the planting of crops to the shelves of retailers with applicable cooperatives which can be initiated along it. This supply chain is common practice throughout the world in different contexts. An important aspect is the assurance of quality control at every stage. To this end, a trained labour workforce is required across all stages to safeguard sustainability and consistent quality of the product. Based on this supply chain model different types of cooperatives can be formed, such as producer/farmer cooperatives, marketing cooperatives, logistic/storage cooperatives and cooperative retailers. It is highly recommended that groups who decide to initiate a cooperative focus on a particular stage that fits their resources. Taking this as a starting point, each component of the chain can continue developing rather than owning the whole supply chain at the beginning and ending up with multiple complexities to manage. It is also advisable for groups to become familiar with particular requirements of each stage and how they interlink to other stages in order to keep producing the required quantity and quality consistently and at a competitive price.

Figure 1: Agricultural supply chain and related cooperatives.



Cooperative values and principles

Cooperative values

Consistent with the tradition of their founders, cooperative members consider the ethical values of honesty, openness, social responsibility and caring for others as important. According to ICA (1995) cooperatives are founded on the values of self-help, self-responsibility, equality, equity and solidarity. Prakash (2003) explains the significance of these values within the cooperatives. **Self-help** refers to an individual's control of personal and professional development and education while working closely with others so that these skills collectively enable growth for their cooperative. **Self-responsibility** denotes a member's responsibility for their cooperative in terms of promoting the cooperative and securing its independence. **Equality** means that all members are equal despite their different socioeconomic status. **Equity** indicates how members are considered equitably in sharing of rewards, dividends, capital reserves and reduction of charges. Lastly, **solidarity** implies the fair treatment of all members and closely associated non-members and also indicates the cooperative's accountability for the collective interests of its members.

Nilsson (1996), Spear (2000) and Michelsen (1994) all stress the importance of values in a cooperative. Nilsson (1996) and Spear (2000) state that the values which are the nucleus of the organisation need to reflect how members come to a set of common underlying ideas that operationalise their cooperative institution to address their common needs and interest. These human values are closely correlated to the culture and the sub-cultures of the community it serves and is based upon the norms intrinsic to the members who make it different from other types of organisations. Michelsen (1994) further supported the above concept by expressing that cooperatives are easily differentiated from the two systems of the state and the market, whose actions may be influenced by political power and capital. Rather, cooperatives are democratically controlled institutions with both a business and a community arm. Spears (2000) highlights how cooperatives may enjoy a comparative advantage vis-à-vis profit-driven businesses by building on shared social values. This can take the form of the attraction of customers with ethical and environmental consciousness, the attraction of staff due to its professional development and continuing education strengths, highly respecting the community and social benefits, strengthening inter-organisational relationships, and enhancing social capital.

Cooperative principles

Closely associated with the discussion of values above, is the question of how cooperatives set up guiding tenets by which cooperatives practice their values in reality. Nilsson (1996) stated that a cooperative organisation has its values centred on its members. The principles become special features that build the relationship between the organisation and its members. The seven principles of cooperatives as stated by ICA (1995) are shown in Table 3.

Table 3. Principles of cooperatives

Voluntary and Open Membership	Cooperatives are voluntary organisations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
Democratic Member Control	Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members. In cooperatives, members have equal voting rights (one member, one vote).
Member Economic Participation	Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative, and supporting other activities approved by the membership.
Autonomy and Independence	Cooperatives are autonomous and self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
Education, Training and Information	Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.
Cooperation among Cooperatives	Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
Concern for Community	Cooperatives work for the sustainable development of their communities through policies approved by their members.

Source: ICA (1995).

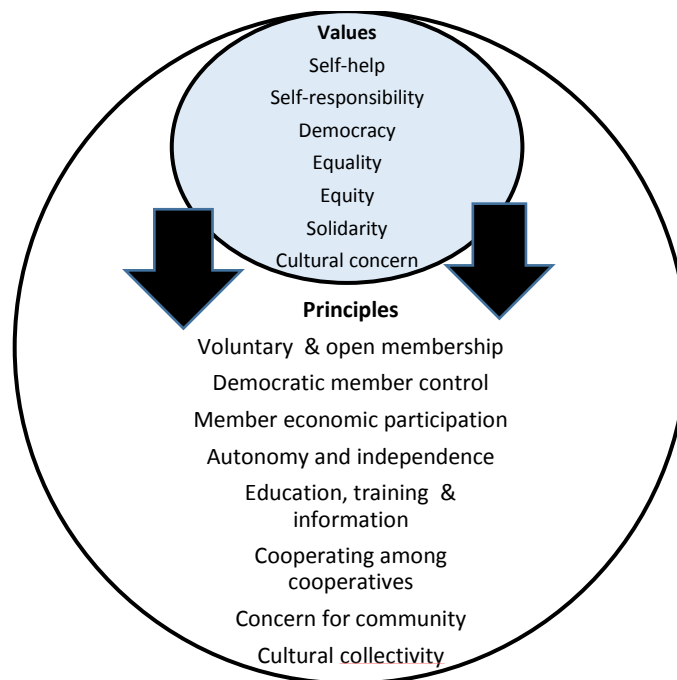
Principles of cooperatives in the Pacific

When understanding the Pacific context, the ICA's last principle, 'concern for the community', can be taken a step further and talk about 'cultural collectivity'. Cultural collectivity is a customary measure and a critical component of all indigenous groups in the Pacific. Cultural collectivity or communitarianism (Cohen, 1999) in this case refers to the act where tribal members work cooperatively by pooling resources, sharing benefits and maintaining their cultural identity. External commentators tend to see this as a barrier to economic development as people still need to uphold and contribute to socio-cultural roles. Alternatively, this sense of cultural collectivity can be understood as a basic principle to propel cooperative operations. An indigenous example of collectivity is the Fijian way of 'solesolevaki' where people utilise their relationship, collective effort and resources to do a common good for their clan, sub-clan or the vanua (tribe). This is present and common in all Pacific communities as well as the Māori community in New Zealand. Its main essence is the people's allegiance and loyalty to their community, traditional leadership and identity. This traditional practice is a major contributor to the existence, sustainability and development of Pacific indigenous communities. In many businesses like farming in the Pacific, manual labour cost is expensive and if the clan's related work and benefits are connected to the farm work for the cooperative, people will voluntarily put in more effort as they have customary norms that are respected and benefiting their cooperative. Thus, for cooperatives operating in the Pacific, cultural collectivity should be a key principle, and cultural attentiveness should be a core value.

There are, however, a number of challenges to the successful operation of cooperatives in the Pacific, including tensions that arise because of cultural values. These matters will be addressed in the later section on Pacific Island Cooperatives (see Table 4, page 25) and in the SWOT analysis (see Table 5, page 30).

The importance of these seven principles will be examined later in this report after discussing cooperative practices in the Pacific. For now, they can be viewed, alongside the key values of cooperatives, in Figure 2.

Figure 2: Values and Principles for Pacific Cooperatives



Source: adapted from ICA, 1995

Michelsen (1994) stated that cooperative principles have become the heart of cooperatives and any single principle should not be judged independently as they are intertwined as an entirety. Based on these principles, a very clear and simple collectively owned set of rules is derived and applied by the members as guidelines for running the cooperatives. This implies that the principles will both govern the organisation and reduce transaction cost of members. He also noted that cooperative principles represent the cooperative ideology in two varied dimensions, the business and the society elements, influencing a cooperative's capacity to adapt to a wide array of businesses and social contexts.

Zeuli et al. (2005) specified that cooperatives should respect the three basic principles of user-ownership, user-control, and proportional distribution of profits. The other four principles may or may not be appropriate, depending on the context. Similarly, Oczkowski, Krivokapic-Skoko & Plummer (2013) supported the idea to reduce the number of principles to ensure the cooperative sector remains relevant. On the other hand, Novkovic (2006) is in full support of all cooperative principles, saying that the best cooperative is able to base its management strategy on principles and use them as a comparative advantage. Novkovic (2006) also defended cooperatives based on the above principles as being fundamentally different from investor-owned businesses which are introducing corporate social responsibility into their business routine. Thus, the principles are a source of strength as they depict how the cooperative movement meets the changing challenges of

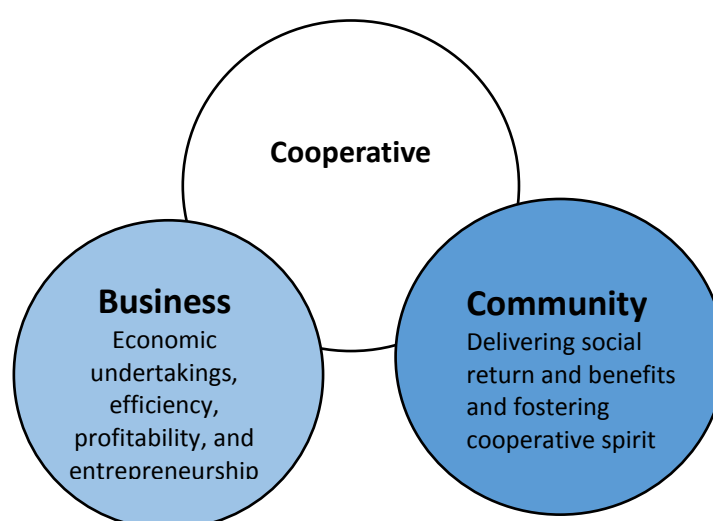
a contemporary world, especially in a South Pacific context. These principles become the underlying fundamental anchor of holistic development with the confidence to progress economically and socially through shared efforts.

Dual nature of cooperatives

The dual nature of cooperatives is a widely discussed phenomenon, but it is argued to provide the unique foundation of cooperative identity. This dual aspect is described by Mazzarol, Limnios & Reboud (2011) as a unique business model by having an economic undertaking with social influence and social result. Neck, Brush, & Allen (2009) similarly describe cooperatives as having a social vocation with economic returns. The dual nature becomes a stronghold and a factor that leads to their sustainability in society when they are integrated and balanced. Puusa, Hokkila, & Varis (2016) explain the practicability of these dual roles in terms of a cooperative's business component and member community role. The business component involves the organisation's ability to aim for efficiency and profitability which at the same time differentiates between making a profit and maximising profit. In other words, a cooperative need to deliver benefits to its members together with the capacity to produce profit and to cover operating costs so that it can sustain its services. The business and community components are discussed further below.

Figure 3 shows the dual nature of cooperatives having both a business and a community arm.

Figure 3: The dual nature of cooperatives



The business component

Cooperatives commonly provide a mechanism of economic engagement as a business and provide business support to members. A cooperative deals directly with the market in marketing, selling, purchasing and negotiating while at the same time providing cooperative services to its members. For instance, economies of scale can be attained through a cooperative, meaning more benefits for members. Importantly, the members achieve what Bonus (1986) and Spears (2000) mention as a safe practice where cooperative members remain independent actors of the market and away from the influence of investor-owned firms. This provides an independent locus of cooperative operation to execute its role and also constitutes a comparative advantage.

A factor which often contributes to a successful cooperative is entrepreneurship (Kirsten, 1993). Puusa et al. (2016), notes that the clear entrepreneurial element of cooperatives has historically been the core of many successful instances in providing economic options during market failures and the effort to stabilise and challenge the existing market economy. An entrepreneur is defined as:

One who identifies and undertakes a venture, organises it, raises capital to finance it, and assumes all or a major portion of the risk. ... Entrepreneurs are not exclusively individuals, but a group of entrepreneurs can act as a "collective entrepreneur" (Kirsten, 1993, p. 1).

Thus, entrepreneurs are marked as vital constituents to the progress of cooperatives (Ropke, 1992). They assume roles of innovators, problem solvers, routine managers, monitor economic development in general, and are responsible for a cooperative organisation's survival and market success. By overseeing a range of important business activities, cooperative entrepreneurs also need to collaboratively work with members at the decision-making level since everybody has equal say on how the cooperative operates and the business also needs expert advice and guidance to construct net advantages to all.

Business operations and resilience

Cooperative institutions have often been discussed as resilient business organisations due to various reasons. Historically, cooperatives survived World Wars I and II with their ability to use both the business and social components to navigate through hardships and continue to serve their members (ICA, 1995). This multi-dimensionality was an important aspect of cooperatives that contributed to their resilience (Borda-Rodriguez, Johnson, Shaw & Vicari, 2016). Multi-dimensionality in this sense refers to special features including cooperative structures, shared norms and values, general operating processes and having a web of relationships. Also with cooperatives in developing nations, the overlapping multi-dimensionality of membership, network, collective skills, innovation and

government support were seen to be critical factors for resiliency (Borda-Rodriguez et al., 2016). Resiliency is a critical business factor that Pacific Island businesses must have in order to be successful and the cooperative business model has the special features which can help to achieve this.

Birchall & Ketilson (2009) provide examples of cooperatives' resilience and how this has helped to assist members over time. The examples include the 1860s emergency food aid and cooperative credit bank which endured the agricultural depression in Germany; the 1930s vital farm credits and formation of numerous cooperatives during the great depression in the USA; and the 1930s farm credits and agricultural production control by the cooperative federation during the price collapse in Sweden. In the 2008 recession in Canada and the USA, new generative cooperatives stabilised farmers' income and revitalised local economies (Birchall et al., 2009).

Unlike other types of business, the cooperative method of doing business has the ability to survive in a wider range of contexts. Cooperatives have played important roles as economic drivers and provided employment for people under various circumstances. For example, in Germany, there are more than 8,000 cooperatives and around 20 million members (Birchall et al., 2009; Deller, Hoyt, Hueth & Sundaram-Stukel, 2009). Spain has over 18,000 worker cooperatives employing more than 300,000 people (Birchall et al., 2009, Roelants, Dovgan, Eum & Terrasi, 2012). In Brazil, the agricultural-worker managed cooperative Cantante-Harmonia, provides employment to 4,300 families (Birchall et al., 2009). The women's cooperative in California, Women's Action to Gain Economic Security (WAGES), campaigns to raise the earnings of low-income women through education on cooperative business, assisting in the establishment of new cooperatives (Deller, Hoyt, Hueth & Sundaram-Stukel, 2009). In the USA, there are nearly 30,000 cooperatives which pay \$25 billion (US) in wages (Birchall et al., 2009). Additionally, Canada's Arctic Cooperatives Limited controls the economy of rural Inuit communities and provides about (Canadian) \$22 million in wages as at 2008 (Birchall et al., 2009). There is strong evidence that cooperatives are successful business models that can safeguard the social economy of the people and communities while acting as a driver of communal developments. Cooperatives have a high probability to thrive in the midst of economic crisis and at the same time provide critical services like creating employment opportunities in communities.

The engagement of cooperatives in the mainstream economy has several positive impacts on members and the community. Apart from having a strong voice in the market, cooperatives assist people in getting fair deals with good returns for their produce. It provides a mechanism that joins the social economy to the wider market space and gives power to the cooperative to participate in

and influence market forces (Levi & Davis, 2008). Novkovic (2008), Milford (2012), and Sexton (1990) illustrate the case of cooperatives having a competitive yardstick effect on markets with fewer buyers. For instance, in the Pacific indigenous copra sector, cooperatives that own most of the coconut farms on customary land can work together and have a stronger bargaining power to push for better prices for their produce. This will cause other buyers in the market to raise their buying prices to keep the market share. Figure 4 shows the contribution of cooperatives to business operations.

Figure 4: Business benefits of cooperatives.



Source: Bonus, 1986; Spears, 2000; Kirsten, 1993; Puusa et al., 2016; Birchall et al., 2009.

The community component

The other important factor of cooperatives is their cooperative spirit within member communities (Puusa, Hokkila, & Varis, 2016). Cooperatives are regarded as group ventures which use their strong cooperative spirit based on the principles of self-management, self-support and self-governance, with all undertakings guided by trust and teamwork. The propelling power for cooperative success lies in solidarity and combined efforts, effective utilisation of members' resources, sense of ownership and influential control (Spear, 2000; Hind, 1997; Nilson, 2001). These are factors that

make cooperatives distinct from other business models. The service they provide aims to satisfy members' needs and provide community benefits.

Community development benefits

The social effects of cooperatives have been significant for community developers' improvement of local people's participation in communal development. Majee & Hoyt (2011), while using Woolcock & Narayan's (2000) social capital and poverty transition framework, demonstrated the capacity of cooperatives to contribute to the upward mobility of groups (not individuals). Cooperatives can utilise combined resources and simultaneously reinforce and bridge social capital to foster local control of place-based business ventures (Curry, 1999). The Timor-Leste coffee cooperative known as *Cooperativa Café Timor* (Majee et al., 2000) is a good example of this. It had 22,000 farmer families, 300 full-time staff, around 3500 seasonal workers, and \$12 million worth of exports in 2008. In this example, people's lands were used to farm family coffee plantations and supply to the cooperative processing plant. The cooperative improved the quality of lives of members and opened health clinics (clinic café Timor), which currently provide services to members and the general population. As this example shows, cooperatives have demonstrated their capacity to work as a vehicle for development, enabling the marginalised to have a voice, helping to mobilise community resources, and allowing local participation in the economic mainstream.

Another way in which cooperatives can contribute to community development is by targeting the poor and marginalised. Zaimova, Zheliazkov & Gaidardjieva (2012) elaborated that agricultural cooperatives in Bulgaria have been an effective method of carrying out bottom-up rural projects to improve social well-being and support. Cooperatives thrive in rural areas even in regions not prioritised by larger companies because they are able to create and regulate a rural economy using the combined resources of that community. This contributed a lot to life changing opportunities like the creation of jobs which improved living situations. Birchall (2003) developed and recommended six values and capabilities of cooperatives to reduce poverty. They are (1) the built-in benefit of cooperative values and principles, (2) strength in the cooperative structure, (3) clarity in the cooperative model, (4) participatory development and lastly, (5) the use of cooperatives to achieve UN's Millennium Development Goals (MDGs). The achievement of the MDGs is forfeited without a considerable effort in participatory development and self-help initiative of cooperatives (Birchall, 2004; Simmons & Birchall, 2008). There are complex poverty traps (Smith, 2005) that keep people in poverty, despite improvement efforts. A cooperative, however, has the ability to cut through the poverty cycle.

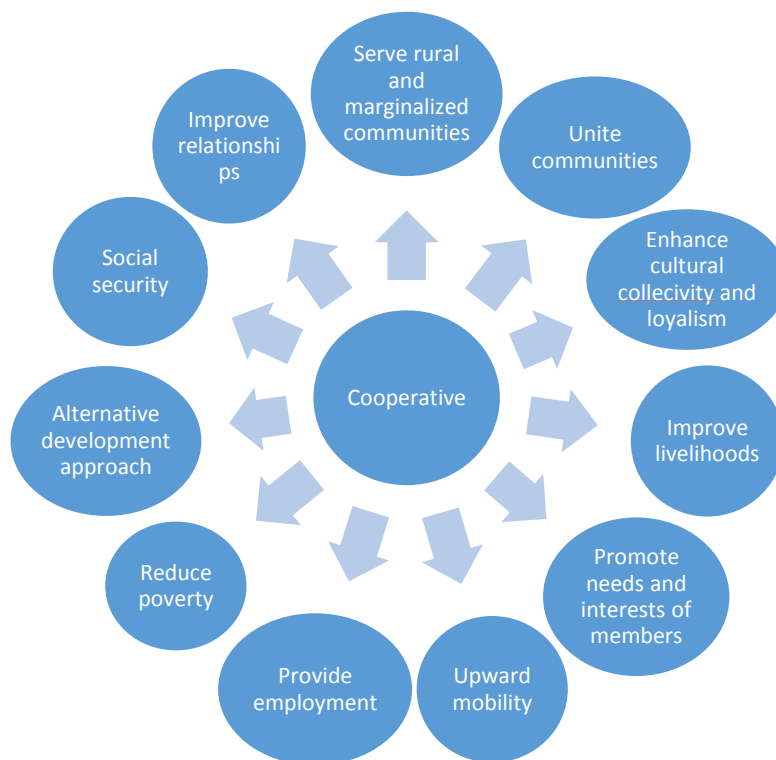
A reversed definition of cooperative highlights the importance of a self-help value:

It is misleading to say that cooperatives have members. It is more correct to say that members have their cooperatives. Cooperatives do not help the poor but, by working together, by pooling their resources, by submitting themselves to group discipline and by accepting to combine self-interest and group solidarity, the poor can solve some of their problems by way of organized self-help and mutual aid better than alone. (Birchall, 2003, p. 13)

A cooperative is functional when member communities are united in trying to overcome a common need by submitting to group activities. Thus, cooperatives with a strong social capital in terms of relationships with other individuals, groups and institutions within the community have the ability to contribute to reducing poverty.

Figure 5 shows the contribution of cooperatives to community development.

Figure 5: Community development benefits of cooperatives.



Source: Puusa, Hokkila, & Varis, 2016; Spear, 2000; Hind, 1997; Nilson, 2001.

Success factors for cooperatives

The Enterprise Development Centre at the Cranfield School of Management in the United Kingdom undertook a study to map out essential success factors of cooperatives (Happer, 1992). They examined international literature and also interviewed 150 people working directly and indirectly with cooperatives. The authors found the following critical success factors:

- members share a similar background;
- establishment of the cooperative is founded on a common community need becoming the cooperative's comparative advantage;
- the cooperative starts with and capitalises upon a single activity;
- it does not have direct political links;
- there is no heavy reliance on subsidies; a balance of leadership from an entrepreneur with collective decision making;
- the cooperative's rules are accurately laid out and owned by members;
- lastly, all members hold on to the cooperative's values and principles.

These guidelines, if followed closely, will increase the chance of good service provision and survival of cooperatives, while reducing the wastage of effort and resources.

Similar studies have been conducted on successful change-oriented cooperatives. Van Oorschot et al. (2013) strongly recommend three important pillars essential for the full operation of a cooperative, namely; aiming for change, economic capacity, and organising capacity. Firstly, a cooperative needs to be visionary about, and motivated by, the need to change the members' community. It can be a society-wide ambition, such as changing an existing marketplace, strengthening community relationships, development issues, or finding solutions to other pressing issues. Secondly, in order for a cooperative to be a change agent, it needs a feasible business model that integrates both its economic and community component by amalgamating efforts and resources of members. These pillars will enhance the economic capacity of the cooperative as well as its role in the provision of services to its members and their communities. Thirdly, organising capacity refers to the utilisation of a cooperative's democratic underpinning to mobilise and systematically arrange its members into various roles needed to fuel change. With better collective decision making and expert contribution from an entrepreneur, a stable and vibrant cooperative can be attained. On the same note, Levi (1994) included 'inter-cooperative integration' as an ingredient for success. This involves connections of cooperatives with secondary and tertiary level organisations or even investor-owned firms to foster expansion, viability and sustainability of the cooperative. A

change-oriented cooperative not only serves its members but also impacts the wider community and connects to other organisations with a wider spectrum of benefits.

Before determining whether these success factors translate to the Pacific context, it needs to be considered whether cultural elements are adequately addressed. Development interventions involving Pacific communities and in this case business initiatives need cultural affiliations. A study of a coconut cooperative in Samoa (Cahn, 2008), for example, showed that the inability to integrate *fa'asamoa* (Samoa way of life/culture/norms) as one of the main contributing factors to failure. People perceived the cooperative as separate to their culture. Preferably, the cooperative had included the cultural values of the member community and integrated them into its operations allowing the blending of customary systems with the business venture. The combined effort of members pooling their resources together and the support provided by indigenous leaders could certainly help to balance the dual nature of a cooperative. In the Pacific, this is likely to be necessary for the sustainability of the venture and for the full realisation of its development benefits.

According to Vilsack (2010), for cooperative businesses to thrive economically in the market, they must create and repeat the circulation of wealth, be self-sustaining, and retain members. This is supported by Zeuli & Radel (2005) and Fulton & Ketilson (1992) by illustrating that wealth and surpluses created by the cooperative need to be frequently circulated within the economy of the local community to produce economies of scale and for members to realise the return of their social and economic investment. In many situations, the creation and retention of a rural economy are facilitated by cooperative ventures. For instance, running a copra cooperative on an island with a cooperative trade store will retain and circulate wealth as members are able to sell their copra and buy their supplies knowing they have benefits and shares in the business. This is, of course, a multiplier effect to the institution and leads up to the chain of benefits motivated by cooperative members.

Figure 6 incorporates key points identified in the discussion, including the need to consider cultural context, in terms of what factors lead to a successful cooperative.

Figure 6: Factors leading to a successful cooperative in the Pacific



Adapted from Happer (1992), van Oorschot et al. (2013), Vilsack (2010), and Levi (1994).

Pacific Island cooperatives

History of cooperatives in the Pacific

The people of the Pacific have a long history of indigenous exchange and inter-island trading and voyaging before early contacts with foreign traders. Numerous Europeans later sailed into the Pacific and had opportunities to trade with locals. At some places they built trading relationships which later on became commercial bases and port towns. Many locals were simply bystanders in the alien

trading system (Hau'ofa, 1994). The indigenous people had their own trading system but this was overlooked while a lot of resources went into the new model of trade (Lewis, 1994).

The introduced system of trading motivated the locals who set up business initiatives to protect indigenous interests and to ensure that trading brought positive changes to the natives. Over time some indigenous people were trained to do business within the new system, leading to the formation of village trading groups which were basically cooperative in their structure. These cooperatives were a mechanism that linked the islanders and the traders, who were mainly Europeans, and aided the distribution of European goods and profit. Maude (1949), Couper (1968), and Rutherford (1981) highlighted how British Pacific business development focused on acculturation of the indigenous people into group business initiatives referred to as proto-cooperatives. Proto-cooperatives originated in many of the islands as a result of indigenous people's combined effort to circumvent major trading companies which held commercial powers in the Pacific. Some of the examples of the proto-cooperatives were basically producer, consumer and marketing cooperatives as they were buying fresh produce from the people who in turn shopped in the trade stores and the cooperative exported or sold the produce to an outer market. This includes the *Au* in the Cook Island in the 1890s, *Malo* of Samoa in 1904, *Tonga ma Tonga Kautaha* of Tonga in 1909, *Viti Kabani* (company) and *Apolosi* movement of Fiji in 1914, *Tangitang Mronrons* of Gilbert and Ellice Islands in 1909 and the *Paliau Maloat* and *Yali* movement in PNG. The primary aims of these initiatives were to: take part in the modern economy, take control of their produce, make development work for indigenous communities, bargain for better prices, and displace village based foreign traders (Couper, 1968; Kaima, 1991, 1994; Otto, 1992). The initiatives were able to carry out major development and especially commercialisation of produce and they created trade stores to regulate the rural economy and gain better returns for local communities.

Typically then, cooperatives were also initiated by various colonial governments and were the locus of economic development in rural Pacific settings. The rural economy widely impacted communities as it opened doors to people working together using customary resources. When cooperatives worked well, they allowed local people to take ownership of development and also contributed to social security. The cooperatives created many opportunities and developed a way for customary institutions and systems to be integrated with the western model of economic development and created much-needed peace intended by the colonizers.

Competition intensified as Europeans controlled the import and export channels which eventually undermined many of these group ventures. Indigenous cooperatives also faced trading dilemmas such as market constraints, settling credit transactions, complexities of bookkeeping, social

obligations and commercial, religious and political resistance. In many situations due to the trading dilemmas, most indigenous businesses traded at a loss and were taken over by foreigners. In trying to resuscitate the cooperative movement in Fiji the following speech was made by the Great Council of Chiefs' financial adviser in 1948 who quoted directly from a document of the *Viti Kabani*;

Until recently you have been content to live a life of a producer without the means of marketing your produce. You have been largely content and bartered your produce for store goods and cash and watch others prosper on the result of your labour. (Couper, 1968, p. 8)

Despite the challenges faced by Pacific Island cooperatives, people still use collective effort for self-help in community development and maintenance of societal solidarity.

There are also a number of examples of cooperatives in existence around the Pacific, a few of which will be highlighted below.

Examples of Pacific Island cooperative experiences

Papua New Guinea (PNG) has a cooperative movement which has been widely discussed (Mugambwa, 2005; Murray-Prior, Sengere & Batt, 2009; Sengere, Susuke & Allen, 2008). It was established in 1947 when the Australian Colonial Administration instituted a cooperative subdivision within the Department of District Services and Native Affairs. The reasons were to motivate socio-economic development among Papua New Guineans as well as diverting the attention of would-be political agitators into an appropriate channel. The cooperative sector took on a variety of roles, from consumer cooperatives to marketing of local produce, concentrating on locally produced crops: coffee, cocoa and copra. This, in turn, brought positive impacts to the locals. By 1958 there were 316 cooperatives registered and 109,175 members by 1968. (Mugambwa, 2005). Not all of these cooperatives were as effective as desired however. Thus the government in 1970 invested in improving business and management training by establishing the Laloki Cooperative College with the assistance of the United Nations Development Programme. This was an untimely move as the cooperative movement had already started to show signs of failures (Mugambwa, 2005). In August 1971, an inquiry committee was established to critically analyse the failure and future of the cooperatives in PNG.

The committee also made recommendations to be implemented based on the belief that cooperatives could benefit the locals and needed to be continued in the future. They recommended the reorganisation of the cooperative administrative division, restructuring cooperative education, encouragement of people to join cooperatives, better support services, and the need to identify economically viable cooperatives before full operation. Unfortunately, the many efforts to revive the

cooperative movement were not entirely successful. In 2000 the government decided to invest in the sector by establishing a Cooperative Society Unit which highlighted its importance in the development of the local people. This was:

To encourage effective meaningful participation of ordinary people in the rural communities and villages in the national development process to perpetuate economic prosperity, enhance progress on communal welfare and to restore dignity to individuals through the Cooperative Society Movement (...) Cooperative societies do not only create a conducive environment to do business in the spirit of competition but also stimulate economic activities in the rural areas and which programmes will be geared towards the effective participation of rural people in business activities in the villages. (Mugambwa, 2005, p. 8)

Recently in PNG, a study by Garnevaska, Joseph and Kingi (2014) stated that the government under the Ministry of Trade and Industry focused on the promotion of agriculture-based cooperatives in the area of palm oil, coffee, tea, and rubber. The study also stated that the government relied on cooperatives to raise farm production and earnings, improve employment opportunities, promote self-reliance, and for communal and national development. Moreover, the PNG cooperative is a member of the ICA and is structured in a four-tier system, including primary (local), secondary (provincial) and tertiary (involving both primary and secondary) cooperatives which allow vertical and horizontal integration of institutions (Garnevaska et al., 2014). This directly benefited the rural communities in doing business through pooling of local resources, regulating the rural economy and getting better returns for their produce.

Other recent studies have examined modern collaborative marketing groups for coffee growers in the highlands of PNG (Murray-Prior, Sengere, & Batt, 2009) and the development and challenges of cocoa cooperatives in PNG (Garnevaska, Joseph & Kingi, 2014). Because a cooperative is fundamental to rural people's involvement in economic development, both of these case studies supported organising landowners' engagement in cooperative agriculture activities and enhancing family livelihoods by increasing income. Both the studies found out that the government and NGOs continued to promote cooperatives despite their failures as it was a mechanism that linked the smallholders and subsistence farmers to successful markets. However, cooperatives required close monitoring and vigilant management. Murray-Prior et al. (2009) studied two distinctive businesses, Highland Organic Agricultural Cooperative (HOAC) and Coffee Connection (CC), as well as the Mainland Holdings Limited (MHL). HOAC was working with Coffee Connection, the largest exporter of organic and Fairtrade coffee in PNG with its 3,000 member growers in 300-400 family units in Puroga valley region, Eastern Highland province. Coffee Connection enabled the smooth running of the cooperative and employed 12 agents who worked with the farmers to ensure a proper production chain and management of organic principles to enhance high quality produce. The

strategic inter-cooperation between HOAC and CC brought in many benefits, such as improved price and market of Fairtrade and organic coffee, better returns for farmers, engagement of independent monitors to oversee organic and cooperative business principles, and lastly the cooperative provided intensive training to its leaders and representatives.

The other business, MHL, was running as a cooperative before it changed to a business group in 1970 due to change in the cooperative legislation. It retained its cooperative structure of the then Mainland Cooperative limited. MHL owns a flour mill, poultry farms and processing facilities, coffee mills and export (Niugini Coffee), a crocodile farm, highway cartage, warehousing and customs clearance, among others. The business group is the third largest exporter with 17% of the national export. It comprises 14 different business groups which work closely with about 40,000 small-scale farmers. Their main success factor has been in rectifying the challenges faced by cooperatives in PNG (Mugambwa, 2005) and converting them into business strategies. The board members are the seven directors chosen from the 14 incorporated businesses and a government representative. It also has an executive committee independent from the board of directors, which monitors and works closely with the different farmer groups. It is also the role of the executive committee and the board to oversee the management team and in turn, the management team provides assistance to the individual business groups and the overall operation of the company (Murray-Prior, Sengere, & Batt, 2009). These two cooperative studies revealed the importance of the role of in-depth studies, training, vigilant monitoring, member satisfaction, having a cooperative advantage, strategic business alliance and having a proper market lead up to the achievement of economies of scale.

An NGO in Samoa, Matuaileoo Environment Trust Incorporated (METI), worked with many communities in rural areas of Samoa to engage them in economic development. An initiative was established in 2003 to manufacture virgin coconut oil and soaps from coconuts sold by village-based cooperatives (Cahn, 2008). At first, people were earning much more than the national minimum wage and received better deals for their family and community produce with a market provided by METI. The business melded well with the social network of people and the success was that rural families had an increased income, which in turn supported the rural economy. However, this initiative faced numerous challenges such as the difficulty to balance the business with family and socio-cultural obligations, difficulty in recruiting cooperative members, inability of landowners without coconut to join the cooperative, the economic emphasis giving little social or cultural motivation to participate, tension between *fa'asamoa* culture and the cooperative model, non-attendance of members during cooperative-related work, and lastly, most elders who were not involved in the physical work also received the same amount of money since they were landowners. This cooperative venture was not so successful due to the tensions it faced even though the villagers

were able to improve their livelihoods from the sale of coconuts. But, there was significant indication that the cultural aspects, *fa'asamoa*, blended well with micro-entrepreneurial activity as access to natural (coconuts) and human (villagers) capital was guaranteed by the customary land system (Cahn, 2008).

Yet another Pacific example is provided by Nayacakalou (1975, cited in Qalo, 2011, p. 4), documenting the emergence of cooperatives in Fiji.

The 1957 Annual Report on the Colony wrote "The cooperative movement, which is gaining momentum, offers a practical means of enabling the people to retain the essential features of their traditional way of life and at the same time play their economic life of the Colony and meet the modern commerce (Qalo, 2011: 4).

The cooperative became an economic model in many indigenous Fijian settings in the 1970s, which assisted in a lot of rural development initiatives. A study was conducted by Pathak and Kumar in 2008 trying to find out the key factors of successful cooperatives in Fiji. This study was conducted mainly with credit unions, cooperative stores, industrial cooperatives, and saving and loan cooperatives within the Suva area. These cooperatives brought economic development to marginalised communities, such as the *Raiwaqa* housing area. Here they provided employment and livelihood support and were, therefore, able to solve some social concerns of the community through working together and pooling of local resources. The study also affirmed nine factors that need close attention while running cooperatives in Fiji: people forming cooperatives should have a deep knowledge of cooperative concepts, translating cooperative concepts and principles to the vernacular, *kerekere* system (kin borrowing without paying) and social obligations affecting the whole business transactions, intensive cooperative training series to be conducted and continuously monitored, cooperative board members to be elected before registration and undergo intensive training on the cooperative principles, better management skills and operating process, the advisor of the board must have a sound business and cooperative background, cooperatives should be initiated by the people and not government or NGOs, but their support services and promotion is much needed, inter and intra cooperative and agency networking and lastly cooperatives must be free from any political affiliation (Pathak & Kumar, 2008).

In the broader Pacific, a wide range of factors has come into play which sometimes compromised the performance of cooperatives. There have been many challenges identified and the decisive ones are outlined in Table 4.

Table 4: Challenges faced by Pacific Island cooperatives

- Mismanagement of funds
- Cooperative managers also own private businesses in direct competition.
- Expatriate companies provide better prices for produce and cost for goods at trade stores, making members unfaithful to their cooperative.
- Ambitious promises – failure to deliver.
- Incompetence of cooperative and agriculture extension officers to give advice.
- Unclear and irrational policies and operating regulations.
- Illiteracy, lack of intensive cooperative training series and monitoring and lack of training facilities.
- Cooperative board members need to be elected before registration and undergo intensive cooperative training.
- Incompetence of managers and entrepreneurs.
- Balance between having a manager or entrepreneur for expert advice and collective decision making.
- Cooperatives to be initiated by the people and not NGOs or government.
- Tension between the customary systems and the cooperative business model.
- Balancing customary land ownership and with cooperative activities.
- Translating cooperative concepts and principles to the vernacular to be understood by all.
- Free riders, members join in for benefits and not for teamwork and motivations.
- Lack of cooperative awareness and consultations.
- Difficulty in recruiting cooperative members.
- Political influence.
- Difficulty to balance the business and socio-cultural obligations and family.
- Absence of feasibility study of cooperative groups at the initiation phase.
- Politics, state and business resistance.
- Conflict in the use of customary resources.
- Inter and intra cooperative connection and networking.

Sources: Couper, 1968; Rutherford, 1981; Mugambwa, 2005; Murray-Prior, Sengere & Batt, 2009; Garnevskia, Joseph & Kingi, 2014; Sengere, Susuke & Allen, 2008; Cahn, 2008; Pathak & Kumar, 2008

Challenges to cooperatives in the Pacific

From the experiences of running cooperatives in the Pacific it is realised there is no easy way for a cooperative business to be successful in the Pacific. It is assumed the cooperative may be a better model for indigenous people's engagement with economic development but there are always factors that become hurdles to achieving success. It must be clearly stated at the initiation stage that the responsibilities of members and the success factors of building a successful cooperative at this stage will require sacrifices and input from members. The cooperative business will need proactive and vibrant members who have common interests and goals. Cooperative business is reflective of a business model that most island communities carried out trade and business. They have two arms; the business and the community and there needs to be a balance in how they operate. Importantly, the business end needs to be in full operation which comes with a whole range of factors as

summarised in Figure 3 and navigating through the challenges in Table 4. Once they are able to create surplus, a portion can be used to carry out community development projects and keep the business afloat. Most stories of Pacific cooperatives have a similar output which is by carrying out community or village-based projects. Therefore, it is advisable that the cooperative needs to first create an economy of scale before community development projects are executed for sustainable development. This will be achieved through proportionate saving in the sales gained by an increased level of production from the cooperative. Moreover, the issue of collective decision making and having a manager or entrepreneur is always in conflict. A cooperative will need to negotiate between the need to have a business expert to guide the business and the collective decision making process for the general running at the helm. There will be prevailing business issues that will only need a business expert who is the entrepreneur whereas, the directions to be followed are collectively decided by members.

Cook Islands cooperatives

The Cook Islands also saw early European trading efforts as introduced earlier. However, they effectively resisted European dominance of trade. There was a lot of opposition by the Cook Islanders in the 1890s to European traders. Thus, laws were enforced by the *Au* 'council' and chiefs restricting Europeans from setting up permanent trading stations in the villages. Rather, they demanded that all trading was conducted at the native-owned market house (Couper, 1967, 1968). The reasons behind the resistance were the claims that goods sold at the market house were much cheaper and locals' involvement in trading would restrict capital flight. In the late 19th century the *Au* was functioning as a full-strength trading organisation. This highlights the capacity of locals in a foreign trading system. As Couper (1968) noted, the initiative was conducted on cooperative principles under the control of the *Au* and an appointed man who acted as an entrepreneur. Ingram (1990) confirms this, noting that in the 1860s (40 years after initial contact) a developed entrepreneurial system had been executed by a group of chiefs referred to as 'chiefly entrepreneurs'.

The cooperative initiative was the result of combined effort of visionary indigenous leadership (Roniti, 1985) and locals' willingness to improve their quality of lives by engaging in white man's trade. The *Au* trading shed was divided into a store which contained European goods and money; the latter was stored in large drawers under the counter. At the other end of the shed partitioned by wall-mats was the bank which bought copra and coconuts from local people. There is no record of the village store or bank being robbed. This stands in contrast to the numerous reports of looting done to other traders' stores (Couper, 1967). This is a strong indication that the Islanders were

content with the business development that they were involved in. Consequently, the *Au* was able to trade and profit through this establishment. At one point in time, it attained about a thousand dollars in a trading quarter, which was used on local development activities and distributed to people (Couper, 1967).

On the other hand, the Europeans in the Cook Islands controlled the import and export channels due to their strong connections to the outer market. Europeans' power over Cook Islanders' engagement with the market is evident in a later decision by the colonial rulers:

The chiefs operated trading businesses..... The entrepreneurial activities continued until annexation in 1900 when the New Zealand administration took away the trading powers of the chiefs (Ingram, 1990, p. 59).

This became a problem with the *Au*, as they continued to find means to bargain for better prices for the local produce. Few attempts were made to rectify this marketing constraint. In the 1890s to 1901, Cook Islanders tried operating their own shipping companies and traded directly with Tahiti and New Zealand (Couper, 1968; Bertram, 2004; Ingram, 1990). In 1945, after WWII the return of ex-servicemen assisted in the success of the initiative. However, in the long run, operating the shipping company was problematic when payment of ships' loans and operating expenses became too much. Due to these financial struggles, local schooners were not able to sail to Auckland to sell local produce. Eventually, the Europeans came to control the provision of copra bags and fruit cases and therefore, at last, controlled the price ring which dictated trading for the Cook Islanders (Couper, 1967). Despite all of these challenges, indigenous cooperatives continued to provide much-needed services like trade stores in rural areas where larger firms were unable to survive and provide for local needs.

In 1953, the Island state regulation was issued and the cooperative movement was also recorded as being in operation (Shaffer, 1999). This movement also contributed to the formation of the Cook Island cooperative bank in the 1960s and a cooperative wholesale society in 1966. A 1972 International Labour Organisation (ILO) cooperative publication stated that there were 54 cooperatives with 4,750 members (22.3 % of the population) and 20 school savings societies in the Cook Islands (Shaffer, 1999, p. 189). Most of these business initiatives were organised around cooperative structures. More recent data on cooperatives is unavailable.

A further essential study looks at indigenous entrepreneurship in the Cook Islands. It was conducted by Pamela Takiora Ingram (1990), who came up with significant findings. Local entrepreneurs relied on personal and family savings, better education, frequent overseas travels and experience of

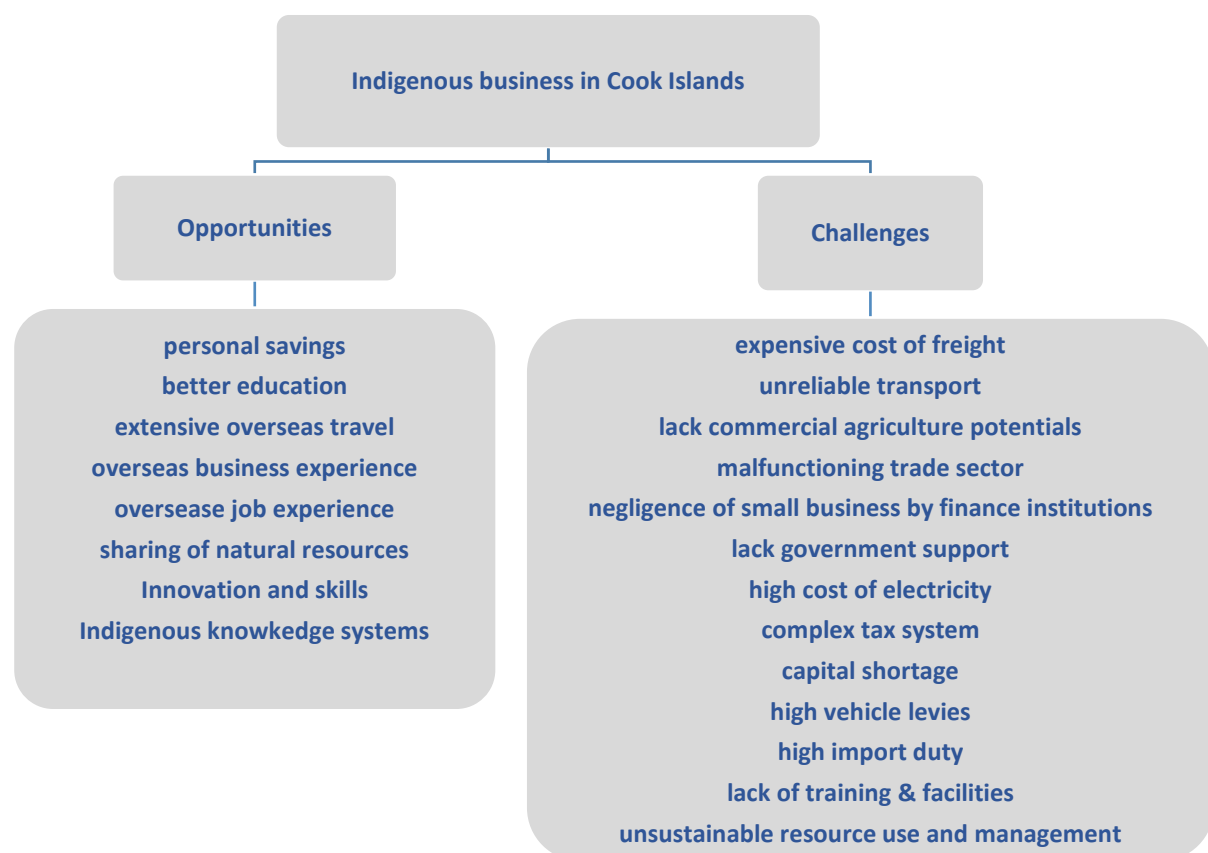
working overseas, especially New Zealand, for the sustainability of their business. The study also reported on hardships that these entrepreneurs had to negotiate.

This leads to the following recommendations by Ingram to support indigenous businesses:

- provision of finance and credit institutions;
- provision of appropriate training and education;
- promotion of indigenous women entrepreneurs.

These challenges and opportunities for entrepreneurs in the Cook Islands as documented in Figure 7 was the reality in 1990. There have been numerous improvements done to alleviate these challenges as part of the government's effort to improve trade and development as well as various aid and NGO related work in relation to development and making services accessible to local people. This figure is still useful in case of setting up cooperative or related business initiatives in the Cook Islands by looking at some previous loopholes and opportunities to pave the way forward.

Figure 7: Opportunities & challenges faced by Cook Island entrepreneurs in the 1990s.



Adapted from Ingram, 1990.

Importance of overcoming challenges and drawing on cooperative principles for cooperative success in the Pacific

Because cooperatives have both advantages and disadvantages, as discussed, forming a cooperative within rural Pacific communities is still an alternative economic model that needs to be well researched in terms of opportunities and threats. Ideally, however, it should be intrinsically initiated through the analysis of communal needs and available resources.

For setting up cooperatives in the Pacific, following the seven basic principles as laid out in Table 3 (page 8) is required. On reviewing studies of cooperatives that existed in the Pacific, many of the significant challenges were linked to the negligence of these principles. Legislation and operation guidelines derived from these principles can help address these challenges. Some of the significant difficulties faced by Pacific cooperatives are a lack of cooperative awareness and education, overly influential donor or government, lack of networking with other cooperatives and business firms, lack of cultural attachment, as well as lack of planning and entrepreneurial skills. Thus, the seven principles are needed for the formulation of clear rules and guidelines and special attention diverted to the social embeddedness of the cooperatives.

Table 5 is a SWOT analysis of running a cooperative business in the Pacific containing crucial internal and external factors to strategically plan out the optimum business pathway to follow.

Table 5: SWOT analysis of cooperatives in the Pacific

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Create a unique product or brand specifically offered by the cooperative. • Pooling of resources through combined effort, shared goals. • Stronger voice for members. • Stronger bargaining power than individual farm sales. • Economies of scale. • Cooperative fosters better communication among members. • Connect rural communities to the market • Finding markets for produce • Social embeddedness of the business and blends with local culture • Alternative community development. • Promote interest of the members. • Local control and ownership of the business venture. • More benefits for coop-members compared to individual marketing of produce. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Time, resources, effort and sacrifices needed to start a cooperative. • Institutionalised legalities to be followed. • Power balance between having a manager or entrepreneur with business and cooperative expertise and the need for collective decision making • The community development arm of cooperative can influence and adversely affect the general business running • Socio-cultural (and other external) obligations of members • Members joining for benefits and not for teamwork • Financial management and cash flow problems.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Regulate rural economy. • Attract government support. • Market connection and market share • Training opportunities • Raise living standards • Strengthen communal relationships • Retention and circulation of wealth • Integration and networking with other businesses • Technology, access to information and communication • Opportunity to work with neighbouring communities • Ability to incorporate cultural elements. • Higher chance of local and international market access due to scale of production. 	<p>THREATS</p> <ul style="list-style-type: none"> • Legal technicalities and institutionalised hurdles • Customary resource conflicts • Market constraints • Political influence • Low level quality assurance control for produce to keep market share. • Lack support from stakeholders such as members, local authorities and chiefs. • Stiff competition from other well-established businesses • Environmental degradation. • Cooperative-related work in contrast with customary or village-based work. • Compliance costs.

Conclusion: implications for Pacific Island cooperatives

Cooperative models are a feasible business approach for Pacific Island states like the Cook Islands, through which local communities can enjoy economic development whilst also meeting communal needs. Determining the best cooperative business model for the Pacific Islands is, just as Crocombe (1980) indicated over 30 years ago, still a challenge. Nevertheless, based on the global literature on cooperatives in developing countries together with the cooperative best-practice literature reviewed, it can be argued that the following ideas and practices can bring positive impacts to cooperatives in Pacific Island states.

The definition of cooperatives by ICA (1995) balances out economic attainment with socio-cultural objectives which links well with the structure and values of indigenous communities in the Pacific. According to the social embeddedness literature on indigenous businesses in the Pacific (Curry, 1999) **a business needs to be founded on social capital in order to reach economic goals and, ultimately, to positively impact local communities. Another important element is that cooperatives need to be integrated into the development agenda and structure of the host government, ensuring that efficient support services and political neutrality in decision making are granted.** This way governments can foster cooperatives as vehicles for inclusive rural economic development. This is done by creating a space and the relevant support arrangements for training needs in the areas of management and finance while leaving control of the cooperative operations to the entrepreneur or collective entrepreneurs who form cooperatives.

Before all of this can happen, however, more effort needs to be invested towards the planning phase of cooperative establishment. This includes examining how the proposed cooperative can facilitate the success factors of running a cooperative as well as being attentive to the context and the community it will serve. Many rural indigenous communities in Pacific Island states are similar in that they depend highly on agriculture and fisheries. It is crucial to establish cooperatives on the production- and marketing side of the value chain, rather than relying on middlemen who frequently benefit disproportionately in financial terms. An integral component of the planning phase should, therefore, involve making members aware of critical cooperative values and principles and how they link to their indigenous notion of collectivism. Only through following these steps can cooperatives successfully negotiate the twofold, and sometimes even competing, aims of being a successful economic entity as well as a valuable social support mechanism.

The other critical component involves feasibility studies in terms of getting things right on the crop supply chain from crop establishment, to crop production and management aspects for farmers, to post-harvest handling, value adding, storage and transportation. The main aims should be to

supply the best produce in a competitive market and to meet customer demand. This is where other statutory bodies like the government and NGOs come in, assisting in the infrastructural development and the provision of support services for both cooperative administration and agricultural and fisheries extension.

Once underway, effort is needed to ensure the cooperative builds upon, but does not damage, the close relationships among people in Pacific Island communities. This requires open lines of communication along with accepted values and principles, achievable goals, transparency and an agreed purpose for the cooperative. Such elements are vital in order to contribute to the effective general running of a cooperative. Again, most indigenous Pacific communities have the value of working together embedded into their culture. Therefore, the legislation and values of the cooperative should reflect this, and ensure the cooperative is working towards poverty reduction and community development, as well as helping people to meet social obligations.

Many studies around indigenous business failure in the Pacific blame the so-called ‘traders’ or ‘business dilemma’ (Furieux & Brown, 2007; Larmour, 2012) as one of the major factors leading to business failure. This refers to the variety of socio-cultural obligations that people have maintained. This might include church-related obligations or cover the expensive education costs for their children. **If a cooperative is able to help members meet these multiple obligations, then it will be successful in the eyes of members.** This could happen, for example, if a cocoa cooperative included an education saving scheme for members whereby any money they saved into a cooperative fund for their children’s education would be matched by the cooperative, up to a certain amount. The other example can be a cooperative which looks after the villagers’ social obligation like church, school, tribe and village obligations and levies. This might help family members focus on their family affairs, rather than worrying about their social obligation.

Rural communities including those in the Cook Islands will need to carefully identify suitable crops or fisheries in their area and assess their market potential as well as social and environmental implications. Cooperative members need to negotiate the often steep learning curve of consistent and reliable production and supply chain management in accordance with market demand. Once the cooperative is successfully established and revenue starts to come in, scaling-up production and ensuring efficiency is important. Benefits can be achieved through the recirculation of wealth through the establishment of local cooperative trade stores for provisions, with members of shareholders. This can help to enhance the local economy.

A selection of value added products with a niche market opportunity are introduced here. In this case well known crops that grow year-round in the Pacific including the Cook Islands are processed

and value-added to suit the demand of both market and target consumers. The initial focus should be on the production of crops and working together with other parties who can specialise in processing and value adding to create a unique brand for the Cook Islands.

Figure 8: Value added products of crops suited to the Cook Islands.



Top (left – right): Kongo coffee (Papua New Guinea), Tahiti Vanilla, Samoa's Coffee, Fiji Coffee, Chiloe Potato chips (Chilean native potatoes), Cook Island Noni Juice.

Bottom (left – right): Hawaiian taro chips, Roasted coconut chips, Plantain banana chips, cassava flour, vanilla powder, Cook Island honey.

Lastly, in the Cook Islands context, it is advisable for both local and overseas-based Cook Islanders to work together to draw from their different strengths and capabilities. As an example, this can be by enhancing existing Cook Island products or the cooperatives to identify unique products and their niche market, and showcase them to the world, thus facilitating the value chain beyond the 'farm' gate.

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