

# The Co-operatives of Ireland

edited by

ROBERT BRISCOE & MICHAEL WARD



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<sup>1</sup> The Centre for Co-operative Studies is a university research centre, which promotes education, training, and independent research and consultancy in all aspects of co-operative organisation.

## *Preface*

This book (and its companion volume *The Co-operatives of Ireland*) were inspired by a collection of seven, innovative booklets published by FVECTA, the Valencian Federation of Worker Co-operatives. Their set of booklets was called *The Seven Bases of Co-operation* and outlined the ideas, values and strategies that had made worker-owned co-operatives a powerful force throughout Valencia. The *Seven Bases* argued that *co-operative principles* were at the root of the business success of worker co-ops in Valencia and the booklets are now being used as the basis of training seminars to further enhance co-operative competitiveness.

This present book and its companion volume attempt to do for Ireland what the Seven Bases did for Valencia. They set out to understand the competitive advantages of co-operatives in general and co-ops in Ireland in particular. But because worker-owned co-ops are in their infancy in this country, our books will explore the values and strategies of *all* of the main co-operative sectors in Ireland – not just worker co-ops. As well as worker co-ops we shall also be looking at credit unions, agricultural co-ops, community co-operatives and other social enterprises.

These books fill major gaps in the literature on Irish co-operatives. *The Competitive Advantages of Co-operatives* provides the interested general reader with an introduction to the concept of the co-operative, its relevance in the age of globalisation and its many applications. It also outlines, with examples, the key competitive advantages of co-operatives in general and discusses some of the special management issues faced by co-ops. *The Co-operatives of Ireland* will focus in on the Irish situation, exploring the issues confronting the main co-operative sectors in Ireland. Particular emphasis is given to credit unions, agricultural co-ops, worker co-ops, community co-ops and newly emerging enterprises in the Social Economy.

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# Chapter 1

## Introducing co-operatives

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### **The quiet organisation**

This is a book about Co-operatives, an innovative organisational form, which prospers in every continent but is often poorly understood by the general public. It often happens that the very people who are being helped by a co-operative don't even realise that they are dealing with one. Over two million people in Ireland are members of credit unions, but it is likely that a good number of those members do not realise that their credit union is a co-operative and that they are part owners of their own community banking system.

Typically, co-ops don't make a big song and dance about being co-operatives. They tend to work away quietly providing services to their members. And, even though they *do* network nationally and internationally, they tend to work together with like-minded organisations, which also go about their work efficiently but quietly.

One of the aims of this book is to make people more aware of the significance of co-operatives and the key roles they are playing in the lives of so many people. Another key objective is to underline the competitive advantages of the co-operative way of doing business, and to suggest ways in which co-operatives can build on their competitive edge.

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### 1.1 Why study co-operatives?

To date, the co-operative way of working has proven itself in a bewildering range of applications world-wide. Some 725 million people are members of the co-operatives that are affiliated to the International Co-operative Alliance, a sizeable proportion of the world's 6 billion population.

In Ireland alone, the co-operative way of working has given Irish farmers greater control over food processing and the purchase of inputs, freeing them from the clutches of the rural gombeen men who emerged in the second half of the Nineteenth Century. The Irish credit unions, inspired by Nora Herlihy in the late 1950s,

grew in a mere thirty years into a flourishing nation-wide network embracing 2.1million Irish people in their own community-based banking system. A new generation of Irish worker-owned co-operatives is demonstrating that the worker co-operative is a highly efficient business structure for building strong indigenous business rooted in the communities of Ireland.

And co-operatives continue to grow.

- In the United States, farmer co-ops achieved their highest ever market share in 1998, marketing one third of the nation's farm commodities. In the same year in Ireland, the Irish Co-operative Organisation Society (ICOS) registered 43 new rural co-operatives.
- In Spain, the Mondragon network of worker co-operatives reached new heights in 1999 when its work force reached its highest level ever of 46,861, and profitability increased by 11%.

While some of the more established co-operatives fade in significance, new waves of co-operatives are taking their place, addressing new needs in new kinds of ways: -

- the social economy co-operatives which are mushrooming throughout Europe as a rapidly growing Third Sector of the economy;
- the multi-stakeholder co-operatives (owned jointly by workers and consumers) which dominate food retailing in Spain;
- CSA (community supported agriculture), co-operative partnerships establishing direct links between farmers and consumers to the benefit of all, first developed in Switzerland and Japan and now growing rapidly in the USA and Canada,
- the New Generation agricultural co-operatives which are multiplying the earnings of farmers throughout the American Mid-West and reversing trends in rural population decline and loss of rural jobs;
- the new dairy farmer co-operatives in Wisconsin which, against all the odds, are re-building the viability of the family farm through new applications of the *meitheal*<sup>2</sup> approach.

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<sup>2</sup> This refers to the informal co-operation between neighbours, which historically was an important feature of Irish rural life. The *meitheal* was the word used for "the group drawn from the community for the co-operative effort." (Culloty 1990, p. 56)

There are a number of important reasons why co-operatives are receiving increased attention:

**Bio-diversity** is an important concept not just in the world of living organisms but also in the world of organisations. In a world increasingly dominated by footloose transnational corporations, co-operatives keep organisational alternatives alive, providing a local counterbalance to foreign-owned transnational business. They are invaluable organisational tools for enabling communities to build unique solutions to their own special problems, as well as making it possible for local businesses to participate creatively in the global economy.

When it comes to enhancing the quality of life, co-operatives have a number of key competitive advantages over other types of organisation.

- The different varieties of co-operatives (producer, consumer, worker, and community – see Chapter 2 of this book) empower groups of stakeholders often marginalised by conventional big business.
- They help build *social capital* and a vigorous community life, by developing opportunities for significant decision-making and effective action at the local level.
- They provide opportunities for *mutual aid* and *cost-effective service provision* tailored precisely to people's needs.
- They encourage *local and individual self-reliance* and thereby offer significant alternatives to globalised, investor-driven businesses.
- They lead to the self-conscious *redesigning of organisations around users' needs*.
- They have a *positive impact on the environment*, by placing less emphasis on strategies such as short-term profit maximisation. They encourage *sustainable development* by helping communities build a better life from their own local resources.
- Co-operatives have often proved to be extremely efficient and cost-effective in circumstances where other forms of business find it hard to survive.

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## 1.2 Outline of this book

One of the reasons co-ops have not always reached their full potential is that people tend to have a very narrow view of the kinds of tasks co-ops can perform. Chapter 2, *The variety of co-operatives*, starts by giving a working definition of the *Co-operative* and then explores the extraordinary range of businesses that are operated as co-ops in different parts of the world. The chapter concludes by considering why people often prefer to set up co-operatives in preference to conventional businesses.

Chapter 3, *What co-ops have in common*, attempts to further clarify our understanding of the co-operative concept by asking what all of the businesses reviewed in Chapter 2 have in common. As a partial answer to this question, the chapter looks at those operating principles, which are generally accepted by co-operatives around the world, and are the basis of co-operative legislation. These principles are then contrasted with the way conventional businesses are operated.

Chapter 4, *The co-operative process*, looks at the co-operative difference from another perspective. It identifies two different ways of running the world, the US approach and the THEM approach, and uses these ideas to explain the distinctiveness of the co-operative way of making things happen.

Chapter 5, *Competitive advantage or handicap*, explores the competitive advantages of the co-op process and the co-operative principles discussed in Chapters 3 and 4.

Chapter 6, *Management in a co-operative setting*, reviews the possible problems involved in managing co-operatives, and explains how successful co-ops have been able to manage them effectively. The Chapter concludes with the example of the highly successful co-operatives of Mondragon in Spain and shows how they have resolved the so-called dilemmas of co-operative management.

