**What makes rural co-operatives resilient in developing countries?**[1]

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**Abstract**

It has been argued that current interest in co-operatives is because they can reduce poverty and are resilient organisations. However histories of co-operatives' successes and failures suggests that co-operative organisational resilience needs better understanding. This article reviews the literature, particularly with respect to sub-Saharan Africa. It argues that co-operative organisational resilience centres on co-operatives' multi-dimensionality and the development of collective capability in five mutually reinforcing areas of activity. These are: membership, networks, collective skills in governance, innovation, and engagement with governments. Together, they strengthen co-operatives' resilience but, where lacking, they undermine it. The article adds to thinking about 'co-operative advantage'.

**Key words**: co-operative resilience; membership; networks; governance and skills; innovation; collective capabilities

## 1. Introduction

Over the last decade, economic crises have evidenced how the global economy and its organisations have been unable to deliver adequate and equitable standards of living for many people, with rising unemployment and social insecurity in both developed and developing countries. Against this background, it has been argued that co-operatives are resilient socio-economic organisations capable of providing employment and sustainable income for individuals and communities (ILO, 2013; Birchall and Hammond, 2009), and of being more robust than other types of enterprise. The President of European Parliament, for example, has commented that there has been no other sector 'as resilient as cooperatives during the crisis in Europe'[3]. Some of the literature on the resilience of co-operatives in the face of crisis has largely focused on the global North (Birchall and Hammond, 2009; Birchall, 2012; Birchall, 2013), however it has been suggested that co-operative resilience may also occur in developing countries (Roelants, Dovgan, Eu and Terrasi, 2012).[4]

One of the reasons that co-operatives are of interest in this respect is because of their organisational form. Co-operatives are membership-based organisations committed (at least in theory) to certain values and principles. A co-operative is defined by the International Co-operative Alliance 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'[5]. Co-operatives differ from other forms of private enterprise for their connection to the community,

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[3] http://www.cecop.coop/European-Policymakers-agree-on-the, accessed 06.11.12

[4] It is also noted that the recent crisis in the largest consumer co-operative in the UK, the Co-operative Group, has also challenged the idea of universal co-operative resilience in the North.

[5] http://2012.coop/en/what-co-op/co-operative-identity-values-principles, accessed 06.11.12

governance structures, underlying values, ethics and democratic principles (ILO, 2010). Co-operatives as organisations are also ubiquitous, with many large co-operatives in both developing and advanced industrial countries. They bring together over a billion people worldwide.[6]

There is no single or widely accepted typology of co-operatives (Bijman and Hanisch, 2012), although Birchall (2009) proposes three main types: producer co-operatives, consumer co-operatives and worker co-operatives. By contrast, a recent ILO (2013) report has argued that the most useful distinction is between co-operatives that service production (including agricultural and producers co-operatives) and those that supply their members with goods and services for personal use. But the report cautions that not all co-operatives fall neatly into one group, some carry out more than one activity, and financial co-operatives (one of the most ubiquitous) may service both producers and consumers. Whatever the type of co-operative, they can be found in most economic sectors including housing, utilities, transport and social care but, in sub-Saharan Africa, for example, they are most commonly found in agricultural and finance sectors. Worldwide, co-operatives can range hugely in size, from large companies to small, village-based enterprises.

Our concern in this article is with co-operatives for low income, rural populations in developing economies and most particularly in sub-Saharan Africa. Sub-Saharan Africa still experiences high levels of poverty and many low income people depend on the rural economy for their livelihoods (United Nations, 2013). Many African economies face volatile world markets, although there is also increasing dynamism (OECD, 2013; World Bank, 2013). At the same time, it is claimed that there is a co-operative renaissance (Develtere, Pollet and Wanyama, 2008). Therefore an important question is whether co-operatives, given their ubiquity and growth in number, are indeed resilient organisations that can provide sustainable income and employment for low income people in rural areas.

This review article seeks to identify the main features of resilience as it applies to rural co-operatives in developing countries, noting the particular experiences of sub-Saharan Africa, and aims to contribute to the wider debates. The article aims to bring the scattered findings from the literature into a coherent framework that can help analyse and understand how co-operatives may be resilient organisations, while not under-estimating the challenges they face in this respect. Such a framework can provide a useful tool for policy makers in government, co-operative support organisations, apex bodies and co-operative unions, and for researchers.

This review builds on the work of Spear (2000) who began to unpack what he characterised as the 'co-operative advantage' and to which the notion of resilience can add a further dimension.[7] In reviewing the more recent literature, this article aims to contribute to two over-arching ideas. The first is whether the multi-dimensionality of co-operatives puts them in a different position from other private sector enterprises in terms of their potential to be resilient, even if their economic performance may not always compare favourably with other private sector businesses. The second is whether co-operatives can offer their members an opportunity both to resist adverse changes (see the discussion of resilience as resistance below) and to innovate with collective as well as individual interests and benefits in mind – in other words, linking resilience (both to vulnerability to shocks and to adverse changes) to collective capabilities. These debates are not answered as such by the literature review in this article, but frame the issues for existing and future research. As an initial contribution, this article makes a number of more specific arguments around key factors conducive to co-operative resilience. First is that conceptualising resilience in terms of enterprises as co-operatives needs to incorporate a consideration of their organisational dimensions and how such enterprises can innovate (organisationally/socially as well as economically). Second, we emphasize the importance of contextual variables, such as access to markets, government policy and access to

[6] http://ica.coop/en/whats-co-op/co-operative-facts-figures accessed 09.05.14

[7] Co-operative advantage was conceptualised by Spear (2000) as consisting of co-operatives' capacity to respond to market failure, build trust (both bonding and bridging social capital), promote participation, self-help and create positive externalities (for example, in local communities).

networks, which provide (or limit) economic opportunities for co-operatives and their members. Third, we suggest that the concept of capability can usefully inform the conceptualisation of resilience. We are not the first to suggest this aspect. However, co-operatives do not only depend on, and help build, individual capabilities in the Senian sense (Sen, 1999, 2009; Hartley and Johnson, 2013; Vicari, 2014). As membership organisations with a stated democratic mode of governance (Hannan, 2014), co-operatives can both possess as well as require collective capability if they are to be resilient organisations.

This article therefore focuses on co-operatives as organisational forms, rather than on particular types of co-operative. To carry out this review, we have examined studies from both northern and southern experiences, although our main focus is rural sub-Saharan Africa. The review examined how studies have conceptualised and interpreted co-operatives' ability to survive organisationally over time in contexts of different shocks and opportunities, and what elements researchers have used to explain this organisational resilience. From this literature, we have identified common features of resilient co-operatives, and, as outlined above, added theoretical/conceptual arguments of our own. In what follows, Section 2 reflects on the concept of resilience and how it might be applied to co-operatives – as economic organisations with a particular mode of governance and set of social purposes. Section 3 provides a brief overview of claims about co-operatives as presenting economic opportunities for low income people, and of debates about their resilience. The article then examines social and organisational resilience in Section 4. In practice the literature that considers co-operative resilience directly is sparse and the intention of the article is to bring together the key dimensions that stand out from this literature into an analytical framework which takes into account the idea of collective capability. Finally, in the conclusions, we explain how this framework contributes to wider debates about co-operatives and their resilience, as outlined above, and in what ways their multi-dimensionality and potential for collective capabilities offer alternatives for low income populations.

## 2. Conceptualising resilience

The concept of resilience is discussed in a number of literatures, most particularly in the environmental tradition. However, in development studies, Fischer and Kothari (2011) provide a useful starting point for what could otherwise be an extensive discussion. They identify four ways of discussing resilience from a retrospective review of articles in this journal published between 2000-2010. We use this categorisation to structure the discussion here.

Fischer and Kothari found that the most common conceptualisation is that of adapting to shocks and rapid (and often adverse) change. This conceptualisation is also associated with the vulnerability literature. This view strongly informs the extensive discussion of how poor people manage risk in the World Development Report (WDR) of 2000/2001 (World Bank, 2008:135-159). In this perspective, achieving resilience is viewed as a challenge for individuals and households, communities and organisations. At the individual level, resilience has been defined as a set of behaviours over time that depends on the opportunities that are available and accessible (Ungar, 2012:3). Consequently, a lack of resilience can be triggered by several factors, for example: 1) a lack of resources (which limits people's capability for self-protection); 2) a lack of information; and 3) institutional failures. Other literature on vulnerability explores the interconnections between risk, vulnerability and resilience, utilising both an ecosystem and a social perspective, focusing on people's resource dependency and institutional context, and people's ability to be agents of change (Adger, 2000; Nelson, Adger and Brown, 2007; Brown and Westaway, 2011). In this sense, vulnerability captures how risk is experienced, whilst resilience captures their ability, together with the surrounding ecosystem, to adapt to changing risks and opportunities (Adger and Brown, 2009).

Therefore, building resilience is intimately connected to the ability to manage risk and uncertainty and reduce vulnerability – or adaptive capacity (Pelling, 2011). These concepts can be applied at macro levels - the capacity of the state to deal with and adapt to shocks, particularly macro-economic shocks – as well as at micro and meso levels - individuals, households, communities and organisations. Again, the WDR (World Bank, 2000/2001) addresses vulnerability, risk and uncertainty in these terms, arguing that different types of measure are needed to provide necessary cushions against shocks for individuals and households. Absent from the 2000/2001 report, although raised in the WDR of 2008 on Agriculture for Development, is the potential of co-operatives to help provide such a cushion through, for example, collective negotiation of prices, access to markets and provision of credit.

The transition from simply coping with risk to the development of adaptive capacity can determine to what extent people and communities are resilient (Levine, Ludi and Jones, 2011). The capability approach (Sen, 1999, 2009) is one way that the individual's and household's potential to adapt can be better understood. Sen defines development as expansion of people's freedom, and capabilities as their freedom to 'lead the kind of lives they value and have reason to value' (1999:18). Such freedom therefore requires the capability to face risks and insecurity, which depends in turn on the conversion of people's endowments (monetary, capital, physical, human and social) through their entitlements to call on these resources (Adger and Kelly, 1999) and their social opportunities (i.e. participation in the market, public policy and civil society [Lallau, 2008]), as well as other capabilities such as access to education and health care (Burchi and De Muro, 2012).

One capability is the potential to be able to take action and resist interventions and actions that could further undermine the resilience of the already vulnerable. This capability is linked to Fischer and Kothari's second perspective, which sees the resilience of the poor in terms of their resistance to and actions against unwanted developments (including development interventions). Social movements and other forms of public action are seen in this light. Co-operatives can equally be seen as mechanisms of resistance to difficult circumstances as well as mechanisms of cushioning, risk sharing and adaptation. This point takes the capability approach a step beyond the freedoms and actions of individuals to those of collective organisations. Co-operatives can protect members and create spaces for building capabilities (Vicari and de Muro, 2012) and can take collective action in response to market as well as political forces. Collective action by co-operatives has the potential to reduce exposure to shocks and improve the bargaining power and the flow of information necessary to reduce risks (Di Gregorio, Hagedorn, Kirk, Korf, McCarthy, Meinzen-Dick and Swallow, 2008, quoting Ibrahim, 2006:298).

There is a small but growing literature on collective capabilities (for example, Stewart, 2005; Ibrahim, 2006; Ballet, Dubois and Régis Mahieu, 2007). Some aspects resonate with conceptualisations of resilience, for example, the types of group and their purposes (Heyer, Stewart and Thorp, 2002; Stewart, 2005); the reasons why groups may function well or badly (Stewart, 2005); how capabilities are generated socially (Ibrahim, 2006); and how collective capabilities are linked to responsibility (Ballet et al., 2007) - an important dimension of belonging to a co-operative. Embedded in these conceptualisations is the idea of collective resilience and collective agency. A further feature is the role of social capital: 'the set of actual and potential resources that are related to the possession of a durable network of more or less institutional relations of inter-knowledge and inter-recognition' (Bourdieu, 1980:2, cited by Ballet et al. 2007:197-198). Social capital is a highly contested and debated concept and it is not the purpose of this article to digress into that literature. However the role of networks and relations between members is a crucial dimension in co-operative resilience, as we later argue.

The other two formulations of resilience by Fischer and Kothari are systemic: one focusing on how political, social and economic systems withstand shocks; another concerned with the resilience of the wealthy and powerful to maintain their social and economic position. Resilience in the context of co-operatives primarily concerns both economic viability, even when faced with shocks and crises, and social viability in terms of the ability of the co-operative to sustain its values, principles and form of governance to meet the needs of members and wider social goals. Using Fischer and Kothari's categories, co-operative resilience is largely about the first and second of their conceptualisations (surviving shocks and being able to resist adverse changes). However, for co-operatives in developing countries (and also often in the global North) these processes are influenced by the nature and extent of resilience of economic, social and political systems. They are also affected by power relations that might dominate, or be challenged by, co-operative organisation. In the case of systemic resilience, co-operatives may be affected by: wider market volatility and fluctuations in primary commodity prices (as in Africa - Allen and Maghimbi, 2009); an unfavourable political and policy climate (for example, the excessive state control of co-operatives experienced in many African countries [Develtere et al., 2008]); and the collapse of social institutions in conditions of conflict (for example, the demise of many co-operatives during the earlier social upheavals in certain parts of Uganda [Vargas Hill, Bernard and Dewino, 2008]). In the case of domination by or challenges to power relations, there are many stories of co-operative resistance. Vicari (2014), for example, has documented how co-operatives were set up in response to large landowner control over access to land, production and marketing of Babaçu nuts in Brazil.

Therefore, it appears that resilience is not a discrete phenomenon easily captured or described in a single definition. It often concerns the relations between individuals and groups – of the powerful and less powerful – set in a wider context of economic, political, social and environmental processes. In this review, we are predominantly concerned with the resilience of an organisational form, and with the argument that suggests that this organisational form has particular features. It is suggested that these features both support the livelihoods of low income people as well as providing an organisational base for collective action and of resistance and innovation in the face of challenging economic, social and political forces. In this light, we first review the claims about co-operatives as promoting livelihoods for low income people and then turn to what may characterise co-operatives' presumed organisational resilience and its various dimensions. In particular we consider how organisational or collective capability may be understood within the framework for investigation and policy development that we discuss below.

## 3. Co-operatives as livelihood opportunities: resilience to shocks and supporting resistance

Growing research into producer organisations and collective action in developing countries (Thorp, Stewart and Heyer, 2005; Bernard, Collion, De Janvry, Rondot and Sadoulet, 2008; Bernard, Spielman, Taffesse and Gabre-Madhin, 2010; Bernard, De Janvry and Sadoulet 2010; Vargas Hill et al., 2008; World Bank, 2008; Agarwal, 2010; Salifu, Francesconi and Kolavalli, 2010; FAO 2011; among others) is accompanied by signs of renewed interest in the potential of co-operatives to drive innovation (UN, 2009; DFID, 2010; Herbel, Crowley, Haddad and Lee, 2012); enhance market linkages for small producers (Foresight, 2011:84) and fight poverty and foster human development (Sen, 2000; Birchall, 2003, 2004; Stiglitz, 2004; Bibby and Shaw, 2005; UN, 2011; Vicari and De Muro, 2012). The Nobel Laureate, Joseph Stiglitz, has even positioned co-operatives as a fundamental pillar in a more balanced plural economic system (Stiglitz, 2009).

As noted, much of this debate is couched, implicitly or explicitly, in terms of the first two strands of Fischer and Kothari's (2011) conceptualisations of resilience: the ability to adapt to shocks and reduce vulnerability, and to resist adverse change. As we have seen co-operatives have attracted growing interest because of their apparent economic resilience in the face of global crisis (Birchall and Hammond, 2009; Birchall, 2012). Although literature has focused mainly on developed countries, several case studies in developing countries suggest that agricultural co-operatives have defended members' bargaining power 'at a time of high commodity prices where middlemen can enter markets and try to take advantage of individual farmers by buying low and selling high, securing most of the benefits for themselves' (FairTrade Foundation, 2009:4). Similarly, several UN agencies have reported that co-operatives 'empower their members economically and socially and create sustainable rural employment through business models that are resilient to economic and environmental shocks' (FAO, IFAD, WFP, 2011:2). Other studies have highlighted the role of co-operatives in supporting small agricultural producers, women in East Africa (Ferguson and Kepe, 2011; Majurin, 2012) and youth in Uganda and Lesotho (Hartley, 2012; see also Smith, Puga and MacPherson, 2005). Documentation from the FAO argues that vulnerable groups have been able to improve their access to markets, natural resources, information, communications, technologies, credit, training and warehouses, while other benefits have included participation in decision-making and better-defined property rights. These positive outcomes have significantly contributed to food security and poverty alleviation, while diversifying production for local, domestic and international markets (FAO 2011, 2012; FAO, IFAD, WFP, 2011; Borda-Rodriguez and Vicari, 2014). In sub-Saharan Africa, and despite failed experiences in the past, several countries (for example, Uganda, Rwanda, Ethiopia, Kenya, and South Africa) are therefore making co-operatives central to their economic development strategies[8]. The recent re-emergence of market-led and private sector co-operatives has been evident in countries such as Uganda, where they are successfully operating as autonomous associations (Vargas Hill et al., 2008; Satgar and Williams, 2008; Kwapong and Korugyendo, 2010; UK Co-operative College, 2011).

However, there is still a lively debate over co-operatives' capacity to deliver on their objectives and the extent to which they can be regarded as resilient forms of organisation. This debate has been hampered by a lack of large scale and accurate statistical data on co-operatives in Africa, as elsewhere, which makes it difficult to undertake rigorous international comparative studies and track co-operative survival rates.[9] A few studies have taken a multi-country approach, although the evidence gap is also reflected in the different outcomes. Using existing data, Wanyama, Develtere and Pollet (2009), for example, argue that African co-operatives are surviving market volatility and continuing to grow, in part because they are diversifying their activities. By contrast, Allen and Maghimbi (2009) argue that co-operatives have been affected by market volatility and are scaling down their loans to members, particularly where loans are associated with export products. Penrose-Buckley (2007) has also suggested that a precondition for co-operatives to market produce successfully is the existence of well-functioning markets – that is co-operatives cannot overcome the difficulties of poor market access alone.

Other studies take a country-based approach. Using data from Burkina Faso, Bernard et al. (2010) suggest that co-operatives reduce transaction costs by providing price information, storage and excluding intermediaries. In the case of Uganda, the Uganda Co-operative Alliance has developed a new form of co-operative organisation that combines warehousing, marketing, savings, loan, insurance and strong leadership (Kwapong and Korugyendo, 2010). However, in a study of Ghana, Salifu et al. (2010) observe that co-operatives are not immune to economic crises and that considerable human and institutional effort is needed to run and manage a co-operative effectively.

Overall, producer organisations and co-operatives continue to face many challenges, such as lack of efficient management and trying to achieve equity goals with memberships that may have different interests. The World Bank (2008: 155-156) also notes the challenges for producer organisations of marketing high value products, having to negotiate with suppliers and buyers, and dealing with difficult policy and economic environments. There is thus conflicting and fragmented evidence and debate about co-operatives' effectiveness in providing sustainable livelihoods.

The main objective of co-operatives is, of course, to make business effective in order to meet members' needs. Therefore co-operatives' role in reducing poverty depends on how well they function (Birchall, 2003; Münkner, 2012). The point made by Salifu et al. (2010) above also reinforces the need to investigate the organisational dimension of co-operatives. We now turn to these dimensions and review whether and how co-operatives' persistence and potential resilience both include but go beyond the economic, and examine what characteristics and capabilities are conducive in this respect.

## 4 Co-operative resilience and organisational capabilities

One the most important aspects of co-operatives is their multi-dimensionality. It can be argued that this characteristic enables them to be resilient organisations. However the different aspects of this

[8] See http://ica.coop/en/media/news/african-ministers-agree-support-co-operatives

[9] The International Conference of Labour Statisticians at the ILO has recognised this gap and is taking steps to address it. See http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/19/lang--en/index.htm accessed 09.05.14

multi-dimensionality need investigating, as well as what they signify when combined. A well-known analyst of co-operatives in the UK, Johnston Birchall (2011) has attempted to capture and categorise this multi-dimensionality by identifying hard, soft and hidden features, and internal and external processes. Different authors have attached varying importance to these features in analysing co-operative success or failure. In practice, they also overlap. For example, in a co-operative, structures and systems are informed by shared norms and values, while hidden features (habits and routines) may reflect the general internal processes and relationships between board and membership.

Reviewing the rather diffuse literature on co-operative resilience in developing countries reflects this multi-dimensionality. From our review, we suggest that co-operatives' organisational resilience, and the collective capability of being resilient, rests on the following overlapping dimensions: membership, networks, collective skills, innovation and government support. In exploring these dimensions below, we suggest that they can form the basis of a framework for further investigation and for helping develop policy. However we also argue that it is necessary to consider the capabilities required for each dimension, both to understand why co-operatives might fail and why they might succeed. We reflect on these aspects in Section 5.

### 4.1 The membership: a collective resource for capability-building

Above all, co-operatives are membership organisations (Birchall, 2011). Members' commitment is seen as a crucial feature for resilience; as stressed by Münkner (2012:16), 'co-operatives are good as their members make them'. There are several aspects to the role of membership and the extent to which it can be a resource for resilience. These aspects include the motivation to participate, membership identification with the co-operative and its commitment and loyalty. These aspects in turn rely on trust (social capital) between members as well as member education and skills.

Birchall (2012) and Mazzarol, Simmons and Mamouni Limnios (2011) both argue that members' incentives to participate are linked with particular dimensions of member identity:

- Member identity as investor is fundamental to strengthening a sense of ownership: the lower the capital subscription, the lower is the incentive to take part in governance and to be loyal, thus leading to free riding behaviours[10].
- The sense of ownership is in turn reflected in the control exercised by members over the board and managers, and ensuring co-operative activity addresses members' needs and that risk is managed effectively.
- Members as patrons, at the same time as being customers, users and suppliers. Their continuing patronage is likely to be affected by their feelings about 'fair prices, efficient transactions and quality services' (Mazzarol et al, 2011:9).

Birchall (20ll, 2012; also Münkner, 2012) therefore argues that the more members can benefit from their membership, the more they will be loyal and committed. Mazzarol et al. (2011) list the need to build member identity, commitment and social capital within the co-operative in order to make a co-operative a sustainable business. Case studies from Malawi have also found that loyalty is a key challenge for co-operatives (citation to be included on acceptance, 2014). In producer co-operatives, the lack of loyalty is linked to the low income status of members and their need for fast cash (and so inability to wait until the co-operative has sold their output). In financial co-operatives, there can also difficulties for farmer members in repaying loans if there is crop failure or difficulty in obtaining a good price for their produce.

However some authors consider other motivations such as long-term reciprocity, altruism, identification with the group's objectives and ethical convictions (Alkire and Deneuline, 2002; Zamagni, 2005). The size of co-operative may also influence the response and engagement of the

[10] This affects co-operative resilience also because to raise money the co-operative needs to build up reserves or borrow from banks.

membership. For example, Alkire and Deneulin (2002) argue that motivation for co-operative behaviour is likely to be a stronger where the size of the primary co-operative is relatively small and members can easily perceive its effects. Ibrahim (2006:407) has made a similar argument in relation to the development of collective capability. On the other hand, the empirical research of Birchall and Simmons (2004) has shown that there may be room for larger co-operatives to improve participation by providing members with information to support their involvement, capacity-building in terms of education and training and by ensuring that opportunities are open to as many members as possible. As Birchall (2011) argues, co-operative failure fuelled by low member involvement is often due to the lack of member education rather than to a fundamental problem of motivation.

Trust between members has been acknowledged as a fundamental component of co-operative development and sustainability (Spear, 2000). Unlike any other type of enterprise, co-operatives have a particular ability to foster the development of social trust among members (Sabatini, Modena and Tortia, 2012), helping to overcome challenges such as free riding and conflict between different interests (for example, Birchall, 2011; Mazzarol et al., 2011). Such ties among members are considered a main component of adaptive capacity, related to the ability of people to act collectively (Adger, 2003; Eriksen, Brown and Kelly, 2005; Pelling and High, 2005). By contrast, when trust is not well developed, leaders can utilise their influence to gain resources for their own resilience against the resilience of the whole organisation (leading to the resilience of more powerful elites, mentioned by Fischer and Kothari [2011]). Therefore, the more trust and generalised reciprocity exist among members, the more co-operative resilience in the form of collective adaptive capacity is strengthened.

There are two other aspects in relation to membership that might reinforce or undermine cooperative resilience. One is the extent of homogeneity or heterogeneity of the membership. From their study of co-operatives in Ghana, Francesconi and Wouterse (2011) argue that where membership tends to be homogeneous, as for example in small farmer co-operatives, resilience tends to be related to equitable distribution of gains from co-operative activity. However where the membership is heterogeneous (as in a savings and credit co-operative - or SACCO), resilience tends to relate to efficiency – that is, distribution of gains according to effort. The research by [to be included on acceptance] in Malawi (citation to be included on acceptance, 2014) also shows that heterogeneous membership can enhance resilience to shocks by diversifying the co-operative's income; however, at the same time, it can pose challenges for co-operative governance given that there will be different interests at stake. In all likelihood, there will be a spectrum of relations that co-operatives have to negotiate in these respects.

The second aspect is the inclusion or exclusion of particular population groups. This is a particular issue when co-operatives work as an enclave, excluding the poorest as well as women and youth (FAO, 1996). In order to work equitably and conform to values and principles, Münkner (2012) suggests that agricultural co-operatives in developing countries require knowledge, skills and resources. Investing in member education about co-operative principles and values is one of the key points for co-operative success (ibid), and in addressing gender aspects (Mayoux, 1992; Majurin, 2012). For example, case studies from Ethiopia show that that more education women have, the more likely they are to participate actively in co-operatives (Woldu Assefa and Fanaye, 2012).

Women's and young people's engagement in co-operatives is still a difficult area, particularly in sub-Saharan Africa. Yet their involvement is part of enhancing current and future collective capabilities. For example, Hartley's (2012, 2014) research in Uganda and Lesotho has demonstrated how co-operatives might provide learning spaces for youth, with an impact on their agency and capabilities. Increasing youth participation in co-operatives is also crucial for future organisational resilience, given that that youth constitute a large proportion of the population in sub-Saharan Africa and many developing countries. In Malawi, [to be included on acceptance] (2014) found that women members in coffee co-operatives proved more loyal (and readier to innovate) than men, thereby enhancing resilience. This has created a virtuous circle within the co-operative union, which now promotes the increased inclusion of women. However there is often a lack of an appropriate legal framework enabling women and youth to be effective members, and which in turn is a challenge to the future of co-operative resilience (Majurin, 2012).

### 4.2 Collective capability through networks

Participation in wider networks plays a key role in enabling co-operative success and longer-term resilience. Such networks can facilitate trade and innovation (to which we return below) and provide a vehicle for managing relationships with a range of stakeholders, including government. However building networks requires a proactive leadership (Menzani and Zamagni, 2010; Gouët and Van Paassen, 2012). The proactive agency of co-operative leaders fosters ties, which can bring in resources, knowledge and incentives to innovate. However, there is contradictory evidence about the ability of co-operatives to establish successful networks. As reported by Simmons and Birchall (2008), some of the coffee co-operatives they investigated in Tanzania established strong ties within and between co-operatives and were able to operate together, whilst weaker relations between members led to weaker external networks. This dynamic was also demonstrated by Hannan (2014) in Kenya, where she found a positive relationship between good internal governance and strong external networks, and, as a corollary, poor internal governance and weak external networks.

A particular role is envisaged for networks of networks - that is co-operative umbrellas such as unions and apex organisations, which are able to increase the bargaining power of members, fulfil contracts and deliver services to primary co-operatives. Historically these organisations have manifold tasks, which differ from context to context (and historically they have been rather weak in the African context [Develtere et al., 2008]). Apex organisations can promote new co-operative development, the ethical control of affiliated enterprises, spreading information and know-how, internal conflict resolution, representation and advocacy and managing relationships with government and other institutions (Menzani and Zamagni, 2010:120).

Networks involving external agents may be particularly crucial (Berdegué Sacristan, 2001). Berdegué Sacristan argues that external agents (such as NGOs and private firms) 'provide 'road maps' for collective action, as well as the networks needed to obtain information, expertise and financial resources' (ibid:vii). Münkner (2012:54) particularly stresses the importance of 'knowledge sharing' among local co-operators and external actors in order to spread new knowledge, enabling members 'to have a better understanding of the causes and effects of change, of the ways and means to cope with changes, of better use of available resources and how to mobilise additional resources.' However there are risks when such networks involve aid, which can lead to dependent relations undermining longer-term resilience (Münkner, ibid), found, for example, in case studies on Ugandan co-operatives (Persson, 2010). By contrast links with developed country co-operatives can facilitate training opportunities and access to international markets (Bellanca, Biggeri, De Muro and Vicari, 2011). Such a process proved to be the case amongst Malawian coffee co-operatives (citation to be included on acceptance, forthcoming).

The role of networks in promoting longer-term resilience is therefore not necessarily straightforward and needs to be evaluated in relation to whether they enable collective capabilities rather than aid- or path-dependent co-operative development. We return to this issue in the final section.

### 4.3 Collective skills as capability for collective governance

Although a wide range of skills is needed within co-operatives (and is obviously different in different types of co-operative), a particularly crucial area is that of governance. Co-operative governance is distinctive in that boards are elected from the membership and are expected to fulfil a number of functions - again depending on the type of co-operative. Being a board member at whatever level – primary co-operative to unions – requires considerable skill, while the board as a whole has to ensure that the co-operative is able to run according to co-operative values and principles. As noted by Simmons, Birchall, Doheny and Powell (2007) co-operative governance comprises three interacting spheres - member participation, corporate governance and operation management – in turn requiring a good flow of information between these areas of activity. In other words, collective skills are a capability needed for collective governance.

Several studies have explored these issues. Zamagni (2008) has argued that investing in deliberative processes among members is crucial to maintaining co-operative identity, which in turn affects adaptive co-management 'a process by which institutional arrangements and ecological knowledge are tested and revised in a dynamic, ongoing, self-organized process of learning by doing' (Folke, Hahn, Olsson and Norbe, 2005:448). Adaptive co-management in turn requires effective power-sharing, participation and co-operation (ibid) to foster learning by doing among members. As stressed by Francesconi and Ruben (2008:127), based on research in Ethiopia, 'decisions regarding pathways for adaptation of co-operative organisation and management need to be sustained by the members themselves', leading to a 'community of practice'[11] (Pelling et al., 2008). It has been argued that such deliberative processes and social learning in co-operatives means that members are better able to manage risks and develop problem-solving skills (Wildemeersch, 2007:100; Fazey, Fazey and Fazey, 2005). These dynamics are relevant for a co-operative movement which is emerging from experiences of government co-option and has been distant from co-operative values and principles, as in many African countries.

A lack of skills and education to run co-operatives has also been identified as a major factor negatively affecting co-operative performance in some African countries such as Ethiopia, Malawi and Uganda (Bernard et al., 2008; Francesconi and Heerink, 2011; [citation on acceptance, 2014]; Persson, 2010). Therefore social learning though the deliberative processes and co-operative activities described above is an important contributor to capability-informed resilience. As noted by Shaw (2011), in developing countries the capacity of co-operatives to deliver training for members and staff is very limited. However co-operative unions can benefit from education and training provided by other agents, such as Fair Trade buyers, Co-operative Colleges, governments, universities and development agencies[12] (Shaw, 2011; Münkner, 2012). Research findings from Kenya (Hannan, 2014) also demonstrate the inter-relationship between effective governance and enabling members to access training opportunities by becoming part of wider networks. As noted in Section 4.2 above, networks also play an important role in co-operative resilience, proving intangible as well as tangible resources (Simmons and Birchall, 2008).

So we can now add that there are several overlapping processes through which the distinctive nature of co-operatives combined with wider networks can enable learning and skill and business development, in turn related to innovation, to which we now turn.

**4.4 The capability to innovate**

As with all businesses, innovation is key to survival, growth and adaptation to new and challenging market conditions. Larsen, Kim and Theus (2009:6) argue that innovations derive from an interactive, dynamic process that increasingly relies on collective action and multiple knowledge sources at diverse scales. However there is debate about whether homogeneity of interests, while being important for collective action and co-operative identity, will lead to innovation. In general, innovation occurs within an interactive system of heterogeneous actors (Velasco, 2013).

Where rural co-operatives comprise a homogeneous membership, engagement with other actors in value chains can provide the heterogeneity needed for innovation[13]. In this sense, the innovation capability of co-operatives engaged in national and international markets, and the ability of co-operatives to negotiate within those markets, is a key contributor to their economic resilience. By actively participating in value chains, co-operatives have the opportunity to interact with

[11] A community of practice is a 'group of people who share a concern, a set of problems or a passion about a topic, and who deepen their knowledge and expertise in this area by interaction on an ongoing basis' (Wenger et al., 2002:4).

[12] Some co-operative organisations have their own specialised co-operative development agencies that work in partnership with co-operatives in developing countries. For example, the Canadian Co-operative Association and the former Swedish Co-operative Centre (http://www.coopscanada.coop/en/international_dev/Welcome-to-International-Development; http://www.weeffect.org/).

[13] As well as potentially stifling it – see Elliot (2008).

experienced and successful actors in national and international markets, which can lead in turn to different types of upgrading: substitution of capital for labour; introduction of new products into the production process; moving into a new product market; and shifting to more technologically advanced production chains or manufacturing technologies (Gereffi, 2005; Kaplinsky and Morris, 2008).

However there are several challenging aspects for co-operatives becoming part of global value chains. First, they are typically regulated by standards established by large buyers (for example, supermarkets), national and international trade regulators. Such global value chains require co-operatives to adopt standardised quality procedures (ISO9000) and environmental standards (ISO14000). These standards can be met by upgrading equipment, branding and improved management skills but modern equipment and technology in turn require qualified workers, possibly 'beyond the reach of many small scale enterprises' (Farooki and Kaplinsky, 2010:21). Kaplinsky (2000) also points out that international transactions requires sophisticated forms of coordination and speed of response, which may be a major challenge for ill-equipped co-operatives in developing countries.

Second, in order to upgrade, co-operatives require investment. Thus access to credit becomes a critical factor of success, acknowledged by much of the literature (Oluyombo, 2012; DFID 2010; World Bank, 2007). In this context, co-operatives (as organisations) and co-operative members (as individuals) may have different options: access to credit and loans through Savings and Credit Co-operative Organisations (SACCOs), microfinance institutions (MFIs) and to a lesser extent through commercial banks. SACCOs tend to have the lowest rates of interests (normally set by the members themselves) whereas commercial banks and MFIs have higher interest rates and generally request applicants to provide evidence of substantial collateral.

Although it is potentially advantageous for producer or marketing co-operatives to obtain credit from SACCOs, some SACCOs depend on financial support from donors, which can create a dependency problem. As well as their relationship with donors, Krahnen and Schmidt (1994:54) argue that 'even if not donor-funded, SACCOs have a specific incentive structure that prevents members from seeing their participation as a profitable investment'. On the basis of research in Nigeria, Oluyombo (2012) suggests that SACCOs and MFIs need differentiated regulatory frameworks to prevent the development of a further, informal, financial sector that undermines the work of SACCOs.

Third, then, as noted by Memedovic and Shepherd (2009:3): 'Much depends on the behaviour of the leading firms and consumer groups as well as on the developed and developing country trade policies'. In this context, Fair Trade represents a strategic option for producer co-operatives as it allows access to niche markets and may help to resolve the challenge of financial investment (Develtere and Pollet, 2005; Lacey, 2009). The partnership between producers and consumers potentially offers producers a better deal and improved terms of trade[14]. In turn co-operatives benefit from minimum prices and a premium (Develtere and Pollet, 2005). Co-operatives are often considered to be preferred partners by the Fairtrade movement to make supply chains work better for small producers[15].

However Fair Trade is also controversial. Develtere and Pollet (2005) argue that one of the main challenges is the so called 'Fair Trade' trap, when co-operatives become dependent on just one northern buyer. Moreover, recent case studies in Ethiopia and Uganda on Fair Trade certified coffee and tea co-operatives reveal that they were not able to improve the living standards of the poorest people in rural areas (Cramer, Johnston, Ova and Sender, 2014). On the other side, Raynolds, Murray and Leight Taylor (2004) distinguish between short and long term benefits for co-operatives in Fair

[14] www.fairtrade.net/ accessed on 14.02.2013

[15] http://www.fairtrade.org.uk/includes/documents/cm_docs/2012/M/Making_international_supply_chains_work_for_smallholder%20farmers.pdf

Trade. In the short term, in some cases, the main benefit appears to be access to credit whilst the main opportunities rely on capacity building and training provided by Fair Trade Organisations to the co-operative. Strengthening their internal organisational capacity can help co-operatives to network with international buyers and access other specialty markets, thus enabling different forms of upgrading (Raynolds et al., 2004). Such linkages with new buyers are an opportunity to overcome the so-called 'Fair Trade' trap (Develtere and Pollet, 2005). This was found to be the case with Malawian coffee co-operatives for which gaining Fair Trade certification has been crucial to attract more training and access niche markets (citation on acceptance, forthcoming).

It can therefore be argued that innovation enables resilience when there is an interconnection between: a) collective action, b) access to multiple sources of knowledge, c) global value chains, d) access to credit and market niches (for example, through Fair Trade). The capability implications will be considered in Section 5. However, as mentioned through the preceding sections, government policy has an influential role to play co-operatives' capabilities and resilience, and is the final element, on which we briefly comment.

**4.5 Government support for capability and resilience**

There is broad recognition (for example, FAO, 1996; Birchall, 2003, 2004) that in much of the developing world, co-operatives have been subservient to central planning by governments, imposing control over co-operators rather than making possible any form of member empowerment. These types of co-operatives have not put into practice the basic principles as currently recognised by the International Co-operative Alliance.

By contrast, ILO Recommendation 193 captures a new consensus: that co-operatives perform better when operating autonomously (Smith, 2004, 2014). Governments are encouraged not to intervene directly or co-opt the way co-operatives conduct themselves. An important role in co-operative strengthening is also played by apex organisations and federations. Although Simmons and Birchall (2008) note that the relationship between apex organisations and governments in developing countries has been conflictive, the former tending to interfere in the internal affairs of the latter, federations and apex organisations can be crucial in building up a resilient co-operative model in developing countries. On one hand, they can facilitate the flow of information and know-how into the entire co-operative network, and on the other defend the autonomy of the co-operative movement from any attempt of co-option by governments.

However, Münkner (2012) points out that governments have an important role in providing a 'conducive environment', and suggests the following enabling factors (ibid:44):

- An economic, political and legal system, which recognises co-operatives as autonomous private member-owned form of business.
- A co-operative development policy, drawn up in the spirit of UN Guidelines (2001) and ILO recommendation 193 (2002)[16].
- Infrastructure that can facilitates co-operative activities: communications, transport, information and extension services.

In this respect, therefore, apex organisations and federations can act as negotiators and brokers with government and international actors (such as buyers and aid agencies) over these enabling conditions.

[16] UN and its agencies, particularly the ILO, have worked for the last four decades providing guidelines to governments aimed at creating a supportive environment for the development of co-operatives. ILO Recommendation 193 recognises the importance of co-operatives and their promotion.

There is thus a tension that can work both ways for co-operative resilience. On one hand, the state can be an enabler; on the other it can co-opt and control the cooperative sector. State influence is still considerable in some countries, to the extent that a dual co-operative sector (old and new one) is emerging in a parallel fashion in some countries (for example in India [Trebbin and Hassler, 2012]). The relationship between the state, governments and co-operatives is therefore a dynamic process, highly dependent on the economic and political context, on the strength of the co-operative representative organisations and on the ability of membership to influence how networks function.

## 5. Conclusion

This review article has focused predominantly on the organisational dimensions underpinning co-operative resilience with a main focus on sub-Saharan Africa. The underlying argument is that co-operatives both have the potential to develop, and also need, capabilities in five key areas: (a committed) membership, external networks, collective skills for governance, innovation and an enabling government. These areas and their specifics are strongly influenced by history and context in countries where co-operatives have been co-opted by the state and have experienced internal mismanagement. They are however the foundation of current and future resilience.

Returning to the initial conceptualisations of resilience, informed in part by Fischer and Kothari, as well as the wider literature, our review suggests the following conclusions.

The five dimensions we have brought together from the literature are interdependent, which implies in turn that that the collective capabilities needed for co-operative resilience are also interdependent. Thus, recruiting and maintaining a loyal membership relies on the collective skills in the co-operative to manage the co-operative business; meet members' needs (most particularly, but not only, in terms of income); and pursue, and engender in others, the ICA's co-operative values and principles. These aspects are particularly important in rural African communities that experience high levels of poverty and where co-operatives can be a source of livelihood.

These processes, and their outcomes, can be affected by volatile markets and by interests – such as land and resource ownership, control over finance and markets - that may be more powerful than the co-operative. They can, of course, also be affected by a lack of internal capabilities and poor governance in co-operative boards. In this sense, resilient co-operatives can act both as sites of resistance to powerful interests and as arenas of adaptation and risk management in relation to changing conditions of operation. The role of co-operative values and principles and a participating membership can underpin collective resilience in terms of resistance. However to have such resilience, co-operatives also need to be sites of innovation – in terms of strengthening and enhancing the embedded skills in the organisation and in terms of being able to meet the challenges of changing economic conditions. Innovation is closely connected in turn to co-operatives' networks with other organisations (and other co-operatives) and to markets that stimulate (and may require) changes in products, processes and functions. However, as we have argued, being able to innovate usually requires finance, which may in turn be available from donors, through value chain linkages to other companies or from credit schemes. In the case of credit schemes, access can be challenging because of the need for collateral while dependence on donors can also be problematic. The role of government in creating an enabling policy framework therefore becomes a crucial part of the panorama for co-operative resilience in the longer term, while simultaneously allowing for co-operative independence and autonomy.

The collective capability to adapt, manage risk, resist powerful interests and manage this complex environment is certainly challenging, however, co-operatively-organised rural producers and small enterprises have considerably greater opportunities to develop such capabilities than atomised individuals. This collective capability lies in large part in the multi-dimensional nature of co-operatives, which provides the context and opportunities for multi-faceted resilience to be nurtured. The need for co-operatives to have an active and engaged membership emerges as a particularly important dimension, although the other four dimensions we have identified can either reinforce or undermine it. Issues such organisational size and whether and how it impacts on trust, and the uneven and limited membership of women and young people in many co-operatives, can be seen as both an opportunity and a threat, depending on what kinds of policies are pursued.

Thus to return to the two over-arching ideas we posed in the Introduction, our initial conclusions are the following. In terms of the first idea, co-operatives are private sector businesses based on membership and democratic governance informed by the ICA's values and principles. They are part of the market economy but possess a multi-dimensionality that enables them both to perform in market economies while providing members with a range of tangible and intangible benefits that have the potential to enhance their socio-economic position and voice (see Hannan, 2014a). Indeed, from her research in Kenya, Hannan (ibid) has argued that the performance of co-operatives needs to be seen from this multi-dimensional perspective, not simply in economic terms. These dimensions have importance in many contexts, but they may be particularly useful in the context of developing countries and amongst disenfranchised, low income populations, most notably, with respect to this discussion, in sub-Saharan Africa. However the multi-dimensional nature needs to be robust on all fronts, and this is one of the big challenges. In terms of the second idea, considerably more research is needed to determine the extent and nature of collective capability, and most particularly the capability to innovate, both as resistance to adverse conditions and exploitation, and to reduce vulnerability. A question then, is whether the 'co-operative advantage' (Spear, 2000) has a political as well as an organisational contribution to make to development.

This review has focused on the cross-cutting issue of resilience and its enabling factors to better understand co-operatives' potential to successfully endure and mitigate risk and uncertainty in developing countries, and most particularly sub-Saharan Africa. We argue that our five key aspects of co-operative functioning are critical to success or failure in a given co-operative and play a central role in creating 'capability-informed' organisational resilience. We also argue that research into co-operatives, as multi-dimensional organisations, requires a multi-dimensional approach to analysing their potential and to formulating policies for their development. Further studies are needed: to produce large-scale databases to track co-operative development and resilience and their determinants over time; to explore access to credit, relations with government and external donors and related training of members; to analyse value chain upgrading and whether co-operative members engaged in the production of commodities have access to adequate technologies and enjoy improved working standards. Studies also need to reflect the distinctive nature of co-operatives, as multi-dimensional organisations and to explore further the evidence for a 'co-operative advantage'. Their problems and potential, as well as the design of appropriate policy frameworks, require much greater understanding and reflection than that given to date.

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