



Technical report

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4 THANK YOU

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Executive Summary

The United Kingdom has been a birthplace of co-operative enterprise, but it is striking that a number of other countries have been more successful in fostering a co-operative sector that can operate at scale across the economy.

The idea of a national co-operative development strategy for the UK is something new and is intended to promote the take-up of the co-operative model in a context in which participatory business models are more needed and more relevant than ever.

What is co-operative development? This is an opened-ended question that means different things to different people across a very diverse co-operative and wider mutual and social enterprise sector in the UK. In order to have a chance of success, a national co-operative development strategy needed to engage those people as well as new people in pursuit of a coherent set of priorities.

This Strategy Technical Report sets out the building blocks for this. It tells the story of how Co-operatives UK began a process bringing together these different strands of action, with the ultimate aim of articulating a coherent agenda and facilitating the creation of a single strategy that could be readily adopted and actioned by all stakeholders: Do It Ourselves – the National Co-operative Development Strategy.

The story begins in 2013, when a national support programme, the Co-operative Enterprise Hub, came to an abrupt end due to a lack of resources. The board of Co-operatives UK set out to explore the formation of a broader development strategy in response, by commissioning a Scoping Report and working to establish a new business support programme, the Hive.

The process that was adopted is one of four stages – conversation, exploration, draft strategy, final strategy – that are put into practice over 2016 – 2017 and are echoed in the structure of this report.

550 co-operatives took part in a national census, which revealed that while the sector wishes to grow, there is fragmentation and complexity within the movement. The co-operative difference is what sets the business model apart from others, but this diversity may also be pushing co-operatives apart.

**“Participatory
business
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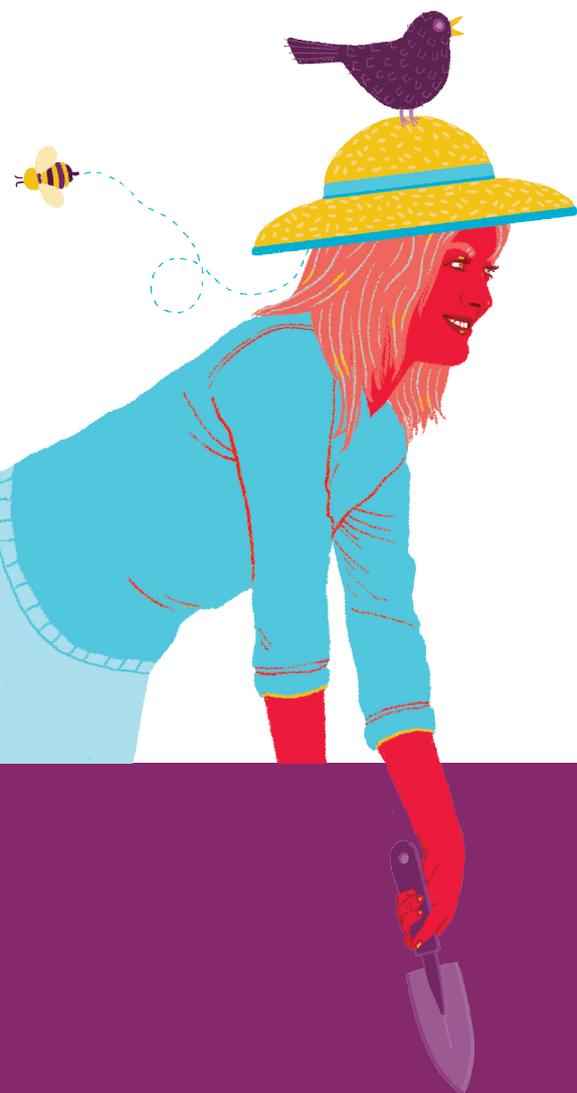
On the back of this, the Scoping Report explored the need for different parts of the movement to step out of their comfort zones and to recognise the need for collaboration to deliver joined-up co-operative development.

To ensure the National Co-operative Development Strategy had full and fair representation from different parts of the movement, a Strategic Reference Panel was assembled, which had the task of connecting with and listening to the movement over a two-year period through engagement sessions.

This document contains a summary of the collective views and opinions of the people and organisations that contributed to the examination of what co-operative development means. The final strategy is a call for action to shape a future powered by true co-operation.

Timeline towards the launch of the Strategy

- 2013** Co-operatives UK conducts outline research on the needs of the sector for business support
- 2014** Closure of the Co-operative Enterprise Hub
- 2014** Co-operatives UK board agrees to explore the formation of National Co-operative Development Strategy
- 2015** Co-operatives UK starts work on The Hive with support from the Co-operative Bank
- 2015** A Scoping Report for the National Co-operative Development Strategy was completed by Plunkett Foundation, Supporters Direct, CMS and Co-operative Futures
- 2015** Formation of National Co-operative Development Strategy Reference Panel agreed
- 2016** (February) The Hive is launched
- 2016** (June) Participatory planning of priorities for the National Co-operative Development Strategy at the annual Co-operative Congress
- 2016** (July to October) The Big Co-op Census
- 2017** (January to May) Strategic Reference Panel engages with stakeholders across the co-operative sector through meetings and consultation
- 2017** (March) Publication of draft overview of National Co-operative Development Strategy
- 2017** (July) Launch of the National Co-operative Development Strategy



A CONVERSATION

The starting point for a conversation about co-operative development is a recognition of the extent to which support for co-operative businesses has been fragmented. To turn this around and create a more effective base for the creation and support of co-operatives, Co-operatives UK led on some initiatives, as outlined in this chapter.

Firstly, it took action following the close of the Co-operative Enterprise Hub by forming The Hive, a national programme to spur on co-operative development. The Co-operative Bank stepped forward as a key partner for this programme.

However, to create a more coherent strategy for the sector as a whole, Co-operatives UK then commissioned a scoping report to look at where the needs of the sector are and how this is delivered. From this initial report, a set of key recommendations are brought together to gather and share evidence in the steps to create a National Co-operative Development Strategy.

The first action was the formation of the Strategic Reference Panel, which is a group of people brought together to have this conversation with the movement.

The Starting Point – a time of crisis and fragmentation

There are 7,000 independent co-operative businesses in the UK, Channel Islands and Isle of Man. Together they employ 226,000 people and have a turnover of £36 billion. The co-operative sector has proven resilient over the last five years. The last year has seen co-operative retailers, the largest part of the sector, performing well despite a very competitive market.

The sector benefited from an investment in co-operative development services over a five-year period, following the launch of the Co-operative Enterprise Hub advice and support service. Funded by the Co-op Group, the service supported well over 1,000 potential new co-operatives. However, the Group closed the Hub at a time of crisis after it refocused its priorities in the context of the recapitalisation of the Bank.

The closure of the Hub led to the Co-operatives UK Board to consider the state of business advice for co-operatives in September 2014.¹

Fragmentation

Firstly, the Board looked at the shape of the co-operative sector, with a presentation by Ed Mayo, Co-operatives UK Secretary General, pointing out that:

- > The growth of the number of co-operative enterprises is at the smaller-scale end, which is necessarily more fragile
- > There is a 'missing middle' regarding high-growth 'mid-cap' co-operative enterprises
- > While it is harder in ways to start a co-operative, partly because of regulatory costs, it is harder to kill a co-operative. Business survival rates for co-operatives in the first five years are double that of companies more widely.
- > The sector increase tends to be organic and is shaped most significantly by the commercial success of the largest co-operative enterprises.

"Co-operatives in the UK are not, and never have been, spread evenly across the economy," he commented. "They tend to cluster in various ways, and successful co-operatives are even more clustered. This isn't just by economic sector, but by geography and demographics too."

While co-operatives are businesses, they are also distinctive businesses and have unique needs. It was evident from research commissioned by Co-operatives UK in 2013 that co-operative enterprises are poorly served by mainstream business advisers and professionals, who tend to overlook those distinctive characteristics.² Co-operatives are typically driven by a particular set of principles based on partnership; any business advice which could not relate to, or understand, these values would not get to the heart of the matter. However, at the same time, unless co-operatives are commercial and sustainable, they will fail as businesses. This may, in turn, reflect underlying and important issues of perception – that co-operatives are sometimes seen as 'alternative' businesses and, implicitly, 'not business-like'.

If so, then one of the implications is the need to get more 'technical' expertise into co-operative support,

such as in the form of accounting, legal or marketing professionals who understand and want to support co-operatives. However, the second implication is that some of those who share co-operative values as business advisers might lack the depth of industry expertise needed to help co-operatives grow and prosper.

So what was the state of business support for co-ops? Drawing on a mapping of providers of co-operative business advice across the UK, there was recognition that the context for all business information was one of reducing resources at a national and regional level with cuts in general business support and changes in delivery models.

The impact of the Hub

The Hub had made a positive difference with the backing of well over 1,000 potential new start and existing growth co-operatives between 2009 and 2014. An example of this was in Northern Ireland, where Hub support helped eight new co-operatives over 12 months in 2013/14, compared with five in the previous five years. The Hub enabled a national network of specialist advisers to develop and be linked up. However, some suppliers were over-dependent on the Hub for business, which left a risk of the sustainability of their service, since supply seemingly, outstripped demand.

The impact of the closure of the Hub was significant. While the Hub did not typically fund the advice provided by Co-operatives UK, the closure of the Hub had a marked effect on the number of co-operatives being formed, with a decline of around ten per cent, and an increase of around twenty five per cent of enterprises turning to Co-operatives UK for further support and guidance.

Other ways for co-operatives to receive support

Of course, there were other important infrastructural bodies beyond the Hub, some of which had benefited from the programme, but each of which had its independent base of operations.

Key players included Co-operative & Community Finance (and other financiers), national agencies (Wales Co-operative Centre, Co-operative Development Scotland)³ and, across the UK, a range of co-operative development bodies (CDBs) and sector development bodies.

Co-operative Development Bodies

Year	Count
2014	41
2013	40
2012	46
2011	44
2010	39
2009	36

Many CDBs formed at the local level in the 1970s, but have since fallen in number over recent decades, as have the number of co-operative development workers. In 2013, there was a formation of CDB consortia – and over the period of the Co-operative Enterprise Hub (2009-2014), there had been an upturn in the numbers of provider agencies. When looking at the demand for advice, rather than supply, the conclusions were that there are weaknesses regarding delivery:

Table 1: The Number of Co-operative Development Bodies in the UK

- > There is more demand for help, including paid for and peer advice, particularly on co-operative matters, than is felt to be available
- > The knowledge base, capacity and succession around co-operative development are stretched thin
- > It is not easy to respond to national or large-scale conversions.

It was also felt there was an over-focus in resources on start-ups and new enterprise development, which, while welcome, operates at the end of the sector with the highest failure rate and least economic impact. Regarding the institutional landscape, there is no national agency in England and a poorly resourced framework in Northern Ireland.

When it comes to the type of support that advice users are looking for, the key needs were:

- > Co-operative skills and understanding the values of co-operatives
- > To root business support in long-term relationships with advisers
- > More specialist rather than generic advisers
- > Experience and 'word of mouth' recommendations over formal qualifications
- > Support for intermediaries to be more pro-active in the marketplace and not just respond to demand
- > How to help co-operatives wanting to grow beyond the initial start-up phase.

Sector development bodies

What works regarding the spread of co-ops? It is a strength that there should be a central body in the form of Co-operatives UK with an offer of support for any co-operative. But often, it is a different, more specialist co-operative body that is the place to turn to. There are definite signs of success in industries where there is a need accompanied by a co-operative model that is developed and championed by a 'sector development body' (or 'Federal', reflecting the membership category within Co-operatives UK). These can act as catalysts for development, drawing on bootstrap communities of practice.

A good example was the work of the Plunkett Foundation on rural shops. This involved:

- > The use of teams, rather than individuals, to support organisations (which allows for a combination of generic and specialist support)
- > The acceptance that a long-term engagement is essential to long-term success (96% of community shops supported by the scheme are still open)
- > The importance of shared learning and networks among advisers (both web-based and face to face)
- > The need to be proactive and look for people to support
- > The need to focus on a few areas and be strong and knowledgeable within them.

In an earlier analysis of co-operative innovation by the late Robin Murray for Co-operatives UK,⁴ sector development bodies were seen to have eight potential roles:

- > Animation
- > Strategy
- > Global intelligence
- > Promoter of innovation
- > Provider of advice and information
- > Formation of a coalition of interests
- > Regulatory framework
- > Funding channel

It is hard to live up to this, however. Few do these in full and, as with CDBs, the institutional strength of Federals varies. There are also important sectors with no Federals (albeit in some of these with a track record of direct work by the national body, Co-operatives UK).

Towards a National Co-operative Development Strategy

Drawing on this analysis, the Co-operatives UK Board decided to explore the formation of a National Co-operative Development Strategy to address the fragmentation of efforts across the sector. For success, the strategy needs support from a range of co-operatives.⁵ Also, among other actions, it would need to meet the need for a UK-wide framework of advice for co-operatives – the first port of call which would signpost to support further where it was needed.

Two initiatives followed from this – an action project focused on an upgraded national programme to replace the Hub and a reflection piece, scoping what a National Co-operative Development Strategy might look like, and how it could be inclusive.

Action: the launch of The Hive

Supporting local communities and co-operatives emerged as the first and second priorities regarding support for good causes in the Co-operative Bank Ethical Plan, YouGov polling carried out in June/July 2014 revealed. As part of its renewed focus on ethics, the Co-operative Bank decided in 2015 to partner with Co-operatives UK to deliver this through the Hive, a three-year programme of action designed to replace the Hub.

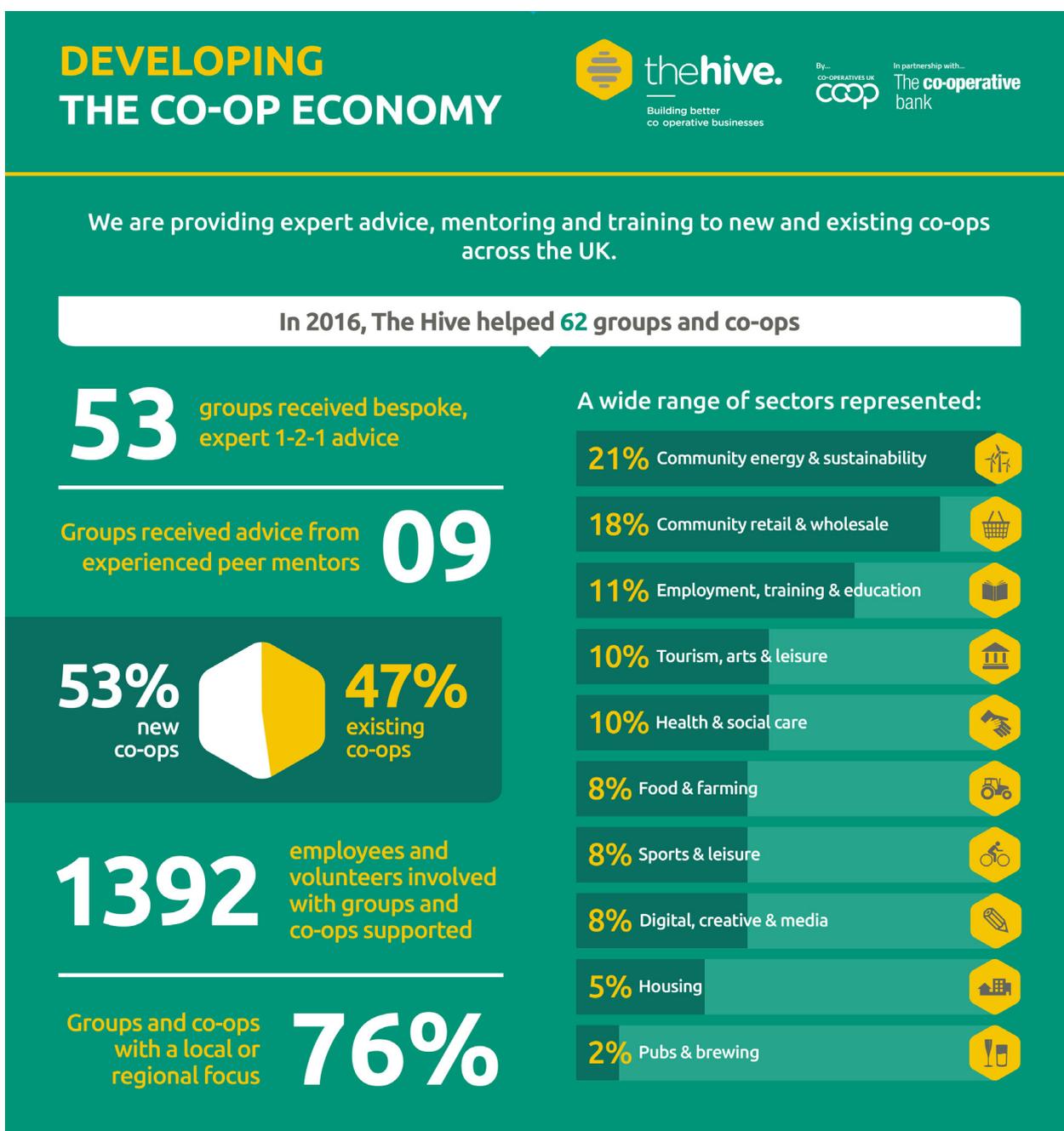
The design foundations of the Hive, learning from the experience of the Hub⁶, are for:

- > Systematic use of digital resources and channels to address advice needs and act as decision aids at key points in the formation or life of a co-operative enterprise

- > Unlocking peer to peer support, including a commitment from those who benefit from the Hive to help others in future. This is sometimes referred to as a 'strawberry patch' model of co-operative development, drawing on experience in Italy where one social co-operative that has benefited from advice supports another in turn when it can do so.
- > A move beyond a one-to-one advice model, serving one business at a time, to include a one-to-many offer.

The Hive launched in February 2016. By the end of its first year, it had developed an efficient online platform of resources and supported a broad range of enterprises.

Figure 1: One Year of The Hive



Support available through The Hive in 2017

"Essential to the development of a start-up co-op"



160 SPACES

FOR ONE-DAY SKILLS TRAINING

"The Hive helped us move the business into a new phase"

+150 groups and co-ops will receive 1-2-1 or peer mentor support worth **£175k**



CO-OP DIRECTORS
STRATEGIC MARKETING
PLANNING LEGAL DUTIES
CHANGE MANAGEMENT
CO-OP SECRETARIES

£2million+

worth of community shares capital will be raised by community co-ops through support from The Hive.

"Attending the session will help my business grow"



ACCESS FREE ONLINE RESOURCES AND SUPPORT



In partnership with...
The co-operative bank

The Hive is the UK's most extensive **FREE** online resource for new and existing co-ops – and it continues to grow!



67,500

views of The Hive **FREE** web resources and guides

▶ 33,000

views of The Hive videos

2,500
downloads

of The Hive resources



"The resources on The Hive are, frankly, invaluable"



"Thank you for the wonderful tools you have provided for planning a co-operative"

The online community is a space for new and existing co-ops to ask questions, provide advice and discuss ideas with peers.

How can we engage with our members online?

How can our co-op access funding to grow?

What's the best way to manage conflict in your worker co-op?

**Questions.
Advice.
Ideas.**

Take advantage of growing online resource for co-ops:
www.thehive.coop/reimagine

 **thehive.**
Building better co-operative businesses

Co-operatives UK is the network for Britain's thousands of co-operatives. It works to promote, develop and unite member-owned businesses worth £34 billion to the economy.

The Co-operative Bank supports The Hive as part of its customer-led Ethical Policy commitment to promote economic and social development for charities, social enterprises, co-operatives and the co-operative movement.

Reflection: scoping for a national strategy

A Scoping Report for the National Co-operative Development Strategy (National Strategy) was commissioned and completed by the Plunkett Foundation, Supporters Direct, CMS and Co-operative Futures.⁷

The report set out a series of four principles that should guide the development of the strategy:

1. Together

The proposal should not be written by one part of the movement and half-heartedly endorsed by the others with the little intention of giving any real support.

2. Challenging

It should aim to take all parts of the movement out of its comfort zones – both regarding its ambition and the collaboration needed to deliver.

3. Realistic

Development reports cannot outline the types of co-ops that should be developed without any realistic possibility of this happening, which has been the case in the past.

4. Frank

It should be honest that there is, in reality, not a co-operative movement, but a whole series of different interest groups and enterprises with wildly different perspectives and little desire to co-operate together. The process should not be frightened to recognise this and to be open about those differences and the different co-operative mind-sets.

Due to a wide variety of partners, which all represent "different interest groups and enterprises with wildly different perspectives and little desire to co-operate together", the report cautioned that the strategy should focus on the core common interests that might connect them. These diverse partners include:

- > Co-operatives which engage solely to benefit their own business needs
- > Co-operatives which engage through a sense of solidarity with the sector
- > Co-operatives which engage from a Corporate Social Responsibility sector
- > Co-operative Development Bodies seeking to promote and defend their development approach
- > Federals Trying to protect their work with their members
- > Co-operatives UK, which promotes, develops and unites the co-operative sector and sectoral development
- > Open co-operativism trying to retain the benefits of co-operation without the long-term structures
- > Service suppliers, such as individuals and organisations looking to provide development services.

Regarding content, the Scoping Report recommended a national strategy to identify the support needed, who might provide it, and how it could be funded. As a way to approach this, it offered the framework of a 'Co-operative Jigsaw', which reflects the need for distinct, but connected services.

The challenge, the report pointed out, is that there are many more 'pieces' of the jigsaw than are shown in the diagram. As a further way to help identify support provision, the report offered a way to look at these pieces through the lens of a co-operative 'enterprise journey'. Support for co-operatives should help steer groups through an 'enterprise journey' at different stages.

These steps are:

- > Inspire – help for groups to gain motivation to make a difference
- > Explore – help for groups to find out how others have done it and how to do it themselves
- > Create – help for groups to get structures in place to get started themselves
- > Thrive – help for groups to ensure they can continue working in the long term

Inspire Jigsaw

There is no 'one size fits all' method of support – different messages and approaches receive different responses. How co-operation is inspired could be made from various channels such as promotion (reactive, wide-net or targeted), reaching to future leaders, proactive promotion or deploying co-operative developers.

Explore Jigsaw

Helping to develop and understand what a group's aims and objectives are is an essential part of exploring co-operation. The process can be entered into with a single view by groups. Good support can challenge this through networking, study visits, mentoring, problem-solving, technical knowledge, printed/digital guides, training or online information.

Create Jigsaw

Support for the creation of co-operatives can include advisers, funding (across a range of forms of finance), legal models, business advice, co-operative approaches, membership and financial planning.

Thrive Jigsaw

Ensuring success, with co-operatives flourishing in the long run, can be supported with health checks, conflict resolution, flagging up when co-operatives go quiet, knowledge sharing, collective buying, advocacy or removing barriers to co-operation.

In support of this analysis, the report's authors completed a short overview of the literature on co-operative development, including a word cloud⁸ of all the sector research they reviewed. The word co-operative (and variations) was removed since it was the most common (and largest) word. The graphic overleaf shows what is most associated with co-operative development.

From this analysis, the authors set out a series of questions that relate to the support services that were central to co-operative development.⁹

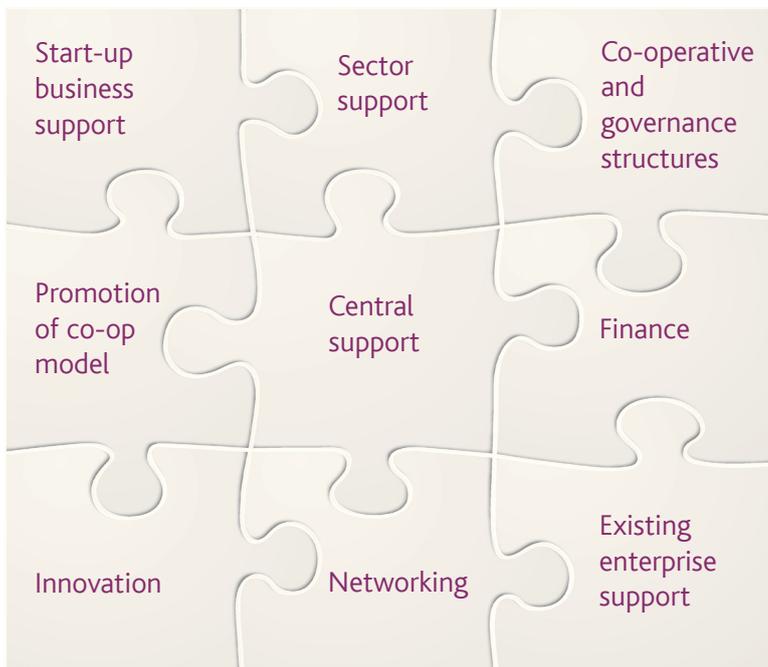


Figure 2: The Co-operative Jigsaw



Image 1: Dame Pauline Green, Chair of the National Co-operative Development Strategy Strategic Reference Panel

To guide this work, a National Co-operative Development Strategy Strategic Reference Panel was formed, chaired by Dame Pauline Green, the former President of the International Co-operative Alliance. An open invitation was made to co-operatives to nominate Panel members and the following were selected:

- > Glenn Bowen, Wales CC
- > Peter Couchman, Plunkett Foundation
- > Dave Hollings, Co-operative and Mutual Solutions
- > Marna McMillin, Energy for All
- > Jon O'Connor, Co-operative Schools Network
- > Ieva Padagaite, AltGen
- > Ed Russell, Co-operative Web and The People Co-operative
- > Sarah Deas, Co-operative Development Scotland
- > William Heath, co-founder of The Bell Inn
- > Simon Borkin and Ed Mayo, Co-operatives UK



B

Exploration

In the next stage of the process, the Panel's task was to look at what co-operative development means and what work has been done to support the movement's businesses. This chapter looks at what support is offered, the resources for development and the areas of innovation and growth.

The Panel also explores various approaches to co-operative development across the world by looking at the stable co-operative economies of Canada, Germany, Finland, Italy and the USA.

As part of the exploration process, the Panel invited some discussion papers to draw in expert views. Plus Panel members took part in a collaborative blog, which explored the full potential of co-operatives.

What is Co-operative Development?

In its first meeting, the Panel considered the difficulty of making a success of its remit. It was evident that the fragmented nature of support for co-operative development across the UK is partly due to there being no apparent owner of it and no clear strategy to deliver it. Nor was there a clear understanding of what co-operative development is, with a focus often on start-ups versus the needs of existing co-operatives; and on face-to-face generic business advice versus other ways of supporting business development.

However, the recognition of a lack of strategic direction in co-operative development was not new. There have been many occasions over the past 20 years where work has not completed or the issues appropriately dealt with. To start with, the Panel set a definition of co-operative development that drew on the initial scoping work. Co-operative development is “the process of growing and advancing businesses owned and run by and for their members”, which is in line with the core principles and values of being a co-operative, as set out by the International Co-operative Alliance Statement on the Co-operative Identity.

To assess what contributes to this, the Panel looked to join the ‘jigsaws’ into a single coherent framework for interventions. Drawing very loosely on a study for the innovation charity NESTA on ‘the impact and effectiveness of entrepreneurship policy’¹⁰ a possible range of support models for business improvement might include:

- > Information
 - i Generic information
 - ii Specialist information
 - iii Awareness raising and promotion
- > Skills development
 - i Education and learning
 - ii Training
 - iii Peer learning, events and support networks
- > Policy action
 - i Culture and behaviour change
 - ii Regulatory frameworks
 - iii Taxation and related incentives
- > Advice and support
 - i Advice on a standardised form
 - ii Specialist or situational specific advice, consultancy
 - iii Coaching, counselling and mentoring
 - iv Access to technology or infrastructure
 - v Access to export markets
- > Multi-intervention
 - i Local interventions, such as business incubators, accelerators and science parks
 - ii Sector interventions, such as co-operative Federal networks
 - iii Social entrepreneurship programmes, including grants, training and access to social investment
- > Quality
 - i Quality standards and accreditation schemes

- ii Third party assurance
 - iii Benchmarks
 - iv Self-regulatory codes
- > Finance
 - v Angel and equity investment
 - vi Investment brokerage
 - > Innovation programmes
 - i Intrapreneuring
 - ii Open innovation, challenge prizes and networks
 - iii Open data
 - iv Business model development
 - > Enterprise co-operation
 - i Cost-saving, purchasing co-operatives
 - ii Co-operation in terms of business infrastructure, such as generic accounts, lead tracking and Customer Relationship Management software.
 - iii Supply chain co-operation.

These interventions may focus on the enterprise or the entrepreneur. For mainstream business, there has been a shift in government activity (dubbed 'the entrepreneurial turn') away from the former and towards the latter. This includes the ending of public funding for cross-sector generic business advice through face-to-face channels. What works best is subjective, according to NESTA. Different programmes are subject to various evaluation methodologies, and the counterfactuals are hard to assess.

An outline of where Co-operatives UK has acted, and where the work of partners is relevant is below. These may respond to member needs, but are these the right and most efficient areas to take action? Moreover, what models for delivery work best for each?

Intervention	Co-operatives UK	Key partners
Information	*****	Federals, specialist media
Skills development	**	Co-operative College, Federals, academics
Policy action	*****	Co-op Group, Federals, supportive politicians
Advice and support	*****	Co-op development bodies, Federals
Multi-intervention	**	Federals, social entrepreneur programmes
Quality	*****	CPC, Federals, Co-operative College
Finance	*	Social investment finance intermediaries
Innovation programmes	***	Co-op development bodies, Federals, Co-op Group
Enterprise co-operation	*	Co-operative Development Scotland

Resources for co-operative development are a key challenge

The challenge of resources for co-operative development was one emphasised by a team of co-operative development bodies, co-ordinated by Austen Cordasco of the Co-operative Assistance Network who made a substantive submission to the Panel, drawing on their work and experience.

“Start with the seven Co-operative Principles. Principles 1-5 and 7 specify how any co-operative enterprise should operate and be constituted. It is Principle 6 that creates the co-operative movement by joining individual co-operatives together. Therefore the root of the problem is a failure of co-operatives to implement Principle 6 in such a way as to engender the sustainable development of new and existing co-operatives and to build a co-operative economy.”

This is not necessarily the fault of individual co-operatives, the authors went on to say. The recent International Co-operative Alliance guidance notes for Principle 6 states that ‘co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures’. Those structures may have co-operative development at their heart, but there is no explicit reference to a need for that. Cordasco and co-authors in their submission caution that “the fact is that when a co-op starts up, it typically has only the resources to implement principles 1-4. It is only when it reaches a level of maturity and wealth that it can begin to think about its obligations to Principles 5-7. Even then, Principle 6 is usually interpreted to mean ‘Join Co-operatives UK and your local or regional network and try to trade with other co-ops’ and not much more beyond that.”

So a co-op cannot contribute to any co-operative development programme until it has accumulated some reserves and even then it usually does not. However, a co-op most needs to draw on co-operative development services before and during its start-up phase and at critical growth phases, the former being exactly when it has least reserves and long before it can itself contribute to co-operative development.

As a result of this resource squeeze, there is a risk of losing capacity and knowledge in such local co-operative development bodies and the pool of co-operative development workers. This is a model that was given a significant start in the 1970s with local authority support so that the challenge of raising resources from within the sector is not a new one.

“The root of the problem is a failure of co-operatives to implement Principle 6 in such a way as to engender the sustainable development of new and existing co-operatives...”

The co-operative development bodies that have survived have done so by operating entrepreneurially since then. Their emphasis is typically on face-to-face and generic advice and hands-on business development, and there are some outstanding examples of impact – often unsung if subject to commercial confidentiality. Meanwhile, there are also new players that have emerged, such as the Reconomy Network of Transition Towns. Moreover, there is renewal too – the Co-operative College, for example, is developing a renewed learning service offer tailored to specific co-operative sector needs.

The provision of and access to co-operative business advice is therefore patchy. Wales is well supported with co-operative advice, while Scotland receives government assistance that does not exist in the same way in England and Northern Ireland. In Wales, there had also recently been the completion of the Welsh Commission on Co-operatives and Mutuals.¹¹ In England, local enterprise partnerships have emerged but there is not a strong regional infrastructure for co-operative development.

The fragmentation noted above of the co-operative sector may also be a factor the limits available resources. In a number of countries, credit unions – and wider co-operative banks – play a vital role in terms of connection to and the development of co-operatives, but these links are less mature and less linked up here in the UK.

At the same time, co-operative development is not simply or necessarily a cost that needs to be met through resources from elsewhere. The most common source of resources for business development will be from the business itself. If interventions improve the commercial basis of the enterprise, then they will pay for themselves. If co-operative development is organised in a business-like manner, particularly for the larger co-operatives, resources are not the constraint – but quality and service may be.

For smaller co-operatives, some external resources may come in through grant funders. This is welcome and has made a significant difference in sectors such as community food, where the Plunkett Foundation led a multi-partner, multi-year project to start 'making local food work'. At the same time, this can also represent a potential distortion. Many of the social enterprise programmes that have come into place, for example, have not proved that open to co-operative models if they are seen to be in the private interest of members, rather than the public interest of the community at large.

In this context, Co-operatives UK's Hive programme, supported by the Co-operative Bank, plays an essential role regarding offering an infrastructure of resource and support for co-operative development, and advice in particular, across the nations of the UK. The co-operative model has a significant advantage if the sector is organised in ways that make it easy to come in and to access support to do so.

Awareness of co-operatives is positive, but low

Co-operatives are a distinctive form of business and while trust in business more widely has suffered in recent years, co-operatives tend to score well in terms of public perceptions (see Figure 4).

At the same time, public understanding of co-operatives is still low. When prompted, around three quarters of people say that they know what a co-operative business is, but relatively few are able to follow on to name specific co-operatives in practice. Where there is a high profile co-operative success, or challenge, as in the case of the media firestorm around the Co-operative Bank and Group in 2014, this affects how the public

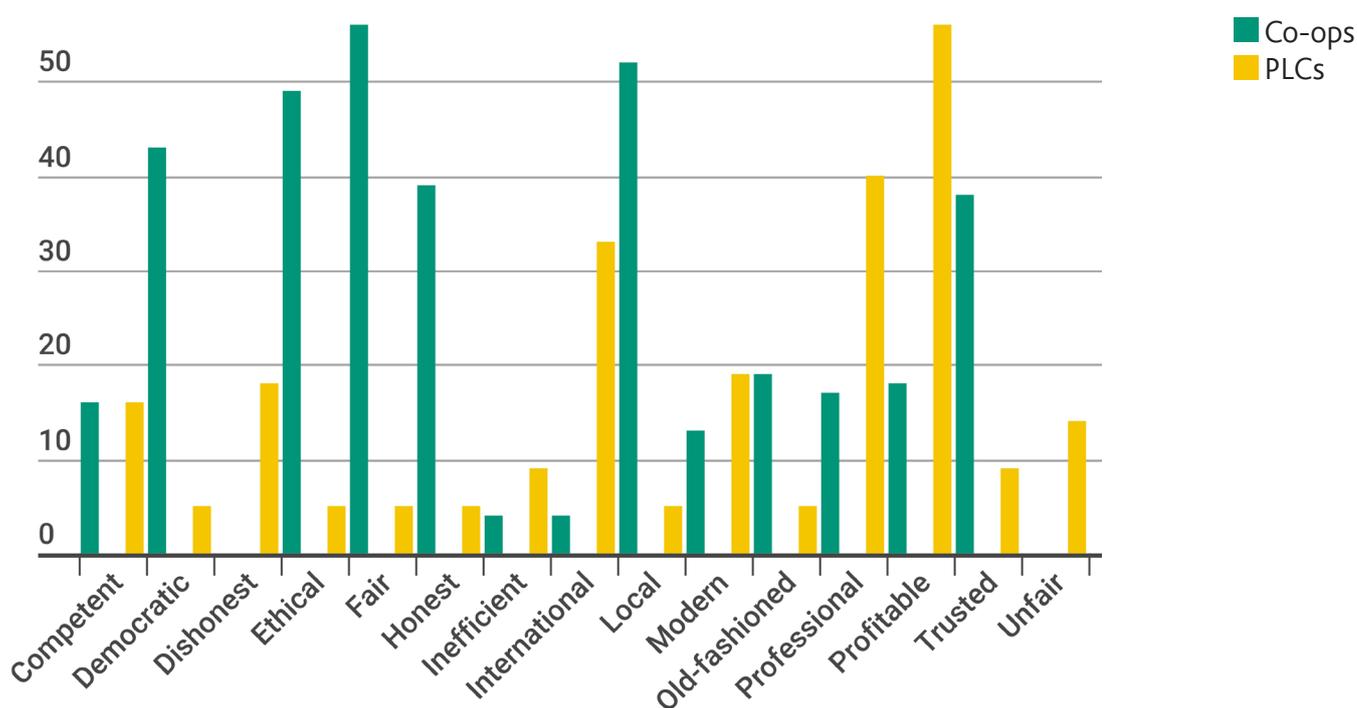


Figure 4: Associations for PLCs vs Co-ops, 2017

may view co-operatives as a whole. There is therefore an interdependence in terms of the underlying brand of the co-operative model. The good news is therefore that, unlike some other terms, co-ops are part of the everyday vocabulary. There are also some very significant positive associations around co-operatives which represent on the whole a real asset in terms of marketing and differentiation.

The challenge for developing the sector, and it is a significant one, is that even if public awareness of co-operatives in the UK is generally high, it is shallow and the public understanding of co-operatives is poor.

What is a National Co-operative Development Strategy?

According to a report for Co-operatives UK by the distinguished industrial economist, the late Robin Murray (Co-operation in the Age of Google, 2010), there is a need to develop a co-operative strategy and framework, with a systems-based approach, looking at culture, knowledge and technology. His conclusion was that co-operatives "do not fly solo".

"That is a primary lesson from the continental experience. It is not that isolated co-operatives cannot survive. There are many examples in Britain where they have done so. However, they remain confined to particular niches and are always vulnerable. Radical co-operative development depends on creating networks and institutions that can mutually strengthen each other."

The Scoping Report did not set out a formal purpose for a strategy, but it did suggest that a common goal for co-operative development could help to "mobilise action" and that a strategy should be "fresh, simple and stimulating".

The proposed purpose of the strategy is, therefore, "to create a fresh, simple and stimulating framework to encourage and enable action supportive of co-operative development across the sector".

The measures of success that follow from this, for the sector and its partners, would be:

- > Levels of engagement in the elaboration of the strategy
- > Awareness of the plan after completion
- > Commitment to action in line with the strategy
- > Outcomes that follow from the engagement through to the action.

The audience is people rather than institutions, who will:

- > Start co-ops
- > Grow, change co-ops
- > Benefit from co-ops
- > Support co-ops.

Strategies in the co-operative sector over time have tended to come from in-depth and intensive

commissions that have produced lengthy reports with detailed recommendations.

The Panel recognised the risk that a substantive strategy with many recommendations would not achieve the purpose set above. Rather than a set of recommendations to ‘the movement’ or for Co-operatives UK to act on, it started to look for a simple set of recommendations that individual co-operatives could sign up to.

Drawing inspiration from international co-operative development, the Panel studied two reports. Firstly, it looked at the Blueprint for a Co-operative Decade, launched in Manchester in 2012 by the International Co-operative Alliance (the Alliance).¹²

The Blueprint focuses on several global trends: environmental degradation and resource depletion; an unstable financial sector and increasing income inequality; a growing global governance gap; and a seemingly disenfranchised younger generation.

It sets out an aim that by 2020, the co-operative form of business will become the:

- > model preferred by people
- > an acknowledged leader in economic, social and environmental sustainability
- > the fastest growing form of enterprise.

It says co-operatives are better because they give individuals participation through ownership, which makes them more engaging, more productive, and both more useful and more relevant to the contemporary world. Co-operatives are better because their business model creates greater economic, social and environmental sustainability. From this, the Alliance identifies an overarching agenda based on five key dynamics:

1. Elevate participation within membership and governance to a new level
2. Position co-operatives as builders of sustainability
3. Build the co-operative message and secure the co-operative identity
4. Ensure supportive legal frameworks for co-operative growth
5. Secure reliable co-operative capital while guaranteeing member control.

Secondly, the Panel studied ‘Cooperatives For A Better World’, a plan backed by the Alliance, which includes a clear set of asks that follow a clear rationale and deliver a clear set of possible outcomes.

Its vision is to unite co-operatives around the world to promote the co-operative business model as a mode of sustainable job and wealth creation in a world with a widening wealth gap.¹³ It aims to empower individuals, families, and communities with ownership in the businesses that shape their lives. This is achieved through training and media materials to improve people’s understanding of the co-operative business model.

Review of International Approaches to Co-operative Development

To further look at best practice overseas, a report was commissioned from the Co-operative College, carried out by Vice-Principal Cilla Ross.¹⁴ This explored the role played by co-operative support and development in five countries with relatively stable co-operative economies: Canada, Germany, Finland, Italy and the USA. The report discovered areas of best practice in co-operative support and development, such as:

1. Where co-operative support and development bodies are well funded, (through government as in the case

of the USA) or where they have access to funds (as in the case of the co-operative levy in Italy) significant innovation is evident regarding resourcing co-operative projects and new initiatives.

2. In the case-study countries, co-operative apex bodies were able to engage with government at a local, federal or national level to a greater or lesser extent. In some cases (the US, Canada, Italy and Germany) apex bodies 'had the ear of government' or participated in decision making in relevant areas such as local business development, regeneration and employment. A positive regenerative role was attributed to co-operatives by governments and policymakers, and 'pro' co-operative policies and legislation were not unusual.

3. Although there were clear benefits in co-operatives being treated generically as part of the small business sector (for example being able to access regeneration funding, legislation making it 'easier' to set up a co-operative, etc.) this raised concerns for some about the potential loss of a distinct co-operative 'identity and difference'.

4. A key finding in the case-study countries is the high level of solidarity between co-operative support and development bodies and other co-operative organisations such as those associated with co-operative finance or co-operative education. This resulted in substantial co-operative 'offers' and positive public perceptions of co-operatives.

5. In case-study countries such as Finland, co-operatives are driving innovative approaches to public/private partnerships – especially in new technologies.

6. In most case-study countries social co-operatives are well established, and co-operative support and development bodies promote the ongoing expansion of co-operation into all sectors and with all constituents, for example with women and freelancers in Germany.

7. Working with and fostering grassroots, volunteer-led co-operative organisations (as in the Co-operative Business Associations in the US) or community development partners was seen to be an important strategy for co-operative support and development in case-study countries.

8. Professionalising the co-operative sector as well as building professional co-operative identity was a theme underpinning the work of co-operative support and development bodies, particularly in the US, Finland and Canada. This resulted in apex bodies facilitating the development of initiatives such as CoopZone in Canada, through to running high-level programmes concerned with co-operative leadership and knowledge transfer in the US.

"A key finding in the case-study countries is the high level of solidarity between co-operative support and development bodies and other co-operative organisations"

9. Working with youth was a priority for all of the support and development bodies, and initiatives ranged from supporting school-based co-operatives to Canada's Emerging Co-operators initiative where young Canadian co-operators (the next generation) participate in the apex body as a management committee. Smart learning and inclusive youth practices were standard across all case study countries.

10. Across every case study country, co-operative research, education and training were privileged in the work of support and development bodies – indeed it was indivisible from their practice. Education and research were essential

not only for professionalising the movement, encouraging reflective practice and evidencing the co-operative difference but also for developing knowledge and building resilience. However little attention appeared to be paid to co-operative values and principles education.

11. Finally, in some countries, apex bodies and other co-operative development and support initiatives were immensely proactive regarding intervening in and interpreting national government policy. In the US, Canada and Italy, for example, support for co-operatives in economically disadvantaged regions was considered a priority for co-operative activity. Moreover, in Italy and Finland respectively, narratives of 'conscious co-operative clustering or co-operation among co-operatives' underpinned this commitment.

Education, culture and different co-operative traditions can be as important in many countries as more physical mechanisms, such as financial, governmental and legal support. This, for example, might help to explain the positive tax treatment of co-operatives in Quebec and Italy. This is, Cilla Ross stresses, "the climate in which co-operative support and development operates."

She concludes her report by saying: "The UK co-operative movement is demonstrating new and innovative practices by working in previously overlooked sectors – such as social care – and with new constituencies, such as freelancers and the young. In the UK and globally, for example, there is a rapidly growing engagement with notions of the collaborative economy, openness and the co-operative commons."¹⁵

"Therefore the findings offered here may intersect with actions already being considered or implemented in the UK co-operative sector. The UK co-operative movement as a whole, however, will want to address some of the questions raised above. Where should its focus and priorities lie and how does it bring synergies and common purpose, along with social justice and decent work,¹⁶ to a notoriously disparate UK co-operative movement?"

"The UK co-operative movement is demonstrating new and innovative practices by working in previously overlooked sectors"

Snapshots – an overview of the five co-operative countries

This section looks at the facts behind the co-operative sectors in the five countries featured.

Canada

- > Co-operatives employ 680,917¹⁷ people accounting for 3.89 per cent of the total employed population (35 million).
- > There are over 9,000 co-operatives including mutuals supplying products and services to at least 18 million co-operative members across Canada (CMC, p1).¹⁸ This means that four of every ten Canadians are members of at least one co-operative and in Quebec, approximately 70 per cent of the population is a co-operative member.¹⁹
- > Canada also has the highest per-capita credit union membership in the world, with one-third of its population a member of at least one credit union.²⁰ Together the co-operative and mutual economy is worth more than \$70 billion annually representing roughly 3.4% of Canada's total economic activity in 2010.²¹

Germany

- > The total number of those employed by co-operatives is 2,590,133, accounting for 6.47 per cent of the total employed population.
- > There are over 7,600 co-operatives in Germany.
- > Housing co-operatives comprise 2.8 million members and administer approximately 10 per cent of the rented apartments in Germany.²²
- > Almost every farmer is a member of one or more co-operatives, and 60 per cent of all craftsmen, 75 per cent of all retail traders, 90 per cent of all bakers and butchers, and over 65 per cent of all self-employed tax advisors are co-operators.²³
- > Germany has almost 1,000 energy co-operatives – an area of significant growth as in the UK, which has similar numbers.²⁴
- > These co-operatives serve 19.4 million members (excluding those in housing co-operatives) who may be members of various co-operatives. Germany has a population of 80 million, so statistically, one in four German citizens is a member of a co-operative.

Finland

- > With a population of 5.4 million, 4,000 co-operatives have almost 4 million members and account for 14 per cent of GDP.²⁵
- > 84 per cent of adults and 75 per cent of households are a member of at least one co-operative.
- > Co-operatives are often market leaders in their respective fields with those within Pellervo responsible for 96 per cent of dairy products; 74 per cent of meat products; 50 per cent of egg production; 34 per cent of forestry products and 35 per cent of all deposits made to co-op banks.²⁶

Italy

- > 55,000 co-operative enterprises generate 4.7 per cent of Italian GDP
- > 22.5 million individuals are co-operative members out of a population of almost 60 million.²⁷
- > Emilia Romagna, one of the richest regions in Italy, has an estimated 8,000 co-operative enterprises which generate 40% of the region's GDP and are its major employers.²⁸
- > Retail is the most successful sector. The National Association of Consumer Co-operatives, which trades under the COOP brand name, has a turnover of €13bn; 7.4m consumer members; 56,000 employees; 1400 shops and an 18% market share.

USA

- > 30,000 co-operatives operate 73,000 businesses, which generate well over US \$500 billion in revenue and provide 2 million jobs.²⁹
- > Out of a population of 256 million, there are 350 million individual co-operative memberships³⁰ with almost 40 per cent of the population having some form of co-operative membership.
- > Co-operative business activity accounts for over 4 per cent of GDP.³¹

Discussion Papers

To broaden the approach to the National Co-operative Development Strategy, Co-operatives UK commissioned four discussion papers to draw in expert views to promote discussion around their

recommendations and ideas. Here is an overview of those papers:

Why are there so few worker co-operatives?

Alex Bird, who has a long and distinguished track record of co-operative action and development support, considered the question of why there are not more worker co-operatives in the UK, and why the best practice of employee engagement was not more common in the mass consumer co-operatives.³² One option was to move away from an assumption of common ownership of capital to one closer to that of a democratic partnership business, but there was also need to rebuild the brand of co-ops to make it an attractive choice for start-ups. The development finance that co-ops need comes by building funds through profit sharing; from raising finance from members or the public; from a new and improved system of support around loan and investment finance; by building a network of business advice; and through more efficient co-operative management and development training.

A fund for worker co-operatives

Siôn Whellens, a worker co-operative development expert, was the lead author of a paper looking at SolidFund, the Worker Coop Solidarity Fund, which emerged from Co-operative Congress in 2014. It operates through voluntary subscriptions from worker co-op and co-op members with the work carried out on participatory lines with consensus decision-making. Co-operatives UK staff played a key partnership role in helping this to emerge. The overview paper explores the first learning from this innovation.³³

Providing a fair deal for co-operative investors

Jim Brown was instrumental in kickstarting the field of community shares, with a decade or more's work in collaboration with Co-operatives UK. In his discussion paper,³⁴ he presented the case for forging a new relationship with investors as co-operative members, consistent with the International Co-operative Alliance (ICA) Statement of Co-operative Identity, Values and Principles.

His paper set out how share capital could be structured to offer an attractive and fair deal to investors, but at the same time respect the contribution made by other members, and protects them from predatory investors. The Community Shares Unit, a partnership between Co-operatives UK and Locality with funding over time from central government and charitable foundations, has demonstrated the public appetite for investing in and supporting community enterprises. Between 2009 and 2014, there were over 500 new societies capable of issuing community shares. More than 230 societies had made successful community share offers, raising more than £50m in share capital from tens of thousands of members of the public.

Brown argued for a stronger and clearer focus in UK co-operatives on an asset lock and on 'indivisible reserves' (reserves that may not be distributed) to protect the commonwealth of a co-operative from the longstanding challenge of investor speculation. In turn, he suggested, this could make it safe for co-operatives to accept investors into membership as active supporters of the objects of the co-operative.

In comments relating to this, John Merritt of Co-operative Assistance Network also stressed the way in which drawing people into invest in co-operatives as members could be a dynamic way in which to support the development of those co-operatives. This does not have just to be for smaller co-operatives. Following work by John Brodie, Chief Executive of ScotMid, working with Co-operatives UK, a new initiative was launched in 2017 to explore ways in which larger retail consumer co-operatives could raise member capital on a cost-effective basis and with appropriate regulatory approvals.

Growth of Community Interest Companies

In his paper, *The Potential for Co-operative CICs*,³⁵ John Mulkerrin asked why there had been such a growth in Community Interest Companies (CICs) – now at 12,000 in total – but so few of these in the form of a co-operative. It was not widely recognised, he pointed out, that a CIC could structure as a co-operative, with democratic member ownership. There are 1,650 CICs that have share capital that does not pay dividends to external investors, and it could be that many of these are de-facto co-operatives. In line with work considered by the CIC Association, there is a case for the development and promotion of a Co-operative CIC model – with possible consideration of classes of shares, allowing for outside investors but retaining control with members that are direct participants in the life of the business.

Discussion – The What if Blog

To keep the consultation process as open as possible, Panel member William Heath curated a multi-author blog, [Whatif.coop](#), which explored the full potential of co-ops. As well as featuring insights from Panel members, anybody was invited to make a contribution and, thus, fed back into the consultation process. There were 46 posts between May 2016–March 2017. Below is a summary of a few of these posts, connected to the enterprise journey themes of inspire, explore, create and thrive suggested in the Scoping Report.



The co-op buzz...

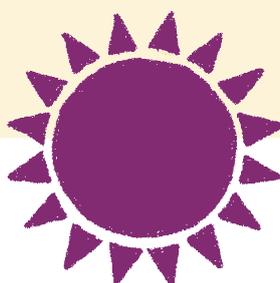
“Staff and customers know that the Phone Co-op rocks. It is much better to drink beer in a pub you co-own than in a tied house owned by greedy pubco accountants. Following a football club you co-own is a bigger buzz than seeing your club asset-stripped by big-ego business folk. We all like fair banking, friendly convenience stores with Fairtrade goods and trusted funeral services.”

William Heath

Getting the right people...

“How we attract people to form co-operatives is a vital part of the process. Too often, co-ops talk among themselves rather than reaching out. Our challenge is to inspire several generations at once who have lost all connection with the idea that a co-operative may be the solution to the problem they face.”

Peter Couchman



Attracting young people...

"Young people are starting co-ops and passionately advocating for them at every chance they get because it is more than just work – it is a way of life. It is a way they relate to the people they work with and the communities they belong. They want to frame the idea of work within an existential perspective, where purpose, social and environmental impact, security, respect, trust and ownership are a normality and not a "got lucky with a boss" gamble. If we want young people carrying the co-op flag, making them vibrant and relevant, we need to acknowledge and represent this attitude and create spaces for them to meet. We need to ensure there are intergenerational links established and change the way we speak about co-ops so that it is engaging and relatable as opposed to corporate and dry."

Ieva Padagaite



Working together...

"Wouldn't it be great if the co-operative movement could quickly assemble relevant teams of specialists to provide a viable co-operative option as an alternative to the typical investor drove solutions? The experts exist, the co-operative model exists – but someone to pull them together and provide them with the dossier of contacts and information does not."

Dave Hollings

Building a solidarity economy...

"With the widespread inequality, division, disconnect and anti-establishment feelings rising here in the UK and globally, we need to come together as a social movement speaking the language of the people wishing for change and articulate a positive vision of the co-operative future."

"We are so much more, let's stop justifying ourselves as viable businesses. Let's change the image and language of the co-op movement to build a solidarity economy together."

Ieva Padagaite



Paradox of politics...

"Co-ops are a radical concept and co-operation is inherently political. Co-ops have a political party. They have always associated with the left. Although Co-ops are businesses, the movement is often perceived and portrayed as anti-business. Greens will set up village shops with Kippers, and Brexiters with the In crowd. Not because we are all the same, but because co-operation despite our individual differences is rational, beneficial and feels right."

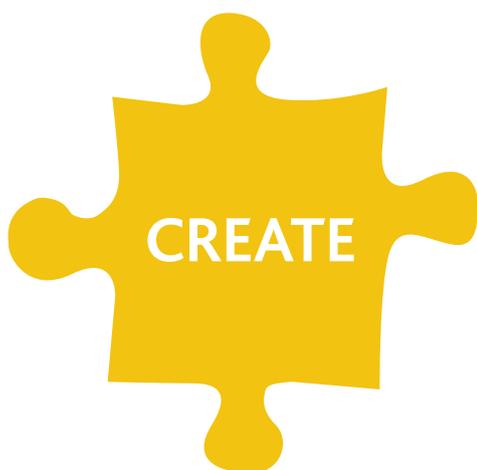
"We are working together on a radical project, but we have to do it in a way that seems apolitical and doesn't alienate people."

William Heath

Warnings of the past...

"There's possibly a massive wave of social tech we can surf sustainably. However, remember the e-commerce disasters: as well as the straight dotcom flops like Pets.com or Boo.com, there were the elephants that tried to dance such as GEC-Marconi. We cannot say there has been no warning."

William Heath



Team co-op...

"Co-operative development is a team activity not the work of one heroic individual. The most effective forms of co-operative development are team based, drawing on the expertise and skills of a range of people and organisations."

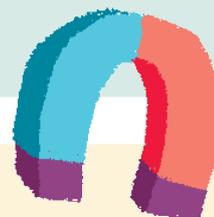
Peter Couchman



Succession...

"None of us lives forever. Moreover, very few co-ops seem to actively plan for turnover in membership: what happens when existing members move on, retire, or die? What happens to their knowledge that their co-op has come to rely? How can new members be attracted when all they see of a co-op is the 'same old faces' who seem to have been there forever? "

Adrian Ashton



Is now our time...?

"When co-operatives take a great leap forward, it is usually in periods of social crisis. This is when the relevance, necessity and potential of co-operation become clearest to people.

"So, is now our time? Of course, we do not know yet. We are aware there are social conflict and political disintegration; we are aware people are in need; that people want change. However, are they moving towards self-organised ways and means to get it? Do they have the time, social capital and savings to invest? Are they confident enough? Hindsight is easy, yet experience suggests that productive strategy will not be a matter of helicoptering legacy co-op models onto disparate people and situations, so much as directing solidarity to those expressing a desire to change their situation by acting together, and who feel that change is realistic, possible and necessary, even if they have not heard about co-ops."

Siôn Whellens

Principle 6...

"The co-op sector has only gotten as big as it has because co-ops have co-operated with each other over the years: through joint buying to manage costs, sharing learning and encouragement, offering support through financial loans to each other, and introductions to new marketplaces. It is how any good business survives – by making friends and building alliances. For co-ops, it should be instinctive, but somehow most co-ops do not seem to recognise or prioritise the spending of time with like-minded businesses in pursuit of mutual ambitions of making the world a (slightly) better place."

Adrian Ashton



A fund for co-op development...

"Can we build upon the SolidFund? In the first 12 months, it has grown to 491 members with contributions of £2,200 a month. What if an adequately resourced similar fund at scale, marketed to the 15 million members of UK co-operatives, was set up? If just one co-operative member in 1,000 signed up, there would be a fund of £200,000 a year for co-operative development UK. If we could aim for the not overly ambitious target of one co-operative member in 100 signing up, there would be a fund of £2m a year for co-operative development in the UK."

Dave Hollings

A digital future...

"The potential for digital co-operatives was set out very clearly in the year 2000 in a seminal pamphlet for the Co-op Party by Bill Thompson (*e-mutualism? or the tragedy of the dot.commons?* republished by Bill last year on Medium.com).

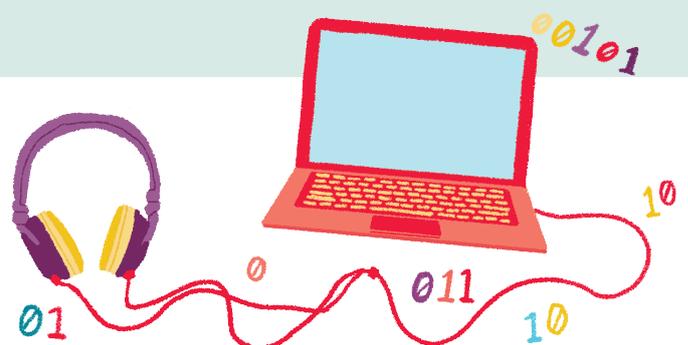
"Despite the vast changes since he wrote it, Bill's core points, and his "Five Pillars of e-mutualism" stand the test of time. His pamphlet is well worth a full reread as a start point.

"More recently Jerry Fishenden in his CIO Magazine article referred to above calls for a rise in platform mutuals: *a flourishing, sharing economy of John Lewis-like service providers that obsoletes the out-dated tycoon pyramid model.*

"Nevertheless, the perennial optimists at the New York Platform Co-operativism team promise a coming-out party for the co-operative internet. As they state the problem: "For all the wonders the Internet brings us, it is dominated by an economics of monopoly, extraction, and surveillance. Ordinary users retain little control over their personal data, and the digital workplace is creeping into every corner of workers' lives." They are surely on the right track here. It is significant that they place control over personal data at the heart of the problem. So too, does Tim Berners-Lee and Doc Searls.

"How can you have proper co-operation online without first establishing individual digital sovereignty? Unless we are in charge of our affairs online, we are not in a position to start to act collectively and co-operatively. That means we have to regain control of our data.

William Heath



Innovation...

"Just like there is the Phone Coop and Co-operative Energy, there should be Co-operative Property. Its aim would be to increase the number of properties run by and for the community.

"It would operate in just the same way as a typical development company, but instead of selling on to a pension fund or private buyer on completion, it would be run by the co-operative built around the development."

Chris Hill

Profitability...

"Finally, co-ops are businesses. They trade in open marketplaces. They have to aim to generate a profit somewhere. Otherwise, they will not be able to afford to keep the lights on or pay people's wages. Moreover, yet many co-ops seem to have a romantic notion that someone they are 'special', and that simply by being a co-op, this will magically make them sustainable. Long-term studies show that co-ops survive and thrive much longer than privately owned businesses, but I wonder how much of that is due to their members not wishing to throw in the towel for fear of what people might think of them, despite having a business that anyone else would have long since walked away from? Many co-op businesses seem to struggle to achieve their full potential as a business. Perhaps because many feel uncomfortable talking about 'profit' in a business defined by values and principles?"

Adrian Ashton

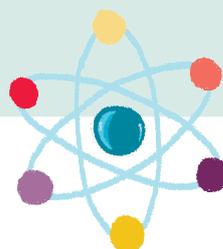
Principle 6...

"Education is a live issue – and one that co-operation can grasp as both a challenge and an opportunity. Have we recognised the significant potential of some 800 schools within a national education movement, that has created communities based on the co-operative values and principles?"

"This is a sleeping giant, which should raise its voice in the debate over public service education.

"This revolution for schools is not a mechanical exercise in change management; it is more important than that. It is about values and principles: universal entitlement; opportunity; collective success."

Jon O'Connor





C

Draft strategy

In forming a draft strategy, the Panel ensured a broad range of people contributed to its development. At Co-operative Congress, participants came together to define a number of areas of priority collectively. The Panel also drew on the experience of other Federal bodies to investigate the approach to development in those sectors.

Co-operative Congress – a participative shaping of priorities

Co-operative Congress 2016 provided a platform for Co-operatives UK members to feed into the National Co-operative Development Strategy. 180 people from a wide range of co-operatives participated in the event, which took place on June 17-18th in Wakefield in Yorkshire, at the co-operative venue, Unity Works. The theme for Congress was “What if” and had the primary purpose of providing a platform for members to feed into the National Co-operative Development Strategy.

Working with a team of facilitators, the event saw teams of people clustering around key priorities and themes, with flip charts and post-it notes flying. The bustle and noise of conversation were stilled only by the ringing of a bell from time to time, a signal to move on to the next phase of work. After developing and exploring ideas and priorities in a deliberative way, participants moved on to vote on the priorities. The intention of the event design was not to write a strategy in a clear and consistent manner but to identify outputs to explore.

There were limits to what could be done, of course. For example, with time constraints, it was a linear process so that the outputs were not then subject to a sense-check by the participants as a whole. However, this was not a research exercise, but a deliberative model intended to surface potential issues and solutions. The event was an expression, if you like, of the co-operative values of openness and democracy.



Image 2: Delegates at Co-operative Congress 2016

Under three themes that had been core to the day (great, open and inspiring), an outline of the discussion between delegates was scored, as shown below.

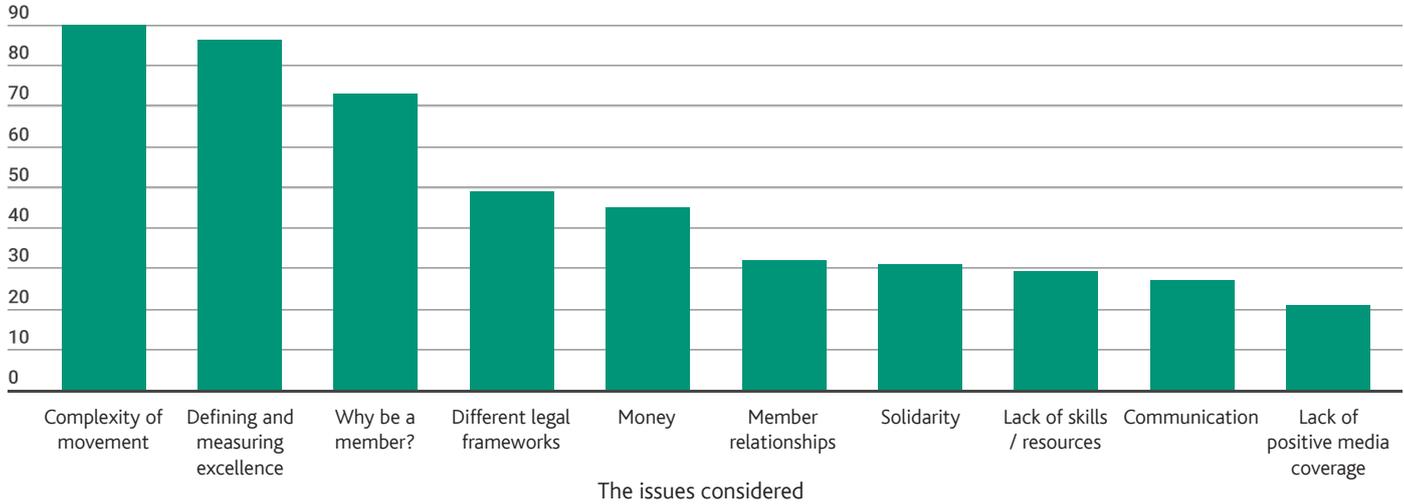


Figure 5: Great

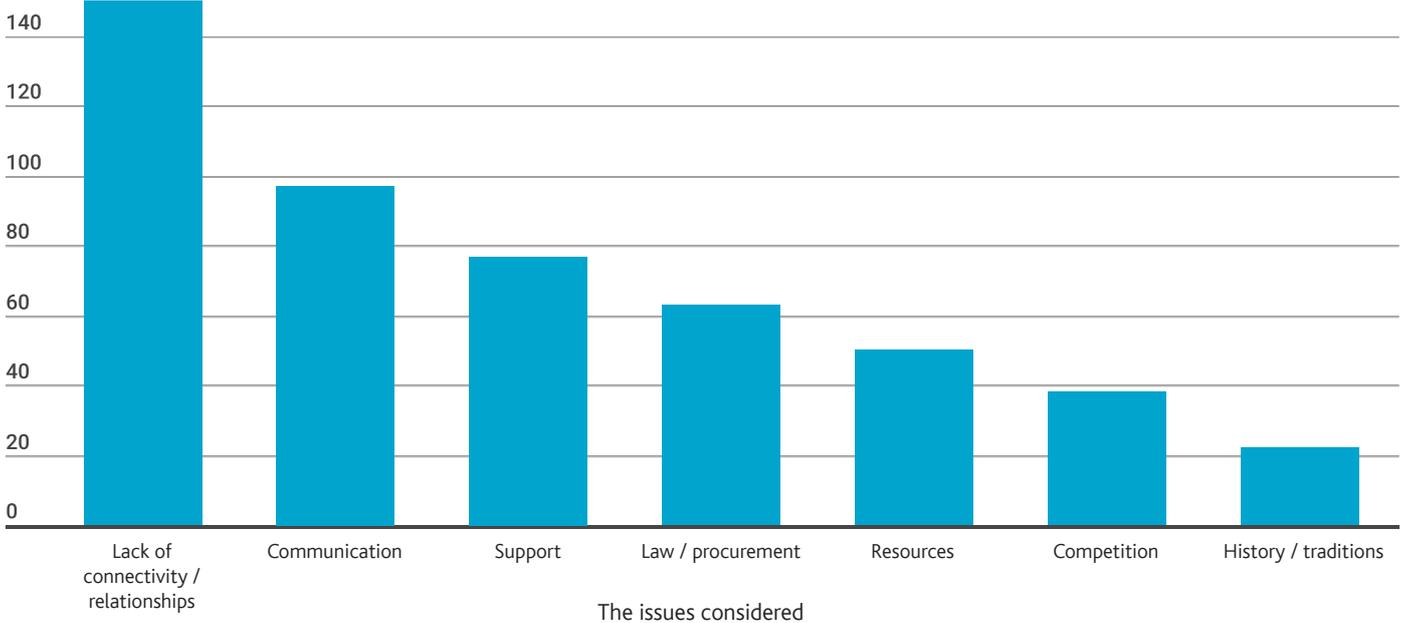


Figure 6: Open

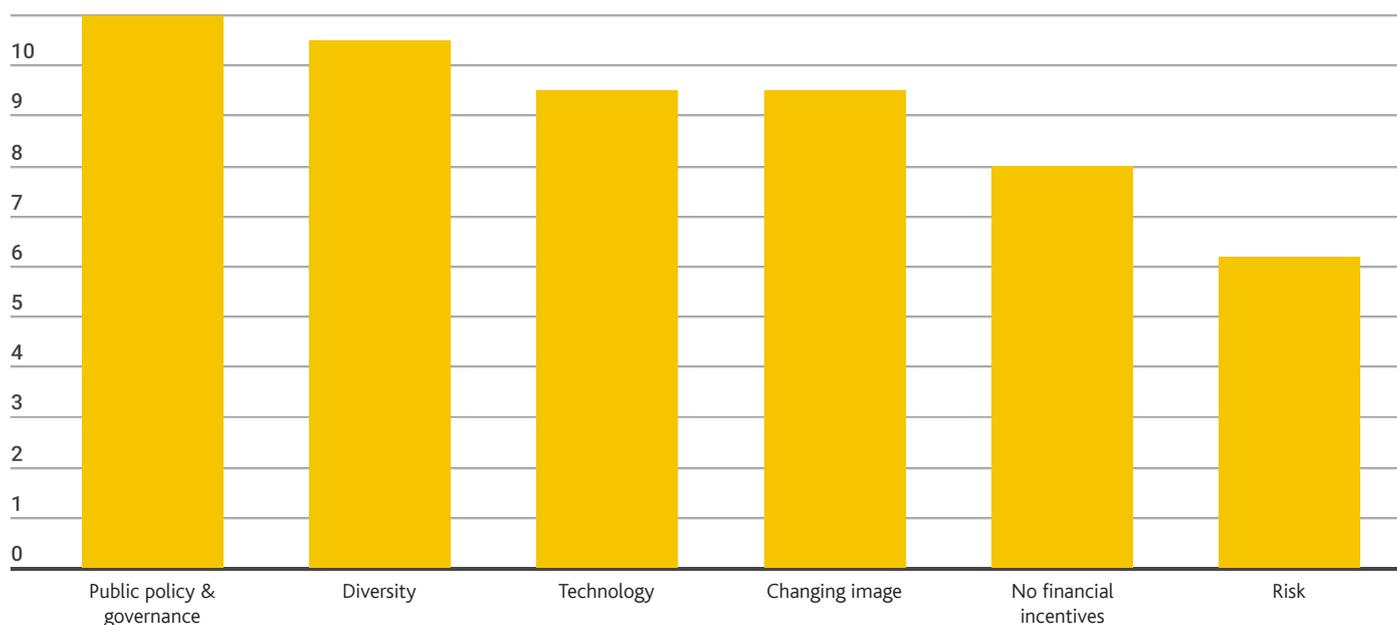


Figure 7: Inspiring

From those three themes, the top three areas of consideration were further developed into thematic actions, which are drawn together in the following table.

Commitment	Flipchart themes	Thematic actions
Be Excellent (Great)	Complexity of movement	Equip those who work in co-ops to be champions for their co-op
	Defining and measuring excellence	Be clear as a co-op on what success looks like
	Why be a member?	Engage co-op members and be led by their needs
Co-operate with like-minded businesses (Open)	Lack of connectivity/relationships	Make it easier for co-ops do more business together
	Communication	Work together on marketing and communication to make co-ops a natural and accessible form of business
	Support	Take advantage of opportunities for developing co-operation in the supply chain
Open up to innovation (Inspiring)	Public Policy & Governance	Cut legal and regulatory barriers to co-operation
	Diversity	Foster a culture of open learning
	Technology	Put technology at the heart of tomorrow's co-op sector

Table 2: Thematic actions from Co-operative Congress

Some of the key themes were ones that could best be addressed by existing co-operatives focusing on and demonstrating their own performance and impact. It is in the nature of participatory enterprises that these impacts can be diverse and best practice in the sector sits with those co-operatives that are able to prove and improve their member and social value, for example through social and environmental accounting and reporting. A particular opportunity, identified by the Co-operative Performance Committee, a finance and accounting-led member group of Co-operatives UK, is to encourage good practice in relation to the 'narrative reporting' which is at the core of annual reports produced by co-operatives, and indeed any publicly owned business.

Other themes which emerged reinforced the need for multiple points of leadership across the sector – such as the Co-operative College on open learning and the role of Federal co-operatives in specific sectors on enabling co-ops to do business together. The Panel understood from this that the strategy needed to be one that could affirm current points of leadership and open up to new ones, in the form of an invitation to act together – under the concept that emerged in the period that followed as 'Do It Ourselves'.

Existing development strategies within the co-operative sector

Regarding different points of leadership, Co-operatives UK recognises Federal organisations as the apex body of a particular sector or collection of co-operatives and works with them where appropriate.

The development of Federal organisations mirrors the organic way the co-operative movement has grown. Therefore there isn't a comprehensive list of single Federal organisations for each business sector.

Some Federals work in particular parts of the UK; others work across the UK. Some limit themselves to one particular industry while others work across sectors and concentrate on a type of co-operative. Some sectors have no Federal organisation, while others have one or two or more. Many have existing development plans in place, which were there to learn from and connect with, where possible.

Table 3: List of federal members

Federal Members	Sector
Association of British Credit Unions Limited (ABCUL)	Credit Union
Confederation of Co-operative Housing Ltd (CCH)	Housing
Co-operative Personal Management Association (CPMA)	Entertainment
Country Markets Limited	Markets
Energy4All Limited	Energy
National Farmers' Retail and Markets Association Limited (FARMA)	Retail & Markets
National Federation of Tenant Management Orgs (NFTMO)	Housing
National Market Traders Federation (NMTF)	Markets
National Society of Allotment & Leisure Gardeners (NSALG)	Leisure
Plunkett Foundation	Rural Community
Radical Routes Limited	Housing & Community
Scottish Agricultural Organisation Society Limited (SAOS)	Agriculture

Supporters Direct	Sport
The Schools Co-operative Society Limited	Education
UK Credit Unions Limited (UKCU)	Credit Union
Working Men's Club and Institute Limited (CIU)	Clubs

Other Federal Trade Bodies	Sector
ACE Credit Unions	Credit Union
Scottish League of Credit Unions (SLCU)	Credit Union
Irish League of Credit Unions (ILCU)	Credit Union
Ulster League of Credit Unions (ULCU)	Credit Union

Some examples include:

Association of British Credit Unions Limited (ABCUL)

ABCUL is working to develop shared back-office services for credit unions to increase the range and diversity of their product offer. It is likely that the larger credit unions will look to grow on the back of this increased scale. Credit unions are a highly regulated financial sector, and therefore growth takes investment and a clear strategic plan. Credit unions need the right legislative, governance, business and investment environment to do this and this is what drives ABCUL's strategic development plan.

National Market Traders Federation (NMTF)

The NMTF is the only national trade association for market and street traders, events retailers and mobile caterers, offering protection and support to its members. It has 13 co-operatively owned markets in its membership. It works with Co-operatives UK to offer an advisory and registration service to members of the NMTF interested in forming a co-operative to run a market. Its current view is that they would not recommend turning a larger market into a co-operative due to difficulties around finance and scale. It has produced a strategy to start a co-operative market.³⁶

Plunkett Foundation

Plunkett supports people, predominantly in rural areas, to set up and run life-changing community co-operatives. The key ambitions of its strategy include inspiring communities to consider co-operative solutions, encouraging a wider range of co-operative models beyond shops and pubs (for example woodlands and farming enterprises), and reaching more communities, particularly when there is less of a tradition of co-operation. It aims to do this by increasing the support available to communities as they explore and create new community co-operatives, and by helping existing community co-operatives to thrive and look to each other as a network.

Radical Routes Limited

Radical Routes is a network of housing and worker co-ops and social centres whose members are committed to working for positive social change. It has identified the Co-op Cluster model to help develop solutions to issues specifically affecting the co-op housing sector. The cluster model encourages co-ops to band together, sharing assets and income to buy new properties and found new co-ops. This would eventually help co-ops to start growing efficiently and sustainably.

Scottish Agricultural Organisation Society Limited (SAOS)

SAOS develops joint ventures among farmers, growers and rural businesses, and within the food and drinks supply chains in Scotland. SAOS has adopted a leadership role in identifying opportunities for new co-operation and collaboration. It researches and develops strategies that deliver the potential for growths in output and value, but which also take into account the complexities and risks of implementation. Its members' vision for 2025 is for co-ops to be conduits to market for their members; as channels to technology, and data and to be farmer-focused.

Co-operatives UK as a leader on innovation

Alongside these federal bodies – and specialist co-operative development bodies and workers who have always played a significant role in co-operative growth and innovation – is Co-operatives UK itself. Over recent years, Co-operatives UK has played an important role itself regarding fostering the skills and practices of co-operative innovation.

There is, of course, a long history of co-operative innovation among consumer retail co-ops in the UK. This includes the UK's first self-service food store; the first retailer to enter food manufacturing; the first national retailer to engage in large-scale farming to generate produce for sale; the first bicycles sold as a retail product at a national level; and the introduction of funeral prepayments as a mass consumer product.

However, a bruising period of decline and neglect left the consumer co-operative sector relatively introverted and defensive in the decades up to the year 2000. The sector had lost its cutting edge while co-operative methodologies had been adapted successfully for use outside of the formal co-operative sector. At the start of a focused programme of work on co-operative innovation at Co-operatives UK in 2010, public opinion was that co-ops were on the back foot, lagging behind other forms of business.

Research by Omnibus, commissioned by Co-operatives UK in 2010, showed that 37% of UK adults believed that co-operatives were innovative (lower than for traditional companies more widely) and that 40% of adults thought that co-operatives were old-fashioned (compared to 19% of wider companies).

Seven years on, public opinion has changed, perhaps in part because of a programme of development work at Co-operatives UK, such as one platform for 'community shares' equity crowdfunding by co-ops, two major reports and three co-operative innovation challenges. The public perception of co-operatives as innovators has risen by 16 percentage points since 2010. Co-ops are now rated as more innovative than companies.³⁷

Internationally, in 2016, there was a survey of over 230 co-ops by researchers at the university HEC Montréal, which, in a very welcome way, fills the gap on what larger co-operatives are doing on innovation.³⁸

Of the co-ops surveyed – mostly from North and South America and Europe – 69% see innovation as among their top three priorities. The key areas of investment over the next three years are the expansion of new services (91%), the development of capacity in innovation (84%), technology platforms (83%) and improving the speed of adopting new technologies (81%).

It is possible to compare these results with a 2015 study of mainstream business by Boston Consulting Group. This suggests that the proportion of co-ops placing innovation amongst their top three priorities was lower than in non-co-operatives – 69% versus 79%. Some of the areas of innovation identified by the HEC Montréal team as of concern for co-ops were distinctive to co-operatives: renewing member relationships (89%), supporting the social economy (89%) and improving sustainable development (87%).

Community Shares

Access to finance is a concern for all enterprises, co-operatives included, in particular for patient capital at a development stage. The co-operative sector is served by a number of banks, including the Co-operative Bank, and by a specialist intermediary, Co-operative and Community Finance, funded in part by co-operatives over time, which has an outstanding track record as one of the most sustainable, specialist non-bank finance intermediaries in the UK.

Alongside banking and loan finance has been the development of the market for member equity capital for co-operatives. This 'community shares' work has been an excellent example of a co-operative development success that brings together federal bodies, co-operative development bodies and workers and Co-operatives UK.

“This 'community shares' work has been an excellent example of a co-operative development success that brings together federal bodies, co-operative development bodies and workers and Co-operatives UK”

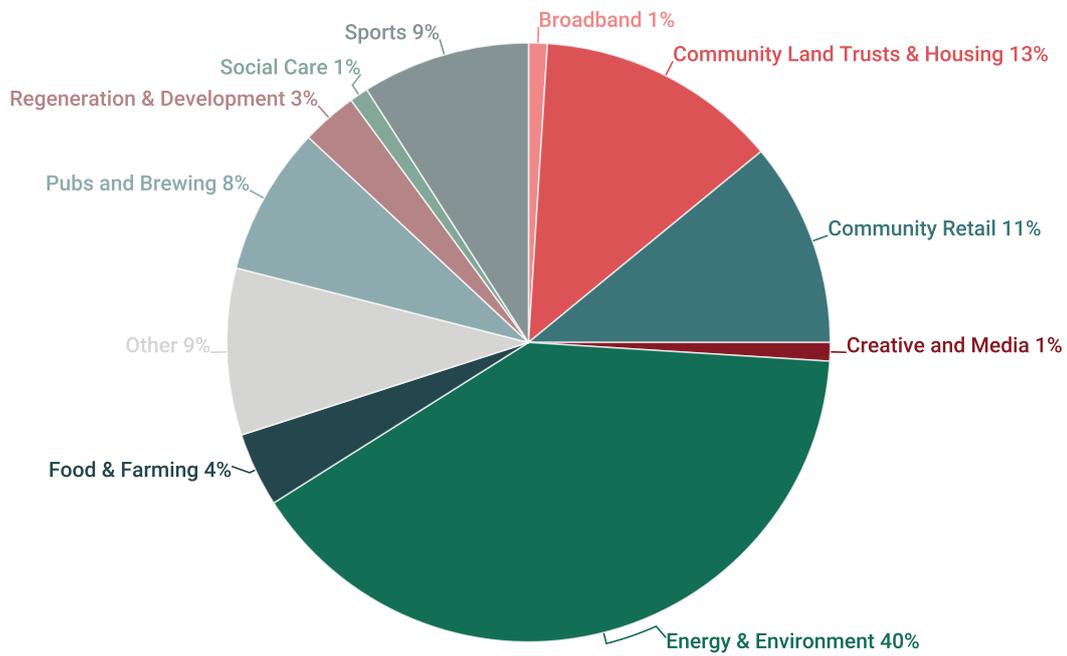
The Community Shares Unit is a joint initiative between Locality and Co-operatives UK, with funding from the Department for Communities and Local Government. Its objective is to support enterprises, promote good practice and raise awareness of community shares as a sustainable financing mechanism for community enterprises.

Locality (then known as the Development Trusts Association) and Co-operatives UK came together to establish the Community Shares Programme, an action research partnership funded by the Cabinet Office and the Department for Communities and Local Government. The programme ran from 2009 to 2011 with a focus on England. Over 70 societies registered during this period have now completed a community share offer.

The Community Shares Unit launched in October 2012 and continued as a joint initiative between Locality and Co-operatives UK. Its overriding objective is to grow a sustainable market for, and the long-term success of, the use of community shares to raise equity finance and participation, with due process and protection for investors, in a range of community and co-operative enterprises.

Co-operatives UK estimates that since 2009, over 100,000 people have invested more than £120m to support over 400 community businesses.

2015



2016

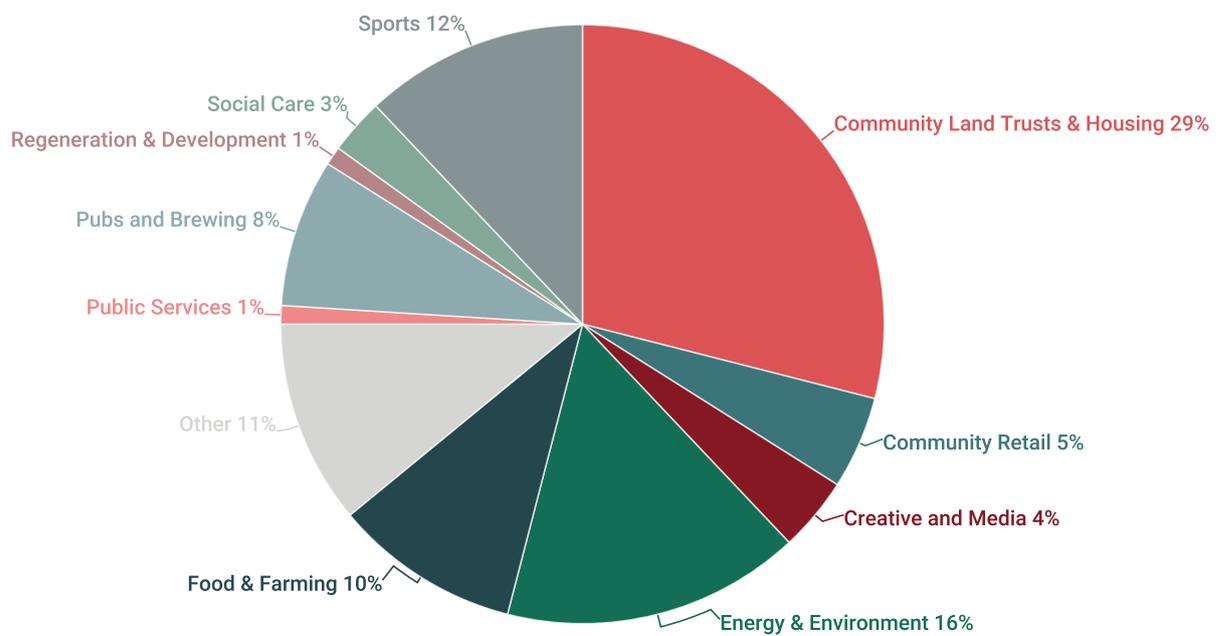


Figure 8: Community Shares Market in 2015 and 2016

Sector development

Co-operative businesses come in many forms. Many of the support interventions described above can be thought of as 'horizontal', in the sense that they tend to relate to co-ops in general. The same applies to a lot of the national policy advocacy of Co-operatives UK, for example around regulation and co-operative legal frameworks, which can look to reduce barriers to or create incentives for co-operation. A different, 'vertical' approach instead looks at support through the lens of the business sector that co-operatives are trading in.

In 2015, Co-operatives UK published a book, *The Co-operative Advantage*, which looked at 15 sectors of the UK economy, covering 61% of overall GDP and account for 64% of total employment in the UK. The focus was on innovation, as a key driver for business development over time, and on where potentially co-operative models could operate with a competitive advantage. What emerged was an array of 55 co-operative innovations across the UK economy.

Fifty Plus Co-operative Innovations	
Agriculture	<ol style="list-style-type: none"> 1. Cross-border co-ops 2. Sharing know-how and raising productivity 3. Sustainable, distributed food and farming
Community food	<ol style="list-style-type: none"> 4. Collaborative networks for scale and viability
Renewable energy	<ol style="list-style-type: none"> 5. Community energy
Retail	<ol style="list-style-type: none"> 6. Customer-led retail 7. Co-operation and Service Provision 8. Consumer control of data 9. Sharing economy 10. Sustainable consumption
Insurance	<ol style="list-style-type: none"> 11. Discretionary mutuals 12. Takaful 13. Collective approaches to buying insurance cover
Banking	<ol style="list-style-type: none"> 14. Mainstreaming credit unions and community development finance 15. Complementary currencies 16. Mutual guarantee co-ops 17. Local banking 18. New mutual technology platforms
Creative industries	<ol style="list-style-type: none"> 19. Freelancers co-operative 20. Commercial partnerships – creative consortia 21. Creative skills 22. Community-owned media 23. Open co-operatives

Sport	<p>24. Supporter-owned amateur sport</p> <p>25. Supporter-owned professional sports clubs</p>
Tourism	<p>26. Destination marketing co-operatives</p> <p>27. Sustainable tourism</p> <p>28. Community-owned heritage</p> <p>29. Consumer-owned tourism platforms</p> <p>30. Social innovation tourism</p>
Education	<p>31. Early years co-operatives</p> <p>32. Co-operative schools</p> <p>33. Further education mutuals</p> <p>34. Sixth form co-operative colleges</p> <p>35. Co-operative higher education</p> <p>36. Educational support service co-ops</p>
Social care	<p>37. Employee-owned care</p> <p>38. Community health mutuals</p> <p>39. Public-social partnerships</p> <p>40. Home improvement partnerships</p> <p>41. Integrated health and social care co-operatives</p> <p>42. Mutual direct payments</p>
Health	<p>43. Patient-led approaches and enterprises</p> <p>44. Cost-saving co-operatives</p> <p>45. Productivity through co-operation</p>
Housing	<p>46. New co-operative and mutual housing</p> <p>47. Garden cities and co-operative place making</p> <p>48. Buy to co-operate</p>
Criminal Justice	<p>49. Employment and resettlement co-operatives</p> <p>50. Community payback mutuals</p>
Transport	<p>51. Co-operative rail and rail infrastructure management</p> <p>52. Train operating co-operatives</p> <p>53. Co-operative road tolling schemes</p> <p>54. A Mutual Highways Agency</p> <p>55. Trust Ports</p>

Table 4: Fifty Plus Co-operative Innovations

The total economic value of the sectors looked at add up to 61% of overall GDP and accounted for 64% of total employment in the UK. For each sector, a panel of innovation experts assessed a range of factors, which are:

- > the size of the sector
- > growth prospects for the sector
- > the co-operative 'fit'
- > barriers to co-operative entry
- > international co-operative exemplars
- > the current co-operative presence
- > the possible level of co-operative innovation.

It is true that not all sectors are conducive to mutual enterprise models. Where relationships are fleeting or transactional or the financial capital requirements are high, the answer may not be co-operation.

The sectors that emerged as the ones in which co-operative models hold the greatest potential to add value through innovation are set out in **Table 5**. Not surprisingly perhaps, they also exemplify a co-operative fit regarding relationships with people or with nature that illustrates the wider paradigm shift that is likely to be of relevance regarding new economic models for wealth creation.

Co-operative Sector Innovation Potential	
Outstanding Innovation Potential	Education Renewable energy Social care Agriculture
High Innovation Potential	Banking Retail Creative industries Health Insurance Housing Sport
Medium Innovation Potential	Tourism Transport Community food Community justice

Table 5: Co-operative Sector Innovation Potential

In 2016, the Power to Change programme led a similar exercise focusing on small-scale community businesses in England and business growth alone rather than innovation. It identified two of the same sectors, housing and sport and leisure, as of high growth potential, suggesting that some of the same factors may be at work at the smaller-scale, community end of the enterprise spectrum (Power to Change Research Institute, 2016). Analysis of the community shares market, which represents equity capital raising by societies, also identifies these two sectors, alongside energy and environment.

Co-operatives UK and National Policy

While the values of self-help and mutual aid lent a focus on what can be done by the sector and its partners, it is also clear from the examples above that Governments, at UK or devolved level, can play a critical role in helping or hindering co-operative development.

Feedback from members over the course of the strategy work made it clear that Co-operatives UK, as a voice for the sector, has a role in championing better policy for the sector. At present, policy making for co-operatives is often fragmented across government departments and predicated on a patchy understanding of the sector. There is therefore a need to mainstream understanding of and support for co-operatives, centred in the business teams, leading to a clear, business-focused government position on co-operatives and an agreed pathway for future policy development.

The UK could start by following the example of the European Commission which officially recognises co-operatives and the valuable economic and social contributions they can make. Since 2004, the work of the European Commission in relation to co-operatives has been guided by the 'Communication on the promotion of co-operative societies in Europe.

This focuses on promotion and understanding of co-operatives, improvements to their business environment and identification of where co-operative approaches to business align with Commission policy objectives. In 2013 Commission established 'The Working Group on Cooperatives' in to assess the specific needs of co-operative enterprises with regard to a wide variety of issues such as the appropriate regulatory framework and the identification of barriers at national level. As we leave the European Union co-operatives in the UK stand to lose this useful high-level official support, unless something of the sort can be replicated at a UK level. One option would be to link into the emerging Industrial Strategy launched by the Conservative Government at the start of 2017. This opens up the scope for 'sector deals' where policy action matches efforts made by businesses in specific sectors themselves.

A **Co-operative Sector Deal** would match a concrete set of commitments developed by today's co-operatives and their partners with a recognition by Government of the business value of co-operatives and a focus on reducing regulatory barriers over time so that co-operatives can operate on an equivalent footing to business more widely.

A powerful driver for an inclusive economy is inclusive ownership. Over the last thirty years, business ownership has narrowed.³⁹ But there are positive trends in terms of encouraging economic participation, including co-operative models based on sharing profits and ownership.

An extra two million people as member owners of co-operatives over the next five years would take the total to 16.2 million people in the UK, over 30% of the adult population. An extra five million over the next decade would mean that over one in three adults (36%) are co-owners of a co-operative or mutual enterprise in the UK.

This could include a range of ownership forms, including customer-ownership, which will be the most popular way to recruit new member owners, as well as, over five years:

- > At least 350 new co-operative enterprises created each year.
- > 50,000 more people in the UK earning a living through a co-op, including as co-owners of their businesses and through freelancer co-ops.
- > 100,000 member investors in 'community co-ops', supporting local assets or community services through community shares.

These targets are illustrative of the ambition that the sector could have. The Panel was keen to explore what the trajectory could be for the sector, but also concerned to ensure that the strategy was rooted in an open process, where the targets were open themselves to the ambition of those coming together to make them happen. There is case for closed 'smart' targets where there is a closed plan with a set number of actors that can be allocated responsibility for achieving something within a set timeframe. That is not the form that the Panel were looking to, because the momentum that is achieved by being open to new actors and new actions can raise the level of ambition and impact overall.

But first, the Panel needed to look in far more depth at the needs of the co-operative sector itself.

Intelligence and insight on the co-operative sector: the Big Co-op Census and selection of three key sectors for growth

The data on the UK's 7,000 co-operative organisations has been limited. To address this, Co-operatives UK ran the first ever co-operative census from 13 July to 31 October 2016, to provide a better understanding of how member-owned businesses are faring across the UK – what is working, what the challenges are, where they would like to be, what they need to get there.

The Census had the following aims:

- > To assess the current state of the sector about development needs
- > To gain greater insight of, and engagement with, those co-operatives with whom Co-operatives UK has had little prior relationship, to extend the validity and reach of sector intelligence
- > To inform the National Strategy process and ensure the strategy is evidence-based and representative of the diverse co-operative sector.

Results

Response rate: More than 550 responses to the census were received, representing around 8% of the total co-operative economy (6,797 co-ops based on 2016 data). These were cleansed and collated to remove duplicate or incomplete responses. This left 498 individual, validated responses (7%).

Response target: The original goal was 10%, which is a realistic aim for an online survey of this type.

Respondents:

- > 55% (275) were non-members, with 45% (225) being organisations that had never previously been in membership. More responses came from those who had previously had little or no contact with Co-operatives UK than from any other grouping.
- > 45% of responses (223) came from Co-operatives UK member organisations, in turn representing around one-third of all members.

In summary

The number and breadth of responding co-operatives form a solid basis for the analysis of co-operative development needs, meeting the stated methodological aims of this research. However, the inevitable self-selection bias in responses must be borne in mind when outcomes and recommendations drawn from the respondent sample.

There are some key points of learning for undertaking any future research on a similar scale. Namely:

- > Further varying and tailoring the means of survey promotion and completion to specific sub-groups;
- > Supplementing email and social media campaigns with telephone calls, events promotions and other streams;
- > Moreover, the importance of working closely with Federal bodies, to ensure the unique developmental requirements of sub-sectors is heard.

Specific areas for consideration

The unique character and requirements of co-operative governance present a specific challenge for organisations within the movement and for those seeking to support sector development. Previously there has been no large-scale intelligence gathered on co-operative governance in practice, and this survey has revealed a notable consistency in management team/board sizes. The high central tendency to an average of c.six board members, despite a large range, evidence smaller board sizes than found in other sectors and best practice recommendations. Perhaps the vicissitudes of co-operative governance present a unique configuration that warrants further investigation.

The survey questions relating to training and resourcing suggest a challenging climate for co-operatives. Recruitment, retention and training of members, staff and volunteers are of central concern to respondents. In particular, concerns over governance and management suggest there is a skills gap, whereby the understanding of governing board best practise is strong, at least for the subset captured within this survey, but accessing the 'right' people, finding quality training and adequate resourcing remain significant challenges.

The role of volunteers within the co-operative sector was previously unknown and consequently under-investigated. However, the findings of this census suggest this is not an area to overlook. Equally, the formal and informal training provision by co-operatives – in particular, the role of apprenticeships and the associated policy changes and emphasis on in-work training planned for 2017 – make this another important area to develop. This aligns strongly with the current concerns in the co-operative movement regarding engagement of younger people and ensuring an in-flow of skills, knowledge and innovation so that the co-operative sector does not fall behind its counterparts.

Funding and recruitment of skilled staff and volunteers is a challenge for any business sector, but there are specific and often relatively complex problems for co-operatives of varying legal forms and structures. Governance and the challenges inherent in managing any organisation engender unique challenges and unique solutions in the co-operative sector. The knowledge and experience of best-practice governance exist. However, the dissemination and opportunities for training in this field suggest some work be done to ensure these reach organisations operating on the ground.

Similarly, the engagement of members and customers is a universal challenge for businesses, but the democratic components and member-driven nature of co-operatives make this even more complex. Here, the development of greater support mechanisms could potentially safeguard the fundamental member-owned drivers of businesses in the sector. Harnessing the skills and experience of members is viewed within the movement as an active enabler of innovation unique to co-operatives.

Other areas of concern, such as business succession, acquisition and downsizing are also relevant here, but their relatively marginal impact is worth bearing in mind when considering prioritisation and resource allocation of support mechanisms.

Key conclusions from the Census

The Census confirmed the extraordinary richness and diversity of the co-operative sector and it has given a series of important insights regarding what the key needs and concerns are of co-operative enterprises. It has shown that co-operatives are keen to grow. At the same time, that same diversity translates into fragmentation and complexity, with multiple reference points, different frameworks and names for the same thing and a lack of unity in terms of working together.

Some of the key findings that the Panel took from the research were that:

- > Supporting governance is a vital way to support the development of co-operative enterprise. The unique character and requirements of co-operative governance present a specific challenge for organisations within the movement and for those seeking to support sector development.
- > The responses on training and resourcing suggest a challenging climate for co-operatives. Recruitment, retention and training of members, staff and volunteers are of central concern to respondents. In particular, concerns over governance and management suggest there is a skills gap, whereby the understanding of governing board best practise is strong, at least for the subset captured within this survey, but accessing the 'right' people, finding quality training and adequate resourcing remain significant challenges.
- > Membership development is a shared concern for most co-operatives, and, again, an opportunity to support good practice in terms of co-operative development. Harnessing the skills and experience of members is viewed within the movement as an active enabler of innovation unique to co-operatives.

Three Key Areas

From this research and feedback, the Panel identified three key trading areas, as a shortlist from a longer list, including important areas such as co-operative and mutual housing and co-operative schools and education.

Supporting freelancers to come together in today's 'gig' economy

A significant rise in self-employment is forecast for the years ahead. At the end of 2016 self-employment was at an all-time high. Survey research for Co-operatives UK suggests that one in four current employees in medium-sized firms (27%) in the UK would like to go self-employed (22% in small businesses, 14% in the public sector).⁴⁰

There is no available data, but it is reasonable to assume the proportion of the self-employed who have a profit-for-purpose attitude to their work is similar to those in employment.

As the Co-operatives UK *Not Alone* report highlights⁴¹, 83% of the self-employed in the UK work alone as freelancers. 78% of the self-employed have low income and lack the protection of those in employment. Therefore, as freelance workers, they do not benefit from the holiday and sickness pay that agency staff can access. Co-operative and trade union solutions, if integrated, have the potential to improve the circumstances of the self-employed.

There have been some initiatives aimed at ameliorating the difficulties of the self-employed.

- > The Musicians Union has supported the work of its freelance members by collectively negotiating agency worker agreements as co-operatives
- > Equity has a similar partnership with a growing network of actors casting co-ops gaining employee status agreements within the media industry
- > The US Steelworkers Union has a collaborative partnership with the Mondragon Co-operative in Spain to develop a co-op model that supports the development of worker co-operatives for freelance members to join
- > Smart, which became a co-operative in 2017, helps artists in Brussels and other cities to access workspace at affordable prices
- > In France, CAEs (Coopératives d'Activité et d'Emploi) has a co-operative model that allows groups to move to self-employment, which includes workspace and back-office provision
- > The Community Union has a partnership with IndyCube in Wales, which helps freelance workers access the affordable workspace. It is working with the Wales Co-operative Centre to become a co-operative.

Meeting needs for social care through new models of co-operation

With a greatly ageing population and a pattern of service delivery that is more labour-intensive than many sectors of the economy, social care ought to be high on anyone's list of opportunities for co-operative action.

However, it has not worked out this way to date, partly as a result of a cultural unwillingness to value high-quality social care and partly the way in which social care is handled in the welfare state.

Most UK social care co-operatives are worker co-operatives, but a few involve service users as members and in the governance. A number have operated successfully for 20 to 30 years including Sunderland Home Care

Associates, Care Co-operatives in Brighton and Hove, Wrekin Home Care in Telford and Bridgnorth Home Care Co-op in Shropshire.

Highland Home Carers in Scotland is employee-owned with 300 worker-owners. The care service was privately owned until 2004, but the owner wanted to transfer ownership to the employees. Existing good will, a healthy relationship and block contracts with the local authority were an essential asset along with an excellent management team. These factors put them in a strong position to attract the finance to achieve the ownership transfer.

In 1980, Alexander Laidlaw, the Canadian Secretary General of the International Co-operative Alliance, called on the co-operative movement to consider ways to provide and deliver growing welfare services.

No other country since then has been as successful as Italy in expanding the market share of the co-operative sector in the field of social care and other welfare areas. In the late 1970s, a new form of multi-stakeholder co-operative emerged in Italy that blended the co-operative legal form with a non-profit social mission. The democratic involvement of workers (paid and unpaid) and service users is a challenging but generative area for social care solutions.

In Japan, there is integration between co-operative health care and public health services. Additionally, the involvement of volunteers can assist in bringing unpaid carers into paid professional work. The Japanese *furei kippu* currency care notes are given to those contributing volunteer care to the elderly, which is redeemable in care hours for those needing care.

Japanese health co-operatives focus primarily on prevention rather than cure by mobilising the active involvement of members. Nurses, social workers, doctors, physiotherapists and other health care professionals participate as collaborative partners in a community-led model of integrated health and home care services.

However, these are co-operative models from different countries and different cultures and would be challenging to replicate. There may be opportunities for multi-stakeholder co-operatives to make workers and users partners in care; for home care services offering a mixed pricing system and a targeting of a full spectrum of care service users; for new models of integrated health and social care, where costs are lower and standards of care higher.

New digital ventures, or ‘platform co-operatives’, using new technology for shared ownership services

While the aesthetic of the sharing economy is co-operation, there is a default button that steers back to courting traditional corporate forms. Venture capital is a preferred model of investment to scale on the web. However, the opportunities for co-operative models could be start-up competitors to these, or it could be a strategy for venture capital-backed platforms that have lost out, perhaps as they were second on the market, not first, and can only challenge the new incumbents by offering something different, such as true shared ownership.

Either way, being a co-operative doesn’t in itself solve the challenge of achieving scale, the number of users finding value in the platform, or the scope – i.e., the affiliation of the users to that platform – even if it could potentially offer something distinctive as part of that challenge.

In January 2017, Co-operatives UK held a workshop session on Platform Co-ops, with the British Computer

Society. Key findings were:

- > The advantage of the co-operative model is primarily one of motivating participation and loyalty, offering stability over time
- > However, co-ops are not present, not natural, and not evident in the digital world.
- > The world may well move in a way that changes the nature of thoughts taken for granted today. For example, if people value privacy in different ways, there may be a way in which value can return to users, by taking investors out of the model.

There is recognition within the platform co-op movement of the need for “incubators” that support co-operative structures for tech start-ups. Incubators traditionally work with cohorts of start-ups, selected through a competitive process and offered workspace, pre-seed investment, time-limited technical assistance and intensive mentoring, to enable their future growth.

The scale is an issue, though, and it may be that those goods that can be aggregated patiently – like maps, data, search, identity management, personal data stores, and buying groups – offer the best fit with co-operative models of scaling.

Other areas to consider include:

1. The fact that co-operatives are not ideal for capital-intensive businesses needing large sums fast and up front
2. The hypothesis that co-operative ownership could be a succession or a growth strategy and a way to differentiate in the marketplace where others have become the incumbents remains an intriguing one, but it needs testing.

The case for a mass user buyout is logical and is a place where technology and co-operation coincide. Should we be working on the regulatory and technical models for making something like this happen at a global level?

Even so, there are still challenges in the current market conditions, if user capital has to match what has become the inflated expectations of venture capital technology investors. The #BuyTwitter campaign run in 2017 offers perhaps a case in point. Support from smaller shareholders gave a proposal for Twitter to convert to a user co-operative 4% of the vote at the May 2017 Annual General Meeting. Research by Co-operatives UK suggested that 14% of active Twitter users would invest in the service in that scenario. Even so, the valuation of Twitter for now far exceeds that of a comparable company in other sectors. As with any buyout, there needs to be a willing seller, and a willing buyer and a price to match the two.

The challenges and opportunities for co-operation

As a concluding exercise in the development and drafting of the strategy co-operatives, advisers and innovation experts have put forward views through a variety of channels on what drives the growth of the co-op sector, and have reflected honestly on the challenges it has experienced.

Key drivers of success to date
Thriving co-operatives inspire others to have a go
Specialist co-operative development agencies and networks that are spreading best practice in key sectors, credit unions to community services, from energy to education
Values and principles that chime with the way people want to work together
The potential to attract share capital from members for new ventures, in particular at a community level
Offering viable solutions to the needs of one community can lead to action in communities across the country
An improved legal framework for societies, the most popular legal form for co-operatives
Partnerships with others outside of the co-operative sector who are sympathetic to its values and its growth.

Table 6: Key drivers of success

Key barriers to success to date
Not all co-operatives want to co-operate with others
Brand confusion between co-operative, mutual, social enterprise, consortia and employee-owned businesses
An assumption that co-ops are food shops, no more
Lack of mainstream awareness on the co-operative option among entrepreneurs and business advisers
Insufficient focus on and resources for co-operative development
Some co-operatives operating in sectors that are in relative decline, leading to variable performance
Weak penetration in the new digital sector

Table 7: Key barriers to success



D

Final strategy

During the creation of the strategy, the Panel attended and facilitated some events during 2017 to reach a broad range of stakeholders and ensure the process was as collaborative as possible. The Panel had the opportunity to test the strategy through these stakeholder interactions. Feedback from these stakeholders, as well as other comments sent to Co-operatives UK, was used to refine the draft document and to develop the final strategy.



Do it ourselves

A National Co-operative Development Strategy

Your invitation
to shape a future
powered by co-operation



2

One day most businesses will be run in a participative way, giving a say to those involved.



The best of these will be the foundations for a different kind of economy, one in tune with our values.

These will be co-operatives.

And this is how it starts...



3

This is an open plan

Open to you

A National Co-operative Development Strategy



By 2018, a strategy has been drawn up, inviting co-operatives and those supportive of co-operative action to be at the heart of a new participatory business action plan.

4

The plan draws on evidence and dialogue collected over a two-year period. It is reinforced by the experience of other countries where co-operatives make up a tenth of the economy overall, with benefits regarding equality and wellbeing.

The strategy for a new wave of co-operation in the UK is simple in its focus, with three interlocking steps:

1. Commit to be great at co-operation

This means living up to your own values, looking for ways to collaborate with others and choosing co-op, whether for your weekly shop or your service supplier.

5



2. Be willing to be open to new co-operation

This means having new conversations and looking for new ways to act co-operatively.

3. Join in campaigns for inspiring co-operation

This means having the confidence to spread the word about or campaign for co-operative action that gives you hope.



6

The strategy itself is based on self help and mutual aid, with an open invitation for co-operatives and people supportive of co-operatives to create their own priorities and commitments in line with what is offered here.

Great, open and inspiring actions follow from constituencies and networks that form around key possibilities.

That can include the millions of people already involved as members or workers in co-operatives.

Early actions and partnerships will include three sectors of the future UK economy around which ambitious new co-operative solutions urgently need to be found. These are set out on the opposite page.

Illustrative targets for the development of the strategy and plan are shown on pages eight and nine. You can see some of the other initiatives that are bubbling up and join in with yours on www.uk.coop/doiit

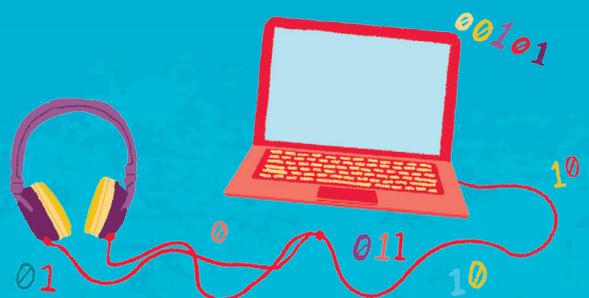


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Supporting freelancers to come together in today's 'gig' economy.

Meeting needs for social care through new models of co-operation.

New digital ventures, or 'platform co-operatives', using new technology for shared ownership services.



1. Commit to be great at co-operation



If you are part of a co-operative already, it means taking action together to:

- Live up to best practice co-operative governance, drawing on support and assurance where required
- Achieve values of equality and openness when it comes to gender, age and diversity
- Look for ways to encourage your co-operative to trade with other co-ops and likeminded businesses
- Make a commitment to build the skills for co-operation

Working together across co-operatives, such as through Co-operatives UK, it means taking action to:

- Help co-ops by offering a first point of support and information through a UK-wide programme, The Hive

- Create a high quality directory or framework to support co-op-to-co-op trading
- Lead work on innovation and best practice in co-operative governance, including reporting by co-operatives on the value they create

2. Be willing to be open to new co-operation



If you are part of a co-operative already, it means taking action together to:

- To be open about data, facts, progress, opportunities and challenges
- Take a look at new ways for members and workers to get involved, such as signing up to SolidFund, a contributory fund to support worker co-operatives
- Explore how to support innovation in one of the three future sectors identified in this strategy, or other areas of pressing need

- Be a partner for new co-operative ideas with federal bodies in key sectors and specialist co-operative development bodies

Working together across co-operatives, such as through Co-operatives UK, it means taking action to:

- Work with sector bodies and co-operative development workers to grow areas with the strongest growth potential
- Pilot a Replication Lab to grow successful co-op models
- Share open data on the health and performance of the co-operative sector

3. Join in campaigns for inspiring co-operation

If you are part of a co-operative already, it means taking action together to:

- Use the co-op marque to demonstrate that your organisation is a co-operative

coop



11

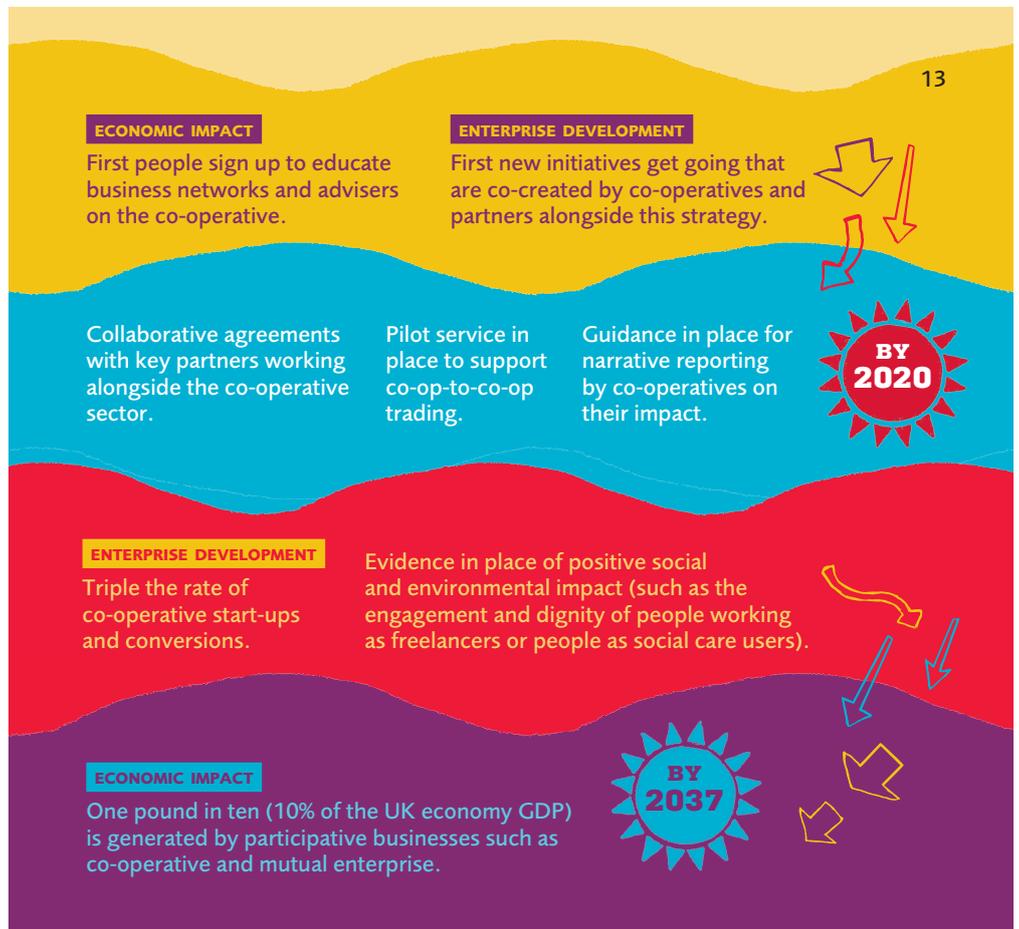
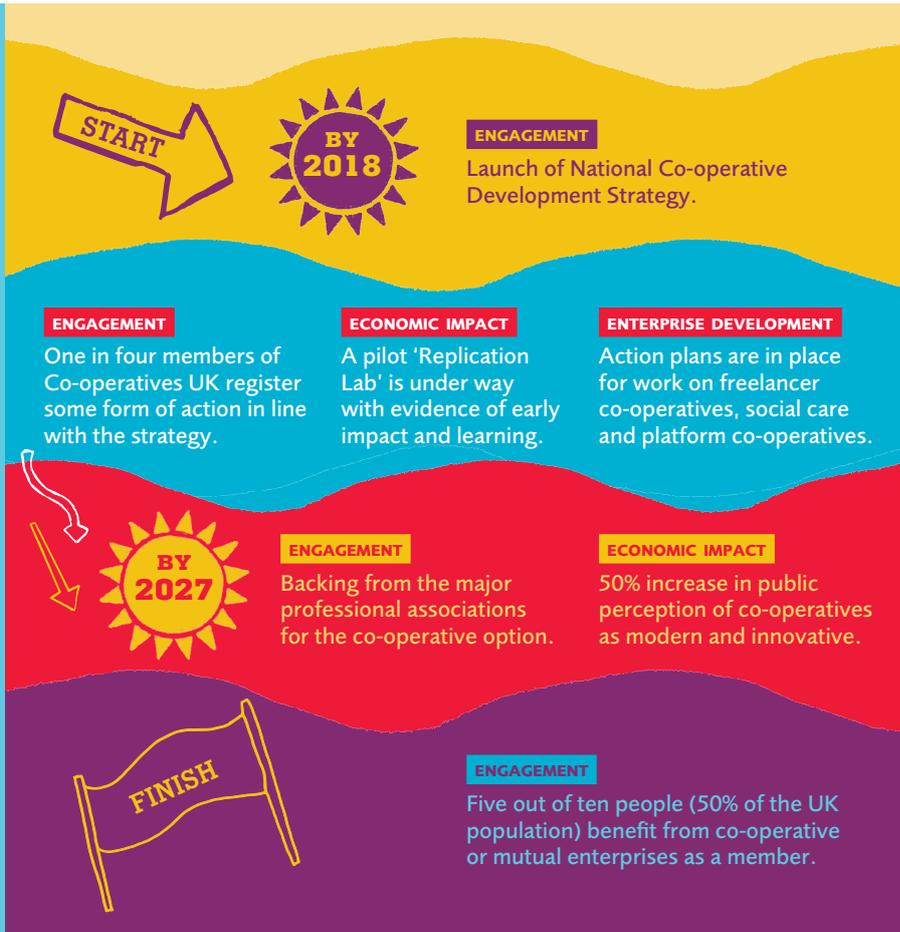
- Sign up to a national campaign to inspire the next wave of co-ops
- Use Co-operatives Fortnight as a way to increase understanding of co-ops among staff, members and customers
- Participate in campaigns to improve the policy and regulatory framework for co-operative action

Working together across co-operatives, such as through Co-operatives UK, it means taking action to:

- Provide tools to enable co-operatives tell their story to staff and members
- Equip individual co-operators to be advocates for the co-operative option in public and professional circles
- Lobby government decision makers for a business environment in which participative businesses – such as co-operatives, mutuals and social enterprise – can thrive

Each of these actions is featured in a set of cards or online on www.uk.coop/doit

Pathways to a participatory economy: illustrative targets



14

A time for co-operation

The story behind the strategy



In the years running up to 2020, despite calls to keep calm and carry on, Britain is experiencing more uncertainty – in terms of risk and opportunity – than it has for decades.

Coupled with the unknowns of a Britain outside of the EU, it is a tough economy in which jobs are more insecure and incomes more unequal. There is a longing for more of a say in what goes on.

At the same time, a new wave of co-owned ventures are emerging – local pubs are being bought and run by communities, tech start-ups are being created by their workers, and young people priced out of the housing market are buying properties together.

These participative enterprises are standing alongside 7,000 other co-operatives and wider mutual ventures and social enterprises and over a million and a half co-ops worldwide.

These reflect a model of self-help and mutual aid that dates back centuries. Now, again, is a time for co-operation.

15

These are the foundations of a different kind of economy, an economy that is creating a fairer, more equal Britain and allowing people to have a more genuine control over the things that matter.

The challenges and opportunities

People participate in different ways in economic life; as workers, customers, farmers, coders, entrepreneurs, suppliers, cleaners, patients, teachers, students, residents... citizens.

The best co-operatives have learned about how these rich and diverse types of participation can be turned into business advantages.

The key weakness is that for most entrepreneurs, professional advisers and policy-makers, the only form of business they know is one that is led by individuals and owned by investors. As a result, the odds are often stacked against initiatives based on partnership.

There is a potential advantage though. Such businesses, coming from an ethos of self-help and mutual aid, are willing to band together, ready to change the odds. They believe in the power and potential of people acting together.



To do it ourselves

We want to create a different kind of economy – one powered by co-operation

A National Co-operative Development Strategy has been developed with input and ideas from over 550 co-operatives.

This booklet introduces ways in which you can get involved in shaping what happens now, using the three steps of co-operation set out here.

There is a set of 35 cards available to accompany this booklet and to download. They are a creative tool to discover inspiring examples and ideas for what you and your organisation can do to create a more participative economy.

A technical report for this strategy and related resources can be found on www.uk.coop/doit

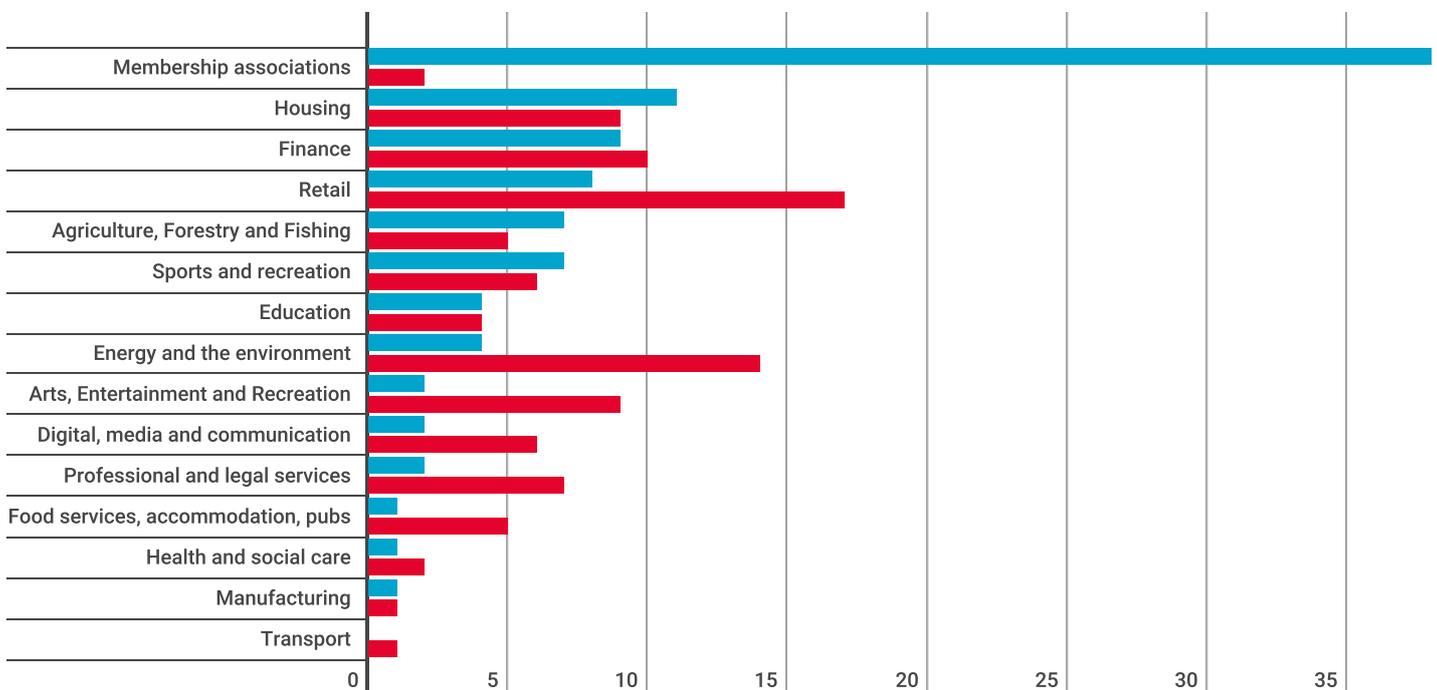
Developed by Co-operatives UK. Designed by Calverts and illustrated by Rebecca Hendin.





Appendix & end notes

Appendix 1: In-depth look at the Census



● Economy 2016
● Census data

Figure 9: A comparison of sectors represented in Economy and the Census, by % share

The research found that, when compared to the Co-operative Economy as a whole, there were some sectors that over- and under-represented.

A proportionally over-representative number of responses were observed for Retail, Energy, Professional and legal services, Arts and Culture, and Digital, Media and Communication sectors. This is explained by greater engagement from Federals representing those sectors.

For example, there was a marked increase in the representation of Country Markets, which had active engagement with its members and led to 8% (39) of responses.

The category for membership associations and social clubs was under-represented due to some factors:

- > It is the largest sector by some margin with a 36% market share of the number of co-ops (2,420). Plus it is one of the most varied: the category includes all social clubs (working men's clubs, social clubs, Labour/Conservative clubs, Royal British Legion Clubs, etc.), allotment societies, community associations, and football supporters associations (excluding fan-owned clubs).
- > These co-ops have a low-tech setup and reliance on volunteers in the day-to-day administration of social clubs: for many, there was not an email address available or the address was invalid or not often used. In hindsight, a greater representation of this category may have been achieved by distributing a paper survey with postage costs covered, or a telephone interview to administer the survey; both would come with additional cost and resource requirements.

Achieving a proportionally representative sample in a study of this type is perhaps unrealistic. However the range of sectoral responses is promising, and the above inconsistencies are worthy of note and offer opportunities for improving our member and non-member communications.

It is also evident from our email campaign data that there were 'jumps' in responses following targeted and shared branding email campaigns from the Co-operatives UK communications team. For example, following advice from the Scottish Agricultural Organisation Society (SAOS) we referred directly to 'farmer-run co-operatives' as opposed to the more frequently used 'agricultural co-operatives'.

Overview of key findings

The following summary is extensive and covers all census questions in varying levels of detail. The emphasis on both the census and analysis has been on development needs and how this may inform strategic responses.

Membership

Given the annual member survey, which meets most of the member intelligence needs of Co-operatives UK, questions regarding membership in the census were focused on development, investigating the requirements of co-operative sub-groups, and filling potential knowledge gaps.

Regarding the number of members, the modal response was 'Up to 10', demonstrating the prevalence of small co-operative organisations within the responses to this survey and also the wider sector (see figure 10 overleaf)

Co-operatives were asked to select their ownership classification (i.e. who their members are). This was then verified, matched and merged with data from Salesforce, integrating Census data with on-going data cleanse work.

As would be expected, smaller co-operatives (defined as those with up to 50 members) were predominantly owned by worker or self-employed members. Medium sized co-operatives (defined as 50 to c.1,000 members) featured many of the tenant- and multi-stakeholder member-owned co-operatives. The largest co-operatives by membership (1,000+) were consumer (retail) and community-owned.

Figure 11 overleaf shows the breakdowns by ownership classification.

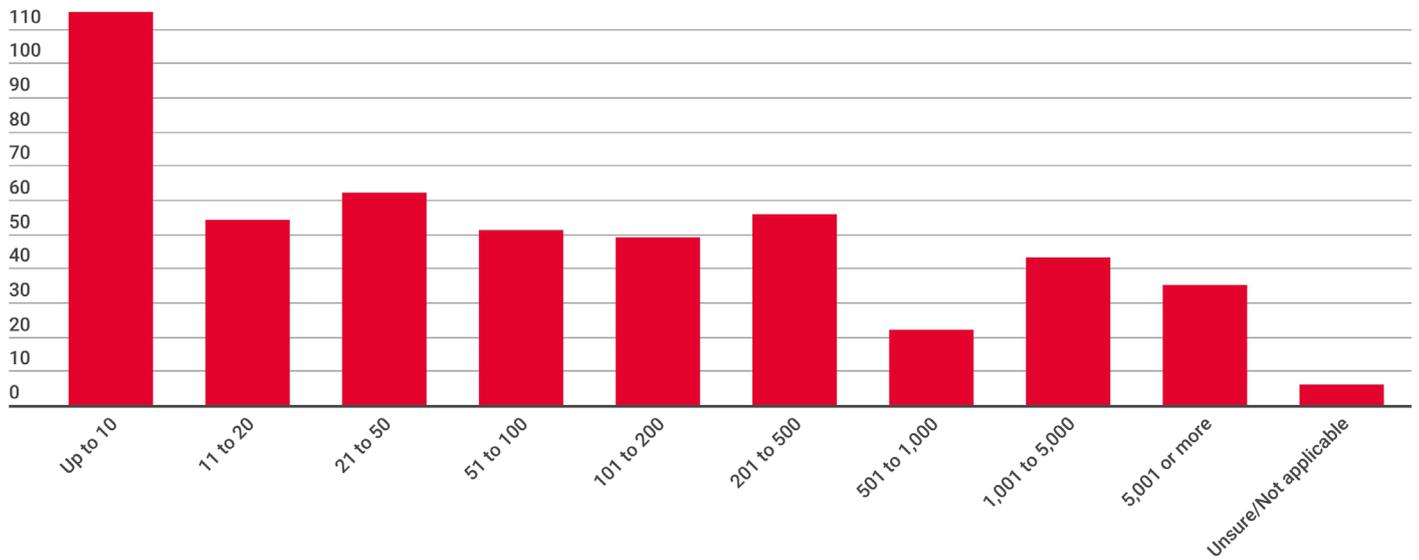


Figure 10: Count of responses by number of members in co-operative

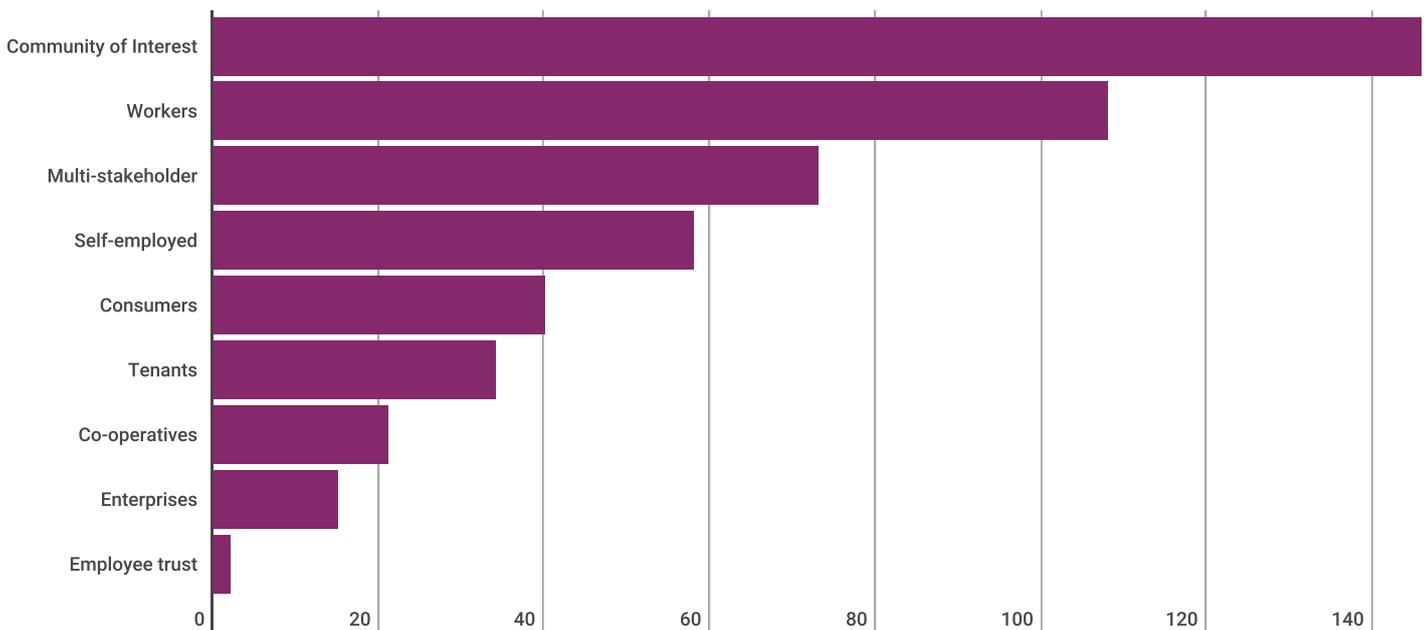


Figure 11: Count of responses by ownership classification (self-defined and verified in data cleanse)

Comparison with the wider co-operative economy in detail is of limited value in this instance as the ownership classification field has recently developed. However, it is worth noting that worker owned co-operatives and community owned co-operatives are proportionally over-represented and consumer-owned co-operatives are particularly under-represented, perhaps demonstrative of varying levels of engagement such organisations have with Co-operatives UK. The latter may be explained by the high numbers of social clubs and institutes in the sector (which are all defined as consumer-owned) and the low response rate from this subset.

Co-operatives were also asked to list all the means they employ to communicate with their members, by selecting all methods that apply.

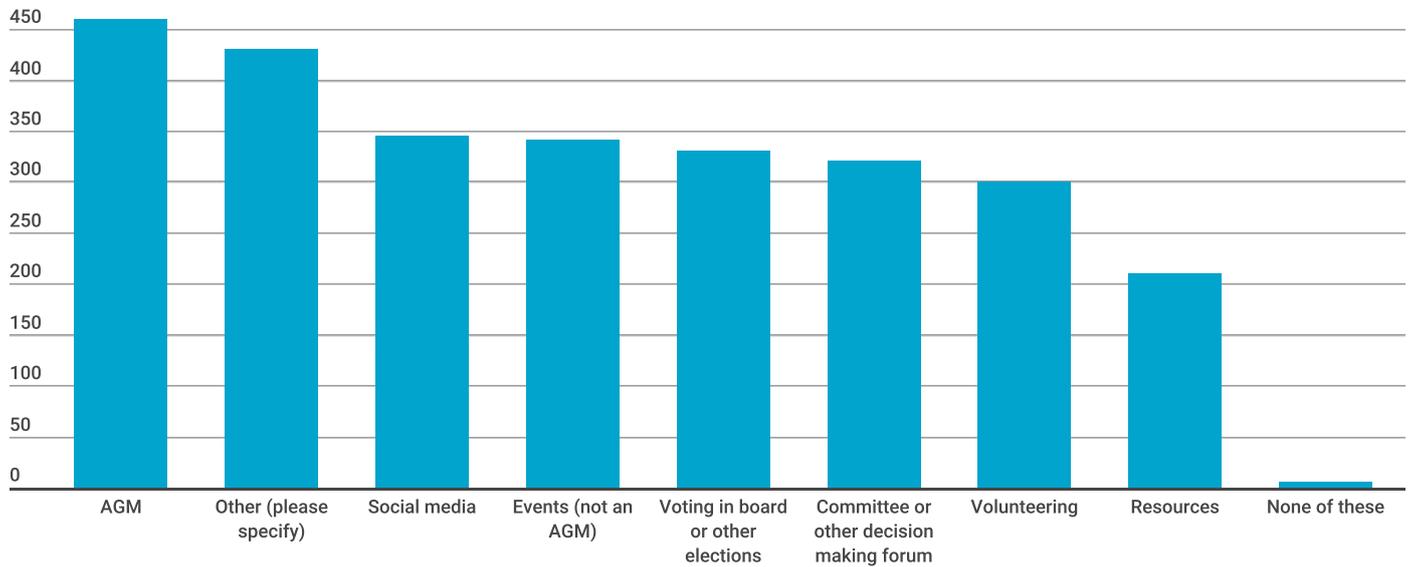


Figure 12: Which means do you use to communicate with members?

The AGM was the most frequently cited method, perhaps unsurprisingly given the traditional democratic structure of co-operatives. This is a more 'one-way' means of communication than social media, events or decision-making forums, for example.

The number of responses defined as 'other' (436, 87.5%) and the number of co-operatives selecting more than one channels of communication (468, 94%) demonstrate a high level of diversity and creativity in how participating co-operatives interact. The responses ranged from digital methods such as Dropbox, shared documents and other web-based platforms, to weekly meetings and daily communications by those who live together in housing co-operatives or work near all members.

Greater insight into how co-operatives use these forms of engagement could be invaluable to ensuring member communications reflect the changing means of serving the democratic principles of co-operatives.

Governance

80% (400) of all respondents reported having a fully (382) or partly (18) elected board. This majority held true regardless of charity status, ownership classification or a number of members.

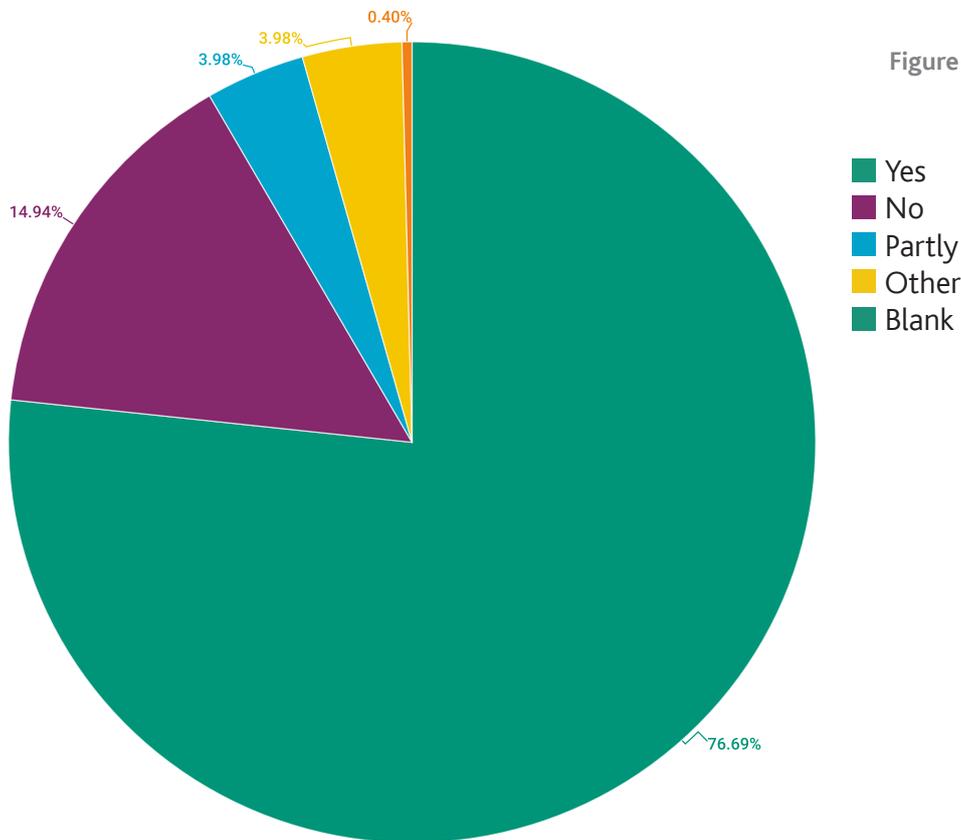


Figure 13: Do you have an elected governing board? (by percentage)

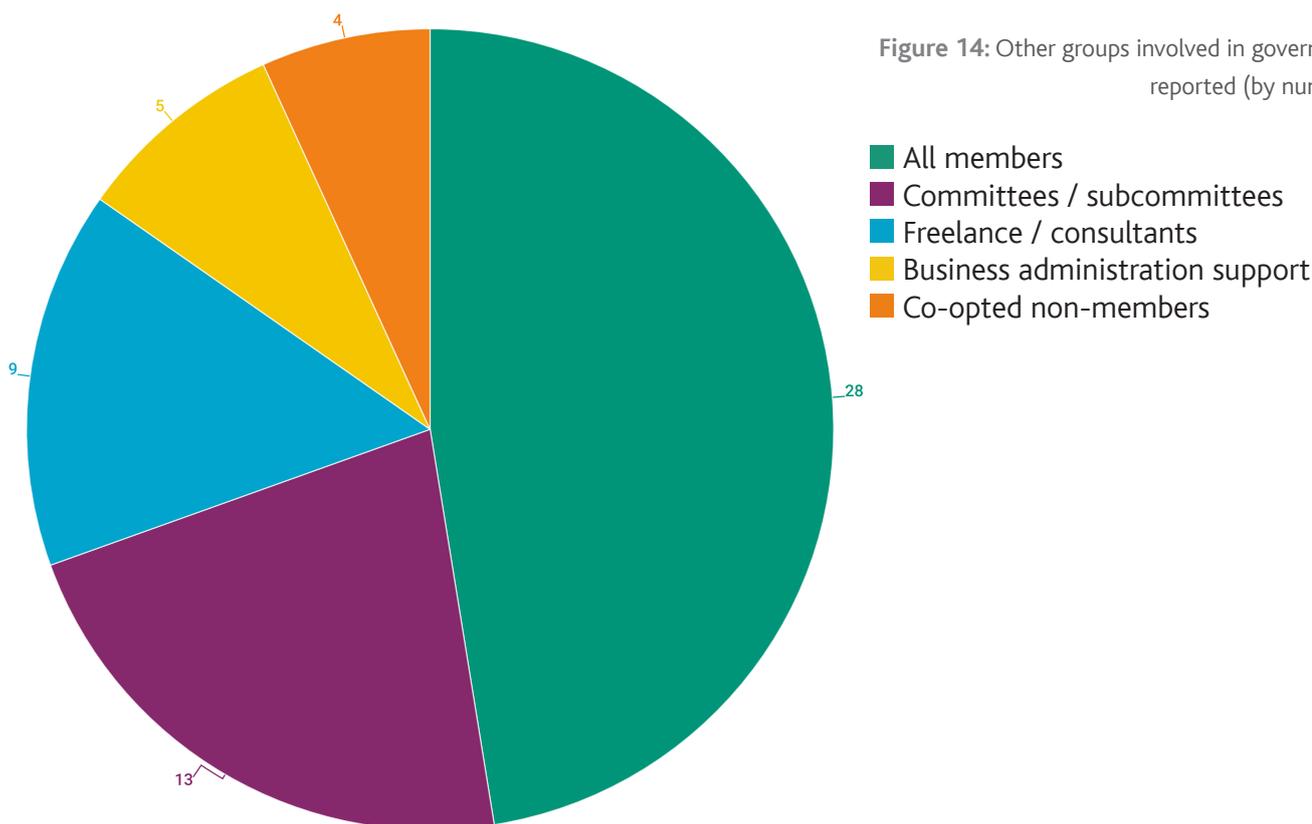
Of those that responded 'no' to having an elected governing board, 88% (68) were organisations with fewer than 50 members. Many of those organisations were worker-owned co-operatives where all members were effectively directors of the co-operative, or tenant co-operatives operating a fully inclusive and collective decision-making process thereby negating the need for board elections. There were five co-operatives with more than 200 members that reported operating without a democratically elected board.

	No. of Elected Managers	No. of Appointed Managers	No. of Directors
Min	0	1	0
Max	20	100	35
Average	6.1	6.2	6.3

Interestingly, while the range of managers and directors was large (1-100), the average (mean) showed remarkable consistency throughout the categories (6.1, 6.2, 6.3), demonstrating relative uniformity. For larger businesses, predominantly in the finance sector, the oft-cited best practice guidance in the Walker Report states that the 'ideal' board size is between 10-12 members.⁴² A survey of board governance in the third sector found that around a third of boards were made up of 9-11 members, and one-fifth of respondents reported a board of 6-8 members.⁴³

Respondents were also asked to report if there were any other groups involved in the day to day governance of their co-operative. A breakdown of 'other' responses where more detail is provided is in Figure 14 below.

The responses were coded and categorised. Of the replies (59), the majority (28) cited 'all members', whether tenants, workers or general members. The next most frequently cited governance group was committees and subcommittees made up of members (13). Finally, three categories of non-member governance groups cited: freelancers; administrators; and other co-opted non-members.



Inevitably, recommendations for 'ideal' board size depends on a multitude of factors such as the size of the business and geographical spread, and the above finding speaks only to the number of elected and appointed managers and directors, and not to the skills, diversity and quality represented. However the consistency and central tendency towards a board size of just over six warrants further investigation. Why is this favoured? Does this set-up particularly lend itself to co-operative decision-making? Further, qualitative research could lead to a better-informed set of co-operative-specific best practice guidelines based on this initial evidence.

Employees, volunteers and training

Co-operatives were asked to report their number of paid employees, where applicable. This included full or part-time employees by number (headcount), rather than full-time equivalent. The range of employee numbers was 1–8,673 and the average number of employees reported was 173; however, this belies a strong negative skew. The majority of respondents (63%, 136) had up to 10 employees representing a long 'tail' of smaller co-operatives, a lower number of co-operatives had 11-1,000 employees (79), and fewer still numbers of co-operatives reported having more than 1,000 employees (5).

This is a smaller figure for employees than may be seen in the Co-operative Economy reports, where the best available data confirm there are at least 223,000 individuals employed by co-operatives. However the trends in this survey reflect wider trends of business size by employee numbers.

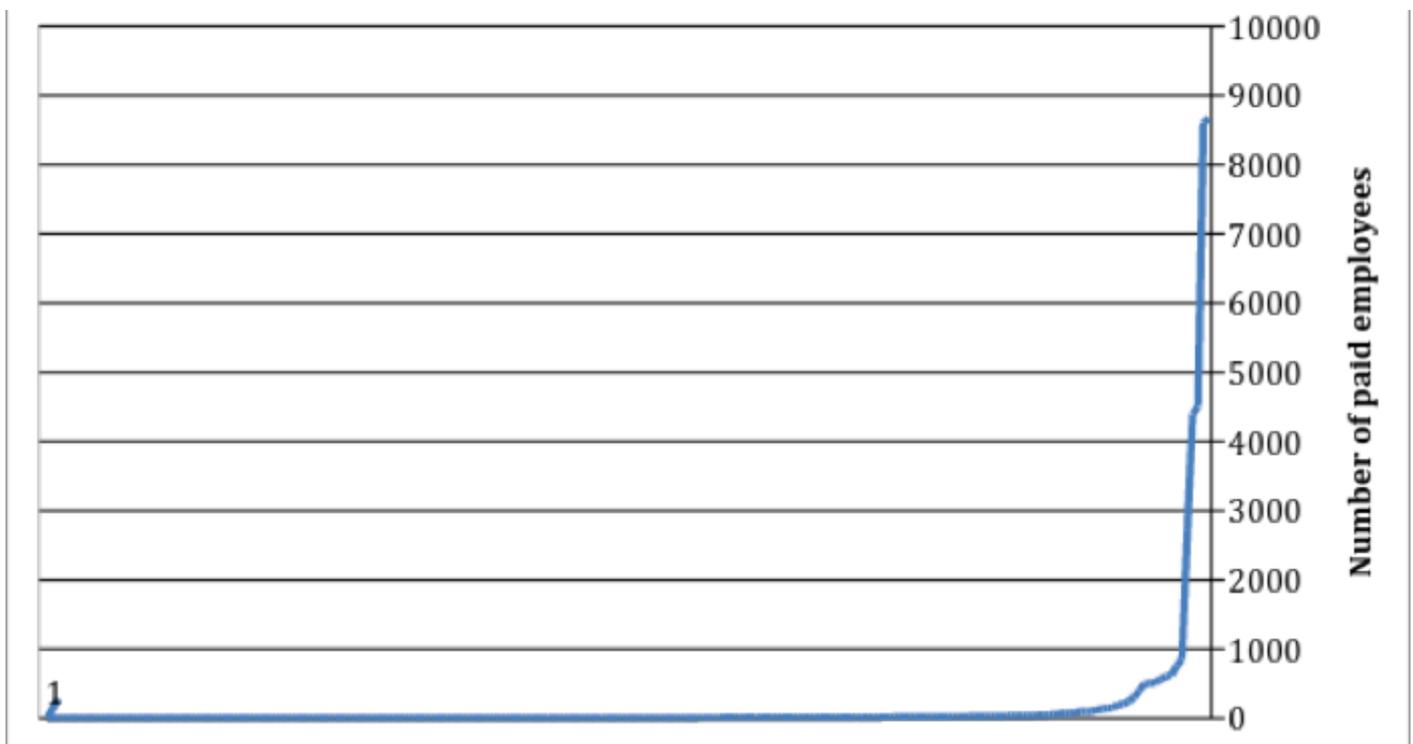


Figure 15: Number of employees by co-operative with all responses plotted (total n=215)

The 'long tail' pattern with a negative skew is similar for a number of volunteers reported, with a range of 1-3,000 from 210 census responses and an average number of 173 volunteers per respondent. The majority of co-operatives said 20 or fewer volunteers (75%, 157). Two outlier responses are reporting c.3,000 volunteers, and a small group of co-operatives with volunteer numbers between 21 and 600 (51). This modest insight into the role of volunteers in the sector is something that has not been previously researched by Co-operatives UK, and little is known of the significance and particulars.

Respondents were also asked to select whether, on balance, their co-operative had more men than women in senior/leadership positions, more women than men, or about the same number.

It is worth reflecting that this question was limited both regarding depth and possibly validity of definitions in that it procures a partial and gender binary response, however, this approach was made with the intention of improving the response rate by limiting additional labour required for the survey respondent to determine precise numbers.

Co-operatives by member classifications that reported:

- > a greater number of women in senior leadership positions tended to be worker, tenant, self-employed, and secondary co-operatives
- > a larger number of men in senior leadership positions was reported by the community, consumer and multi-stakeholder co-operatives
- > a broad gender balance was reported by employee trusts and enterprises.

This exploratory overview supports wider work on gender balance and diversity in the co-operative sector, which seeks to deepen the understanding of the sector and inform strategic approaches to ensuring the development of a sustainable and diverse movement.

Respondents were also asked to report all forms of training provided by their co-operative.

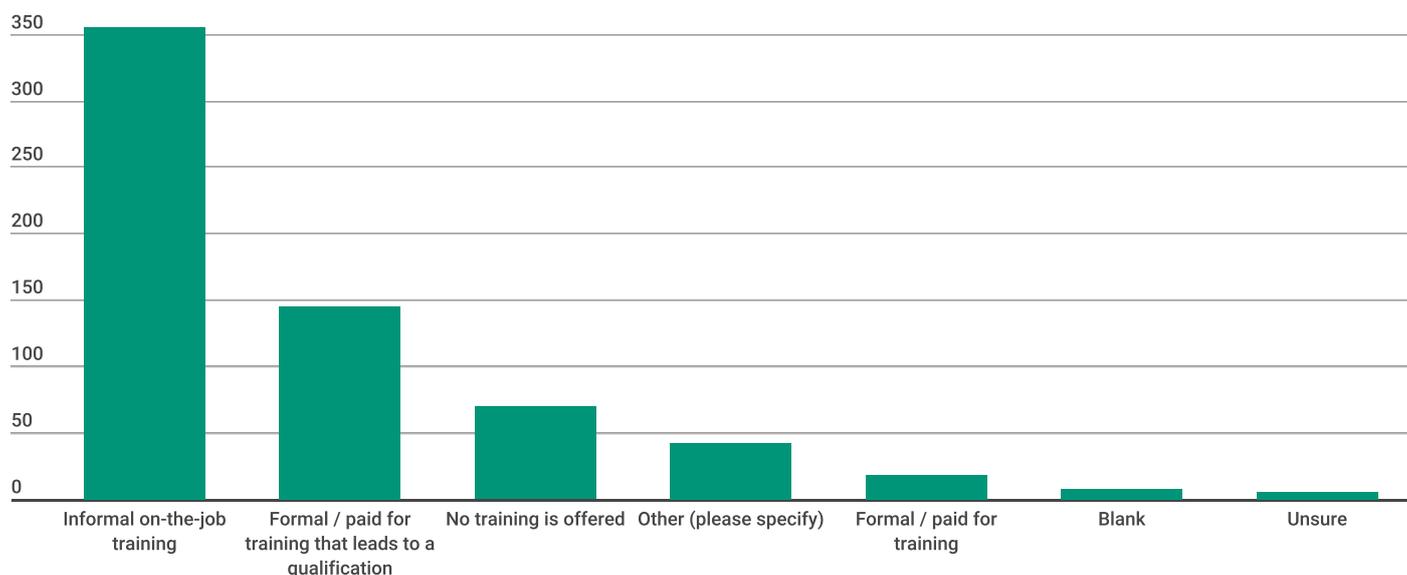


Figure 16: Types of training provided to staff / members by number of responses

Perhaps unsurprisingly, most training cited was on an informal, on-the-job basis. There were only 12 respondents of the total 498 who left the question blank or said they were 'unsure' regarding training provision, suggesting this is a fundamental element to their business in line with the fifth principle of co-operation: education, training and information.

There was a great diversity in the content and delivery of training, including anti-sectarian and anti-racism training, chainsaw and fork-lift truck operating and more traditional forms of professional development training, reflecting the diversity of industries represented. With regards to 'other' types of training selected by

respondents, more information was requested, and responses have been coded and categorised as follows:

Training	%
External training as required	33%
Peer to peer, shadowing	23%
Mandatory/Job specific	18%
Co-operatives UK/Federal training	13%
Responsible for own CPD	13%

The provision of external training was most commonly cited, most likely owing to the small scale of many of the co-operatives, which varied both in levels of funding and formality and included:

- > Employee/member-led approaches of “funding for training usually provided whenever requested”
- > Guaranteed provision of “time off for exams”
- > A requirement for a more frugal approach, such as multi-agency and a ‘random ballot’, to allocate a shared training bursary for skills development.

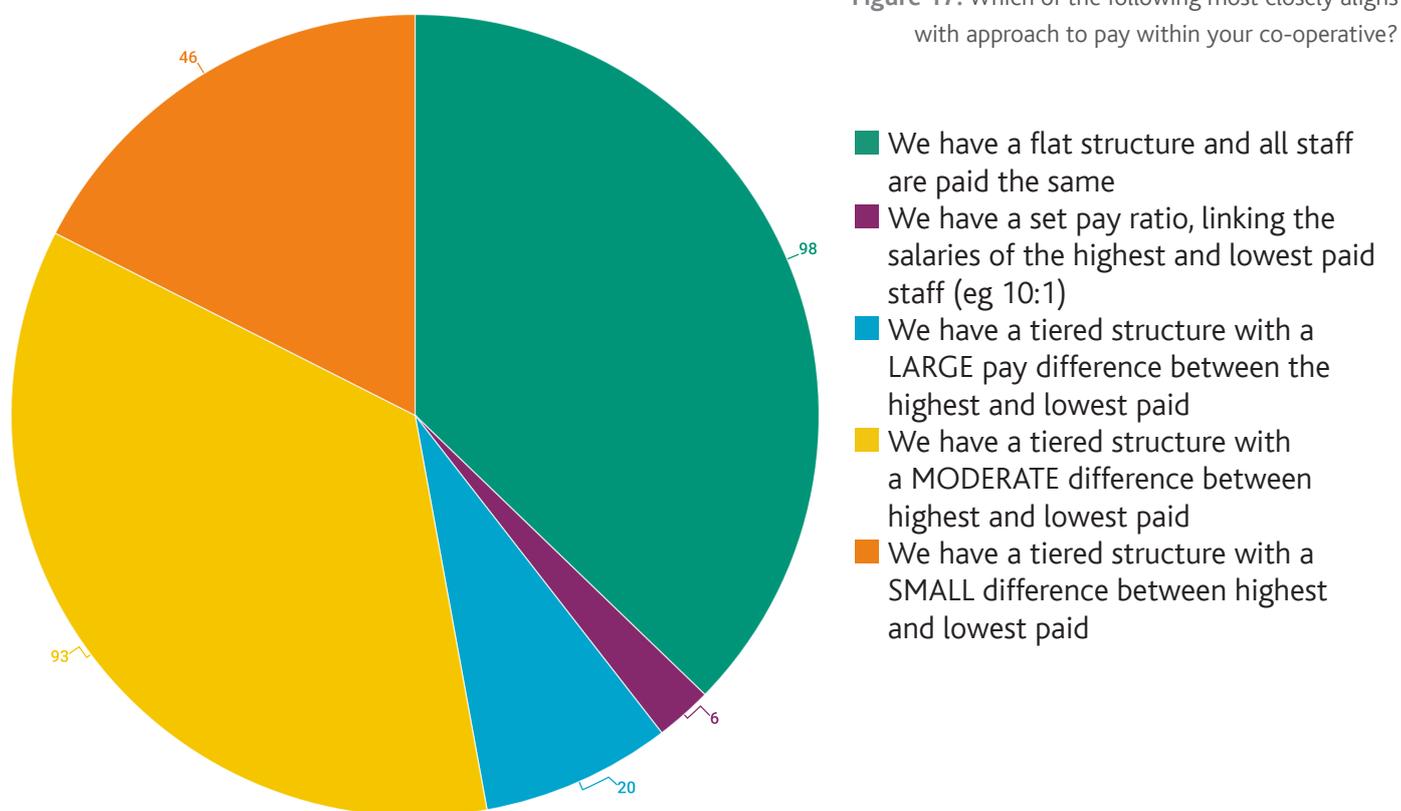
The co-operative value of self-responsibility was evident in the prevalence of peer to peer skills sharing and shadowing and staff and members taking responsibility for their CPD. Again, this varied in levels of formality ranging from ad hoc skills swaps and knowledge sharing to formalised secondments between business departments and professional coaching. Finally, training provided by Co-operatives UK and Federal members of Co-operatives UK made up 13% of comments to ‘other’ responses, or about 1-2% of the whole sample.

Approximately one third of respondents reported provision of work experience opportunities, and 11% and 8% offer internships and apprenticeships, respectively. Data from the Department for Business, Innovation & Skills⁴⁴ and the Federation of Small Businesses⁴⁵ suggests the use of apprenticeships is slightly below wider trends for UK SMEs. Further research into apprenticeship and internship scheme take up by co-operatives could provide fresh and valuable insight into the utilisation of these cost-effective training and recruitment programmes within the sector, in the context of potential skills gaps and the Apprenticeship Levy which came into effect on 6 April 2017. The stated challenges faced by co-operatives around recruiting and retaining younger people is discussed in more detail below.

There were three questions in the census regarding pay and overall approaches to pay. As with the gender balance question this section was phrased to elicit a greater response rate, at the cost of some finer detail i.e. reporting the ‘average pay’ of their organisation as significantly or slightly above or below average pay. As such, findings should be viewed with caution given the reliance on the knowledge and perceptions of responding individuals; however, this overview provides insight into pay levels and structures of co-operative that previous research has not achieved at this scale.

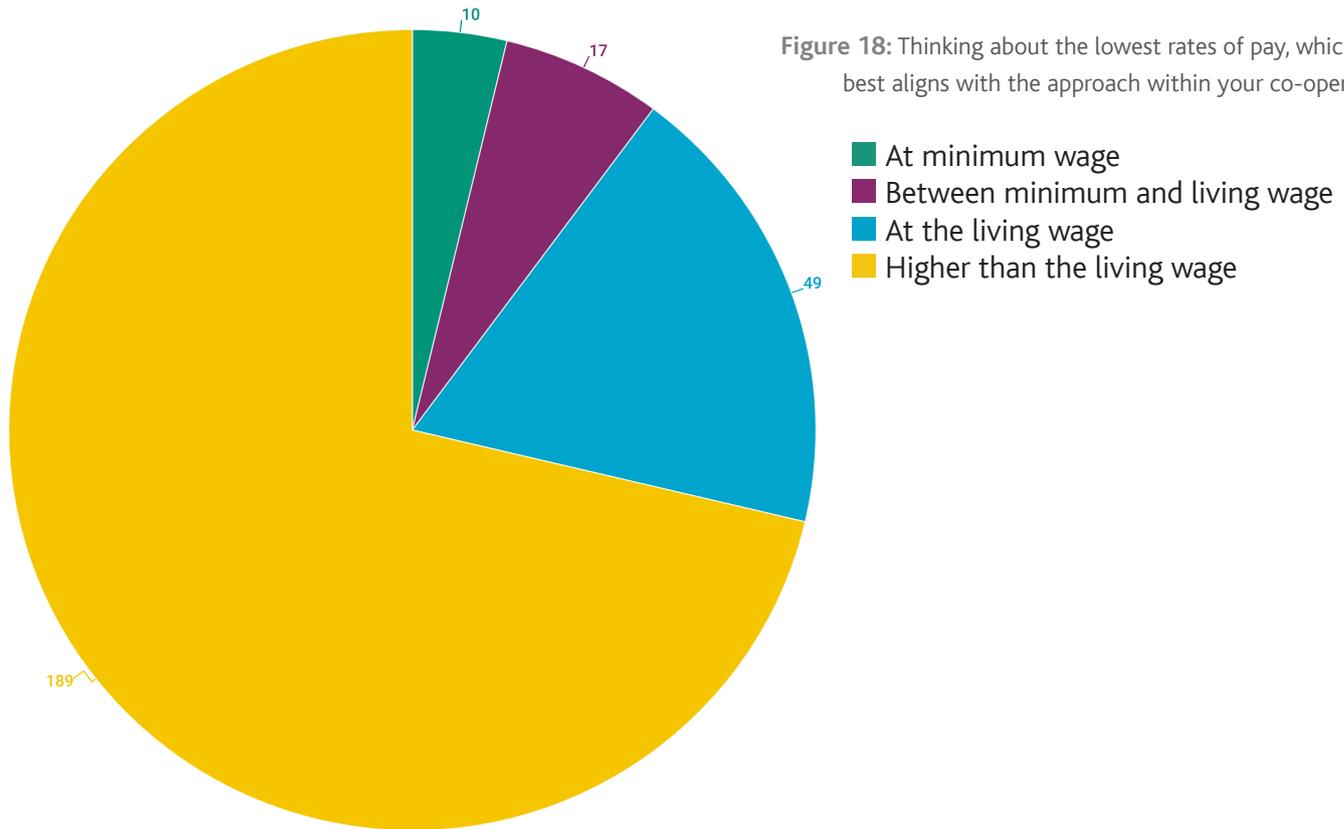
Broadly, levels of pay were reported to be in line with wider trends, with no significant skew towards significantly higher or lower than average pay scales. This pattern held true when pay scales for specific member classifications were analysed. Where there was some departure from this, however, was in comparing sectors. Co-operatives in the agricultural, food service and social care sectors tended to report slightly or significantly higher than average levels of pay. Those in the energy and environment, digital and media sectors were more likely than respondents from other industries to report lower than the average pay in their co-operative.

Figure 17 summarises the share of responses for those that responded (263):



The most typical response was that of a flat pay structure. This may reflect a true prevalence of this approach to pay. However, the over-representation of worker co-operatives in the census, and the associated likelihood that a flat structure would be better known and promoted by such co-operatives (the 'don't know/unsure' responses to questions on pay were higher than for most questions) mean that this finding should be cautiously treated.

However, as with the data on pay scales, the responses regarding lowest rates of pay in the organisation suggest a critical area for further investigation. Of the 266 co-operatives that responded, 71% report paying higher than the living wage. The interplay between governance and democratic decision-making structures and potential differences in how salaries function in co-operatives is worthy of closer examination.



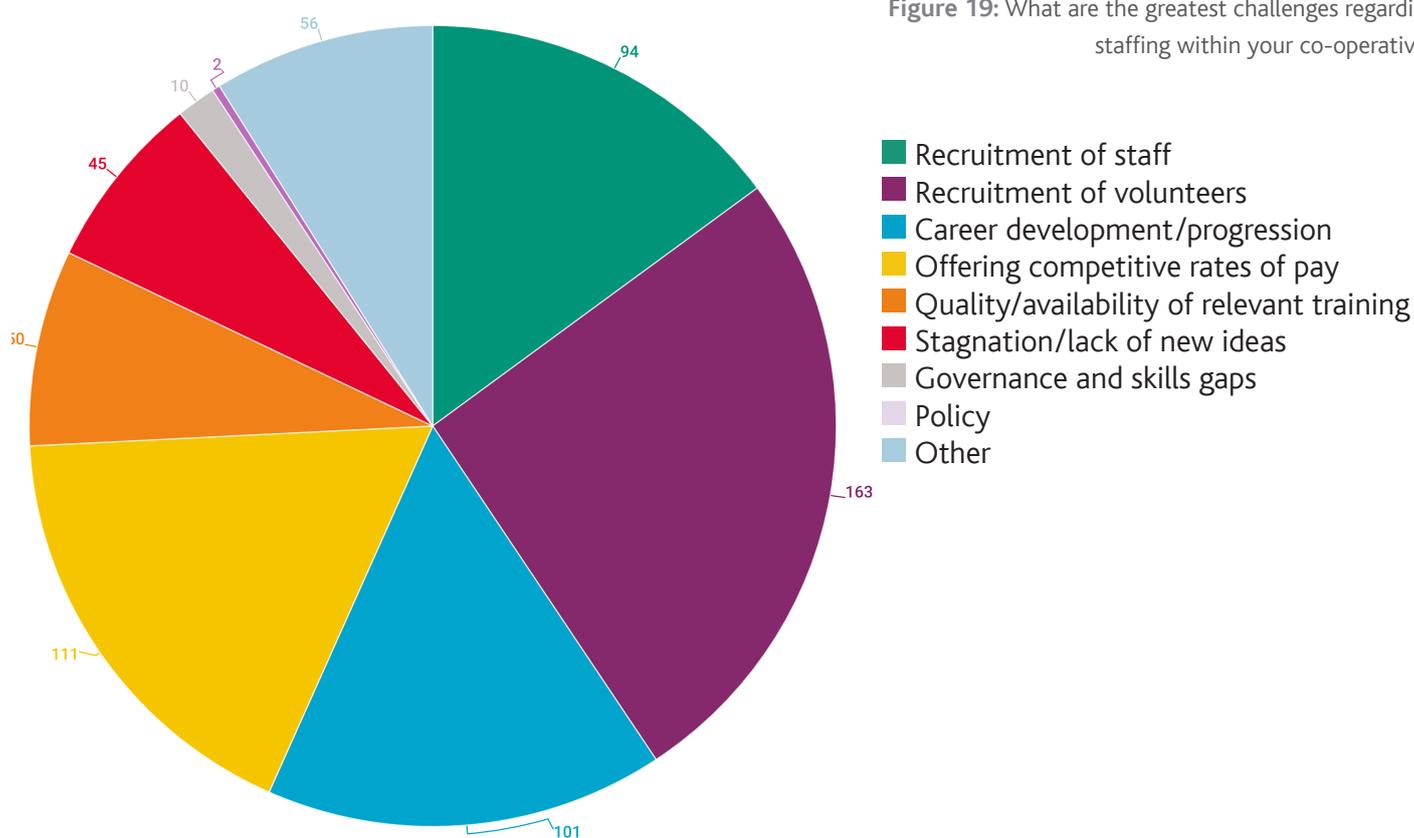
Development enablers and inhibitors

Given the focus on sector development within the research aims of the census, there was a more detailed exploration of perceptions of barriers to success, levels of awareness of support mechanisms, and how being a co-operative may uniquely enable or inhibit innovation and success.

Following on from the questions about employees and volunteers, respondents were asked to indicate the challenges regarding staffing their co-operative, whether that be with paid staff, as part of a consortium, worker-members, volunteers, etc. The responses are summarised in figure 19 overleaf. All responses that were marked as 'other' (56) have been integrated into the categories below on the basis that a prompt for further information was mandatory.

Together, recruitment and retention of staff and volunteers make up around half of the responses regarding challenges in staffing co-operatives (52%, 351). This reflects concerns in related sectors. A survey from the Federation of Small Businesses found that 'access to skilled staff' was ranked above 'access to finance, regulation and employment law' in barriers to business growth by small businesses.⁴⁶ Similarly, only around one-third of respondents from the charity and not for profit sector reported feeling confident regarding recruitment of quality staff, and 20% were 'not at all confident' in their organisation's ability to retain quality staff.⁴⁷

Sourcing, managing and retaining human capital is essential to the success of any business. Specific comments were made within the responses that reflect the range of challenges relating to this. These included finding staff and volunteers with appropriate skills, time and motivation; pressures regarding both providing enough work hours for staff; time pressures where work hours outpace the number of staff; and recruitment quality and shortage issues.



The level of voluntary employment within the co-operative sector was previously unknown and often underestimated. Therefore, the unique challenges in the recruitment and retention of unpaid volunteers where legal compliance and a range of skills is required is a challenge that may be of far greater significance to co-operatives than first thought.

Related to these concerns are the challenges of career development and the ability to offer competitive rates of pay, representing 15% and 17% of the responses, respectively. Specific comments referred to the capacity to generate enough business to support the co-operative, the retention of highly skilled workers in a competitive market, and the challenges of delivering on stated goals of the co-operative (providing a pension and a flat pay structure were two examples given).

These challenges are best considered in the context of pay scales reported above (Figure X). In the instance of consortium co-operatives, for example, the ability to generate enough business to enable a flat pay, at or above the market level for a skilled profession such as business consultancy or architect services, requires a careful balance of co-operative members and workflows.

Next most commonly cited were quality and availability of relevant training and stagnation/the generation of new ideas, each representing 7% of the responses. In the light of training and advice service development and the responses citing the importance of Federal and Co-operatives UK partner organisations within training provision, this is an essential consideration for development within the sector.

Potential 'stagnation' is in turn related to co-operative governance. Despite the relatively small number of responses citing these concerns, the interplay with specialist knowledge for support within these areas of both Co-operatives UK and partner organisations presents a clear opportunity for sector development. Specific comments included concern regarding an "ageing workforce", staff and board members retaining posts for

multiple decades without contention or progression, and a “lack of new younger [members]”. The potential under-representation of co-operatives when it comes to apprenticeship and internship recruitment mentioned above is worth re-examining in light of these concerns.

“[Our greatest challenge is] keeping our unpaid volunteers enthused and willing to give their time and skill free of charge”

“We have an aging workforce so the real challenge over the next 5-10 years will be recruiting, developing and retaining younger people”

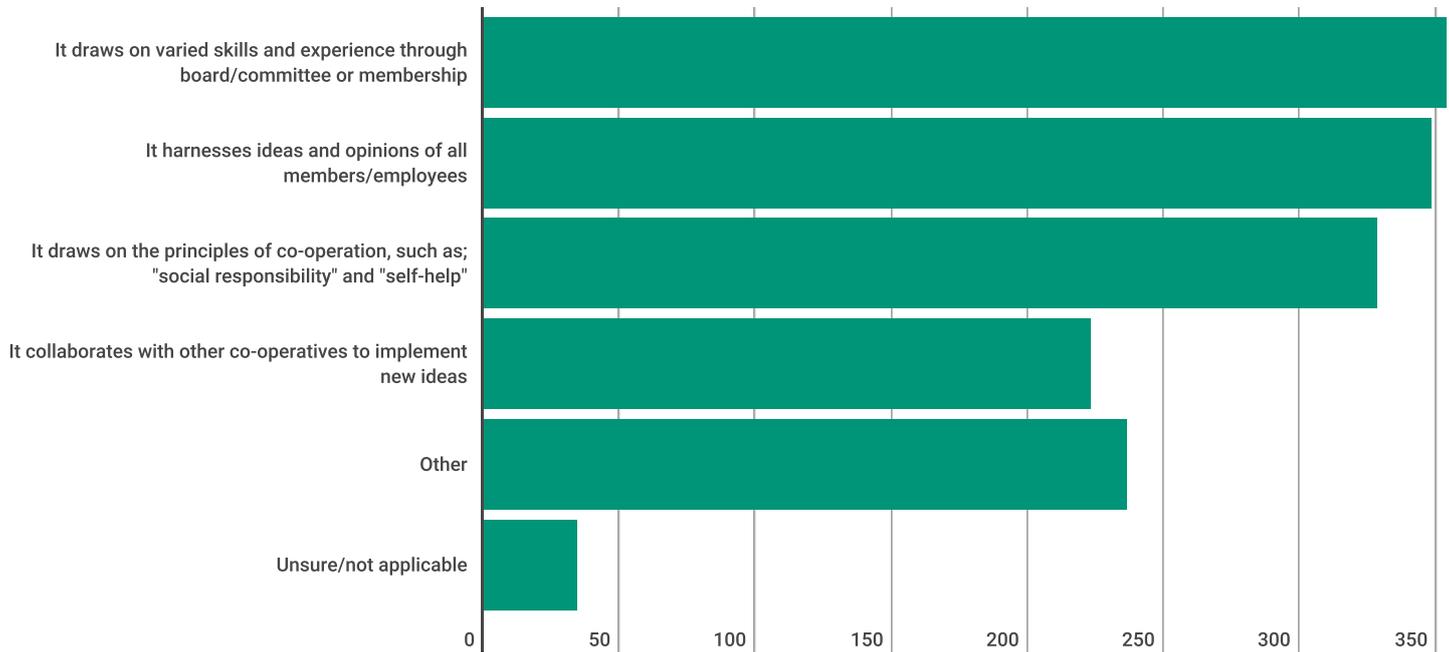
Given the inclusion of these issues by some respondents, there is clear awareness that the current conditions do not conform to best practice governance or operational management, with a simultaneous knowledge gap in how to reconcile this. In particular, the recruitment of skilled and experienced managers and board members was repeatedly stated as a primary challenge to success. The democratic aims and unique governing structures of the co-operative model need not be an inherent barrier to success; indeed responses below suggest the reverse, highlighting a clear challenge to bridge the potential gap between model rules and applied governance.

Over half of the respondents to questions regarding innovation reported their co-operative (54%, 255) had launched new products or services in the previous two years. More still were planning new products or services in the next 12 months (58%, 270). When questioned more widely, on whether the respondents viewed their co-operative as innovative, 81% (378) reported in the affirmative.

There was broad consistency in the number of responses to how being a co-operative supports innovation, even down to the ‘other’ category suggesting that there is a rich variety of views relating to this. The detail provided for ‘Other’ responses most commonly included:

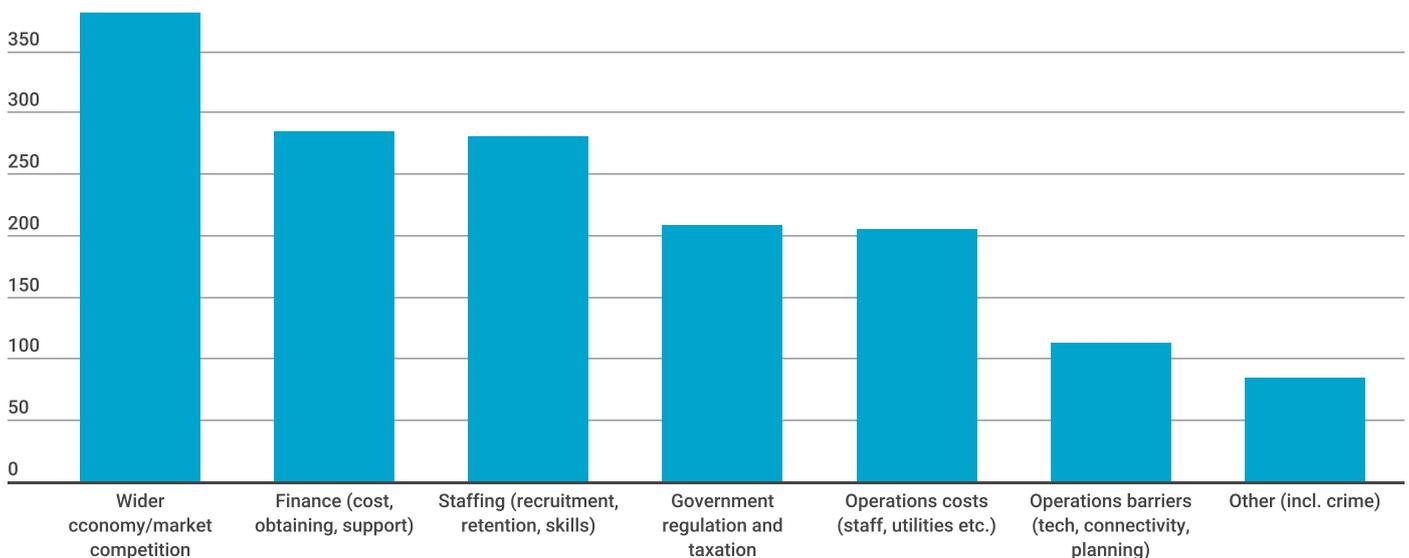
- > Enhanced ‘collaboration’ with partners (including co-operatives, charities, communities)
- > ‘Sustainability’ with particular reference to ethical accountability and levels of trust
- > Looking ‘beyond profitability’, for example, by enabling long-term financial planning or in the case of not for profits
- > Technological advantages such as open source software and shared “digital infrastructure ownership”.

Figure 20: How does being a co-operative support innovation in your organisation?



Moving on to barriers faced by co-operatives, respondents were asked to select all relevant concerns from a list of over 20. These are grouped into categories, and the responses are summarised below.

Figure 21: What are the main barriers impacting the success of your co-operative?



Predominant concerns over staffing challenged reflect wider trends examined earlier in the report. Government regulation and taxation also scored relatively highly, as did the cost of operations. Operations barriers cited included lack of high-speed internet, possibly an indication of the wide geographical dispersal of co-operatives across the UK, and the ability to keep pace with technology. The impact of this would clearly vary between sectors.

Sources of finance and support

Co-operatives were asked what finance they have already or would access:

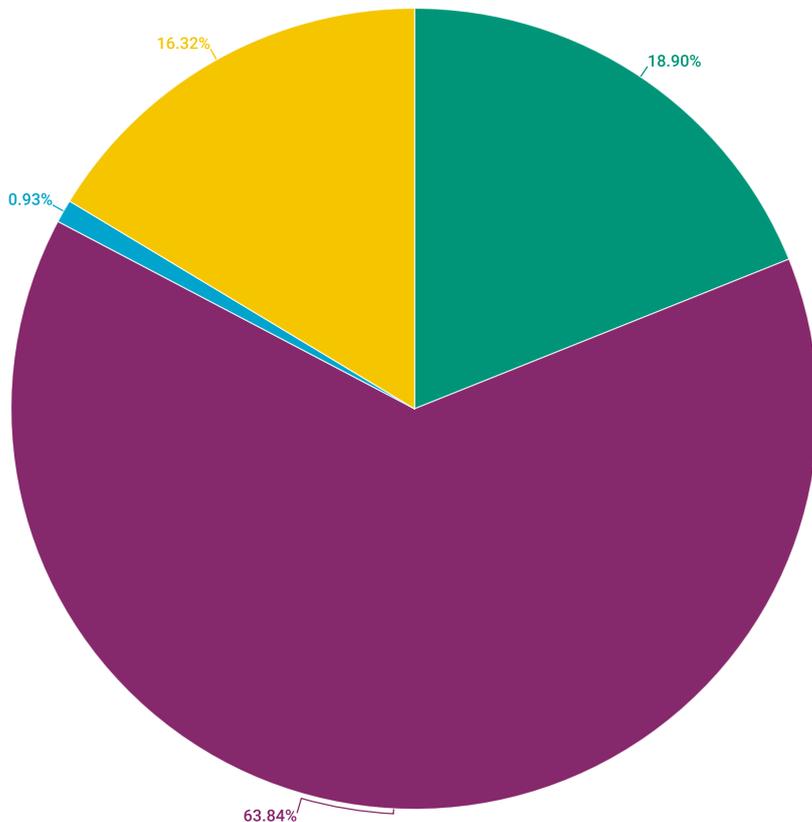


Figure 22: Summary of responses for all finance options

- Might consider in the future
- Not aware of / would not consider / not appropriate
- Attempted to access but was unsuccessful
- Accessed in the past 12 months

The largest category by far was the 'low awareness/not consider' response. However, the range of replies included in this is broad, and therefore difficult to draw substantive conclusions, although there may be a suggestion that knowledge of finance sources is limited. The very small number of responses regarding unsuccessful attempts to access finance is a positive sign regarding the ability to access finance.

The most commonly reported forms of finance accessed, by a significant margin, were grants, member donations and member deposits. Between them, these accounted for 45% (425) of all 'accessed in the past 12 months' responses.

By far the most commonly cited source of support was own research/knowledge/experience, in line with the co-operative principle of self-responsibility (see Figure 23 overleaf). Unsurprisingly, for non-members of Co-operatives UK and support not directly relating to co-operative governance, non-co-op professionals and business consultants made up the bulk of responses. The relatively low take-up of The Hive support is explicable by the newness of the programme.

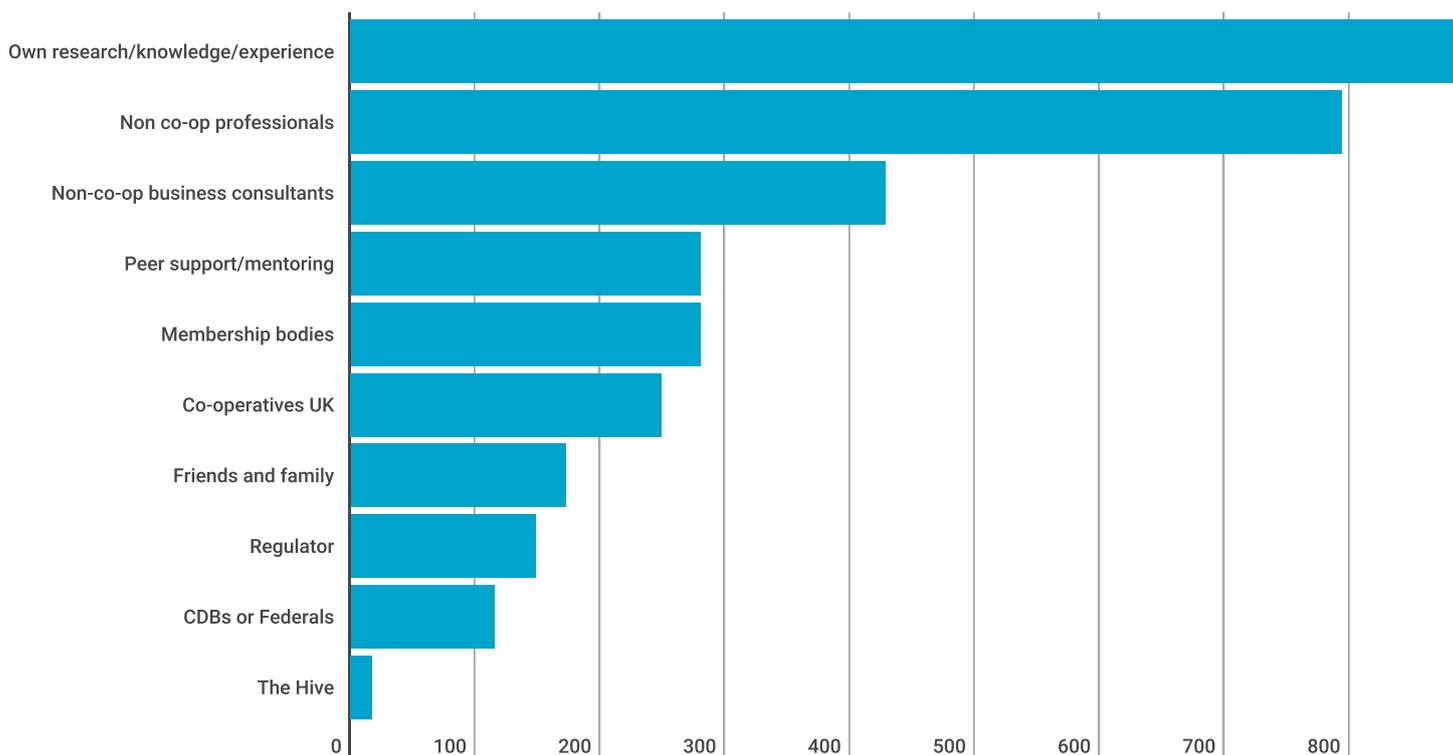


Figure 23: Which sources of support has your co-operative accessed (please select all that apply)

Looking to the future

The questions regarding development and innovation were generated in the context of the National Strategy strategy, which has from the outset aspired to be a forward-looking and purposeful venture.

Co-operatives were asked to select their primary concerns regarding Britain’s referendum vote to leave the EU. This was a timely issue and builds on endeavours by Co-operatives UK policy work to understand and align itself with the views of the movement. The main concerns cited in response to the ‘Brexit question’ are summarised below:

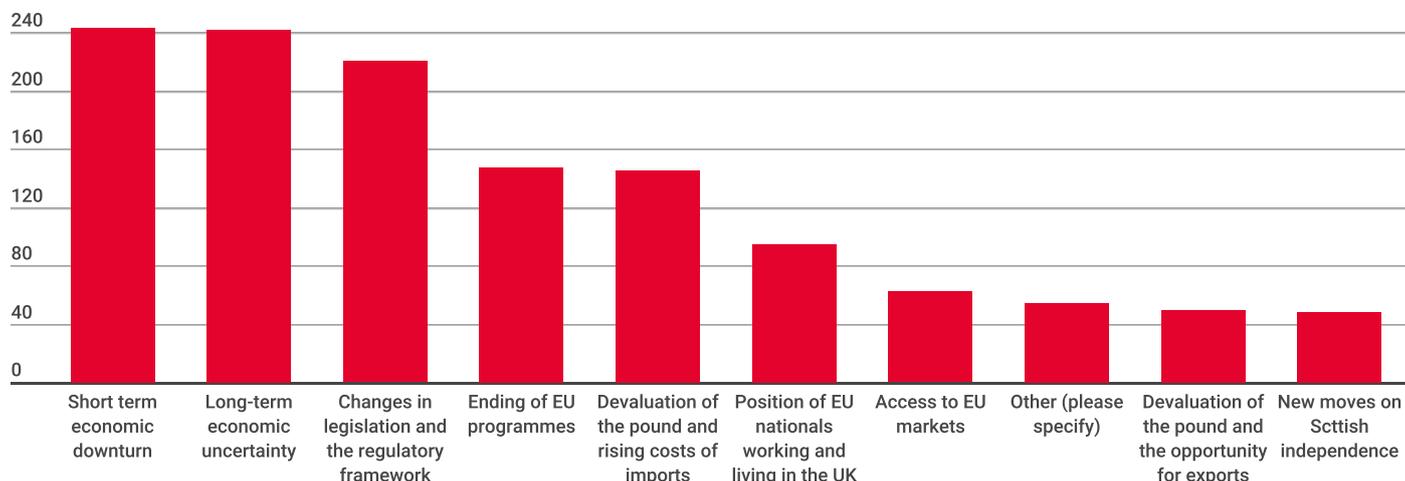


Figure 24: Primary concerns regarding Britain’s proposed exit from the EU

Relatively few of the respondents in this survey rely on import and export markets for their business (see figure 24), but this figure does not lessen the possible impact of Brexit on those that do, or of the resulting economic instability. The issue of Scottish independence remains a concern for 9% (47) of the respondents, and worthy of further consideration in the context of Brexit and other issues across the UK nations.

There were a series of questions regarding the objectives and trajectory of the co-operatives in the survey, which are summarised in the chart below. The majority of co-operatives that responded reported aims of growth over both the previous and next 12 months. From a development perspective, support mechanisms must reflect these needs accordingly.

There are significant margins between those organisations with growth objectives, those that aim to remain

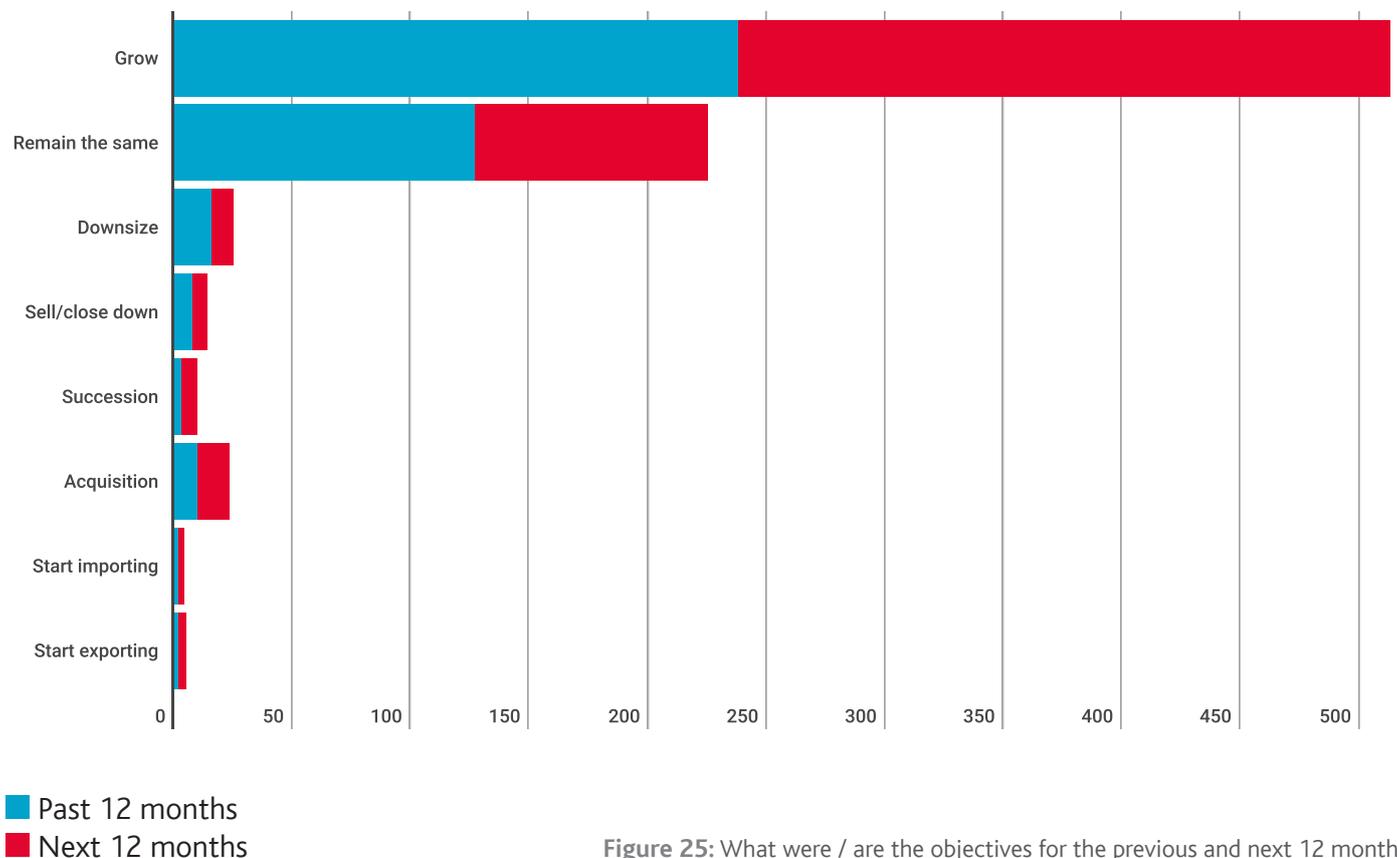


Figure 25: What were / are the objectives for the previous and next 12 months

the same size, and the far fewer responses regarding downsizing, acquisition, succession and selling or closing down. These represent much more 'niche' needs within the sector, and this research seeks to be a useful starting point for assessing the range of proactive and reactive responses required.

Respondents were asked a series of questions regarding their perceived alignment with the movement and aspirations for that relationship, regarding a 'stronger role' in the movement or participating in collective purchasing.

Unsurprisingly, co-operatives who reported being 'very' or 'fairly closely aligned' with the movement wanted a stronger role. Co-operatives who saw themselves as 'fairly distant' were most likely to report having no interest in a more robust role. However, co-operatives 'very distant' from the movement were more likely to desire, rather than reject, the idea of a more important role.

When asked for more detail on how they would like to take a stronger role in the movement, selecting all options that apply, the responses were as follows:

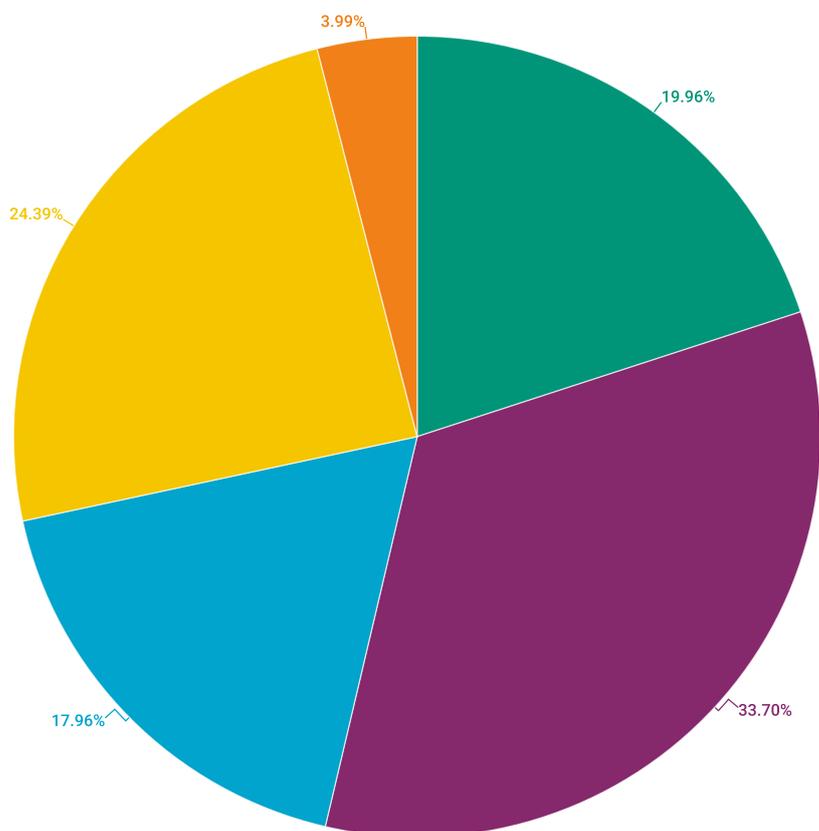


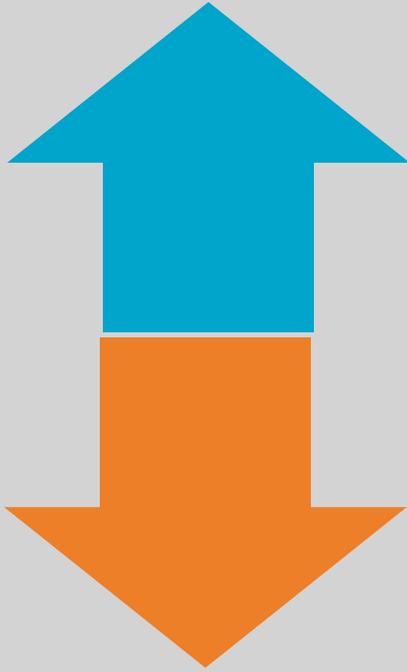
Figure 26: In what ways is your co-operative interested in taking a stronger role in the movement?

- Participate in campaigns
- Network with other co-ops
- Mentor new co-ops
- Contribute to consultations/ lobbying
- Other

The responses were fairly evenly spread, with 'network with other co-ops' being the most frequent response, and 'mentor new co-ops' the least common. Of the 'other' responses where more detail was prompted, around half of those who replied express a wish to increase trade and sell services to other co-operatives. As with training and barriers to development, the challenges of engaging new and younger members was raised, with one respondent suggesting a stronger role for them would require "more ways to give our young members a route into the movement".

Another cited a desire to increase international connections.

Regarding collective purchasing, interest dropped away for the 'very distant' respondents, with 'very/fairly closely aligned' and 'fairly distant' respondents consistently interested. This also differed by sector, the image overleaf lists some of the sectors by overall level of interest in joint buying:



Retail
Membership associations
Digital media and communication
Professional and legal services
Manufacturing

Finance
Housing
Arts, entertainment and recreation
Energy and the environment

End notes

1. Mayo, Ed, *Strategic Issues around Co-operative Development in the UK – a starter for ten*, presentation to the Co-operatives UK Board, September 2014
 2. In 2013, Co-operatives UK commissioned research from by Rocket Science on the advice needs of co-operative enterprises. 27 experts and practitioners on support services were interviewed and a survey of those using support services was completed by 132 organisations.
 3. Co-operative Development Scotland (CDS) provides advice to companies considering the co-operative model to help them “choose the best co-operative business model for their organisation.” CDS is a subsidiary of Scottish Enterprise and its staff have been recruited from Scottish Enterprise. This means that it can also connect potential co-operatives to the broader suite of enterprise support.
- In Wales, the Wales Co-operative Centre has been in operation for 30 years and offers a range of support to co-operatives, through a range of funded programmes as well as private consultancy support and training. Its funding comes in part from the Welsh Government and the European Regional Development Fund.
4. Murray, Robin, *Co-operation in the Age of Google*, Co-operatives UK, 2011. For a wider look at the work of Co-operatives UK with its members on innovation following this, see Mayo, Ed, *Co-operative Innovation in the UK*, Scientific Papers for the International Summit of Co-operatives, 2014 www.sommetinter.coop/en/virtual-library/scientific-articles/cooperative-innovation-uk
 5. As well as collaborative work with key partnership networks such as Locality and social enterprise networks such as Unlimited and the School for Social Entrepreneurs, plus funding partnerships with agencies and programmes such as the Big Lottery, Government and European regional and social funds.
 6. The weaknesses to address in relation to the design of the Hub were seen to be: poor integration into the business; high cost of delivering advice; overlap on generic information with Co-operatives UK; lack of clarity on who was providing the advice. The strengths to retain include: ease of application; steps towards quality assurance; and the development of a provider market. There were also two areas on which the Hub was seen to be less effective: pre-start up support, with advisers incentivised to push co-ops into start-up before they were ready for it; and moving from small to medium size – a gap around support and advice for co-operatives who wanted to grow from, say, five or six members (or around a turnover of 250K) to around 20 members (and a corresponding turnover of £1 million or more). This raises issues of finance, of more complex organisational structures and hence of governance. It also raises the issue of the process by which new members are recruited and, in the longer-term, to issues of succession planning beyond the original founders.
 7. www.uk.coop/doit
 8. A ‘word cloud’ analyses text, giving greater prominence to words that appear more frequently.
 9. These were:
 - > Who owns it?
Is the service owned by the co-operative sector, by the public sector, privately owned or a hybrid of these?

> Who co-ordinates it?

Is it co-ordinated by the central co-operative body, contracted out to a private contractor, an in-house function of a co-operative or a hybrid of these?

> Who promotes it?

Are co-operatives promoted by the national apex body for co-operatives, the central body of the service, contracted out to a private third party or a hybrid of these?

> Who is used for support?

Are the suppliers of advice directly employed by the service, contracted by it, sub-contracted by it or a hybrid of these?

> Who recruits the developers?

Are developers recruited by the service, automatically enrolled based on partner organisations, chosen by competitive tender or a hybrid of these options?

> Who monitors its work?

Is the quality and standards of development work monitored by the service itself, through a contracted partner, automatically collected as part of the delivery or a hybrid of these?

> Who acts as the gate keeper for who receives support?

Is the decision on who gets supported determined by the funders of the work, the types of organisation seeking support, the interests of the contractors or a hybrid of these?

> Who funds it?

Is funding from the co-operative sector, from the public sector, the private sector (including trusts and foundations) or a hybrid of these?

10. www.nesta.org.uk/sites/default/files/the_impact_and_effectiveness_of_entrepreneurship.pdf

11. gov.wales/topics/businessandconomy/how-we-support-businesses/welsh-coop-mutuals-commission/?lang=en

12. www.ica.coop/en/blueprint-co-op-decade

13. www.cooperativesforabetterworld.coop/global-cooperatives/

14. www.uk.coop/doit

15. www.open.coop

16. ILO, Recommendation 193 on co-operatives

17. This figure includes those directly employed by co-operatives and those employed 'within the scope of co-operatives'

18. Unlike in Canada, the UK data does not currently include mutuals (usually covering insurance in the Canadian case)

19. www.ica.coop/en/whats-co-op/co-operative-facts-figures

20. www.thenews.coop/89853/news/general/the-character-of-canadas-co-operative-movement/
21. www.cooperativedifference.coop/co-op-impacts/on-the-economy/
22. www.ica.coop/sites/default/files/attachments/DGRV_Kappes_Paperpercent20onpercent20REpercent20Coops_10_2014.pdf
23. www.dgrv.de/en/co-operatives/co-operativesasanintegralpartoftheeconomy.html
24. www.theguardian.com/public-leaders-network/2015/oct/02/energy-co-operatives-uk-germany-denmark-community
25. www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf
26. www.ica.coop/en/co-op-facts-and-stats
27. www.ica.coop/en/whats-co-op/co-operative-facts-figures
28. www.thenews.coop/98972/news/co-operatives/italys-new-co-op-giant-remember-rich-history/
29. www.ncba.coop
30. www.community-wealth.org/strategies/panel/coops/index.html
31. www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf
32. www.uk.coop/doit
33. docs.google.com/document/d/1uDZlaPzkuAGMFr8JAN16L7bSF1DeSE7htxzBeBOOzkc/mobilebasic
34. www.uk.coop/doit
35. www.uk.coop/doit
36. www.nmtf.co.uk/files/Trader_operation_-_your_market_run_your_way_April_2015.pdf
37. www.sommetinter.coop/sites/default/files/article-scientifique/files/2014_07_mayo.pdf
38. www.institutcoop.hec.ca/wp-content/uploads/2016/10/Innovation-priorities-practices-cooperatives-2016-EN-web.pdf
39. Only 12% of the total value of UK traded shares, for example, are owned by individuals. See www.respublica.org.uk/wp-content/uploads/2015/10/Unfinished-Business-1.pdf
40. YouGov, Self-Employment Survey, conducted for Co-operatives UK, sample size 2,016, 9/10th February 2016.
41. www.uk.coop/sites/default/files/uploads/attachments/not_alone_-_trade_union_and_co-operative_solutions_for_self-employed_workers_3.pdf

42. *The Walker review secretariat* (2009), *A review of corporate governance in UK banks and other financial industry entities*, Final recommendations
43. ACOSVO (no date) *Boards, Governance and Leadership of the Third Sector* www.acosvo.org.uk/sites/default/files/Boards_Governance_and_Leadership_of_the_ThirdSector.pdf
44. Department for Business, Innovation & Skills (2014), *'Almost half of all firms set to hire apprentices by 2019'*, www.gov.uk/government/news/almost-half-of-all-firms-set-to-hire-apprentices-by-2019
45. Lobel, B. (2016) *'What does the apprenticeship levy mean for SMEs?'*, smallbusiness.co.uk/apprenticeship-levy-mean-smes-2533979/
46. Federation of Small Businesses (2014) *'Voice of Small Business'* Member Survey www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/assets/publications/member-survey-uk.pdf?Status=Master&sfvrs0
47. Lucas Fettes & Partners *'The Charity and Not for Profit sector today: An employee and volunteer viewpoint'*, www.lucasfettes.co.uk/wp-content/uploads/2015/11/Charity-sector-employee-and-volunteer-viewpoint-by-Lucas-Fettes1.pdf

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