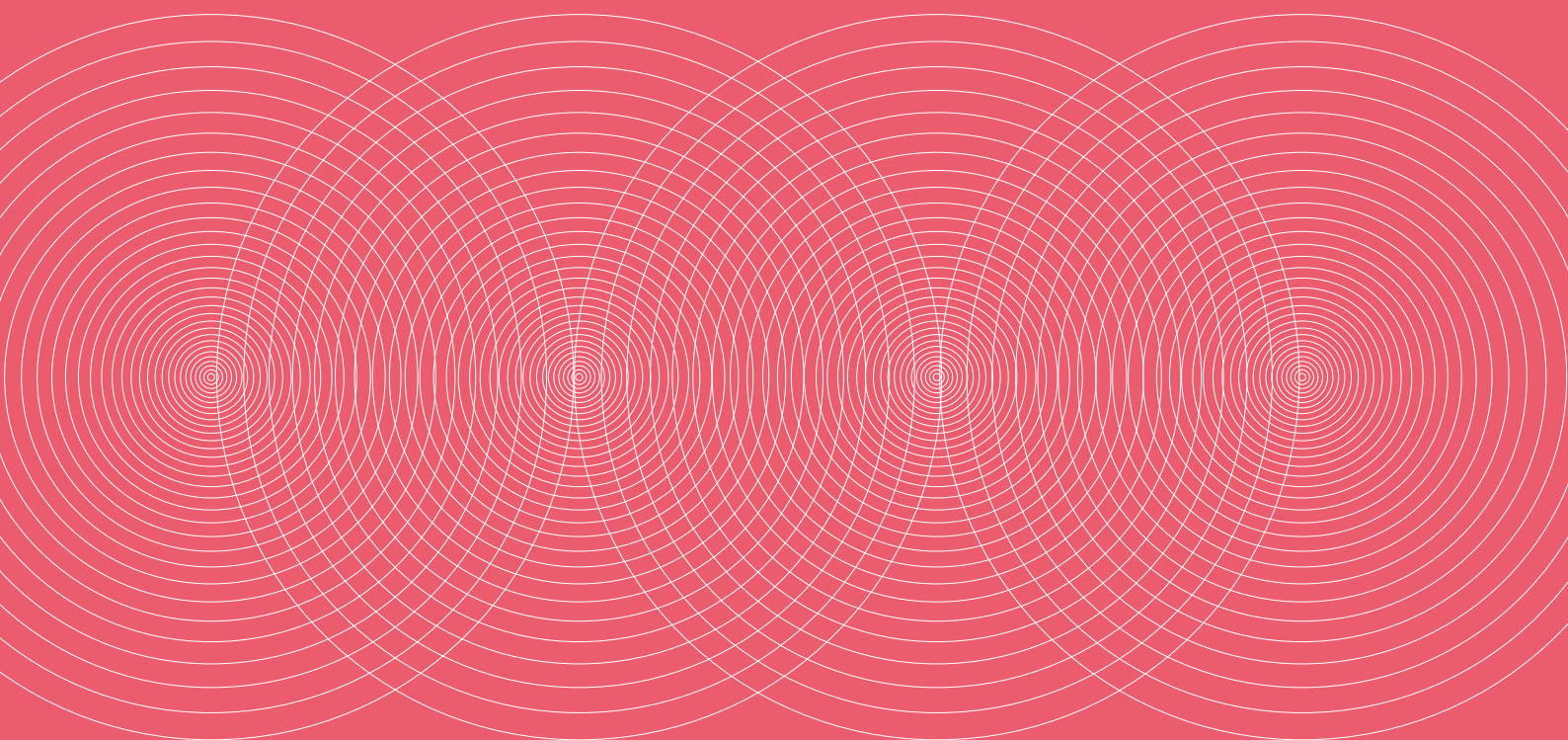


Exploring the cooperative economy

WORLD COOPERATIVE MONITOR 2022 EXTRACT



Large cooperatives: Digitalization, participation, and democracy



In the rapid transformation of the economy, digitalization* is assuming a key strategic function in enterprises. It is pervasive in all areas of activity in large, small, and micro enterprises and affects the entire value chain cycle of products and services.

Although the governments in many countries had already been promoting policies and actions to support digital transformation before the Covid-19 pandemic, the resulting restrictions on mobility highlighted even more how digital technologies now touch all aspects of our lives, including education, work, shopping, and healthcare (OECD, 2020). As we have seen over the past two years, increasing digitalization has not only brought about changes in people's work habits and purchasing behaviors but has also triggered deeper changes related to the way people relate to each other and participate in social and community life. Indeed, the digital transformation can accompany and accelerate sustainable growth by providing new channels and opportunities to share information and engage people in the democratic process. This also applies to cooperatives, which have as a cornerstone the active and democratic participation of members in their decision-making process.

However, although digitalization offers a multitude of possibilities, it is not without risks. On the one hand, digital technologies can improve people's standard of living and well-being and offer companies new opportunities and ways of doing business. On the other hand, their rapid expansion is leading, in several business sectors, to a concentration of the market in the hands of a few companies. The digital transformations occurring in the world of work also mean more opportunities for highly skilled workers who can meet the new skill requirements and a greater risk of automation for more routine jobs (UNDESA, 2020). This might lead to a reduction of the chances of decent work in certain activity sectors, with some sectors that are less likely to be affected by automation but are more prone to informal and non-standard forms of employment (ILO, 2017). Moreover, one cannot overlook the possible limits of digitalization in terms of democratic participation considering its risks in relation to security, privacy, and the digital divide.

In this era of change, cooperatives can play an important role in ensuring labor inclusion and democratic ways of running businesses. Cooperatives are not only faced with the opportunities and challenges posed by the digitization of processes for managing work routines or those related to selling services and/or products to their customers. They are also concerned with how digital tools can support (or hinder) the connections between people and the democratic participation within organizations considering the limitations and risks of using said tools in terms of security, privacy, and the digital divide.

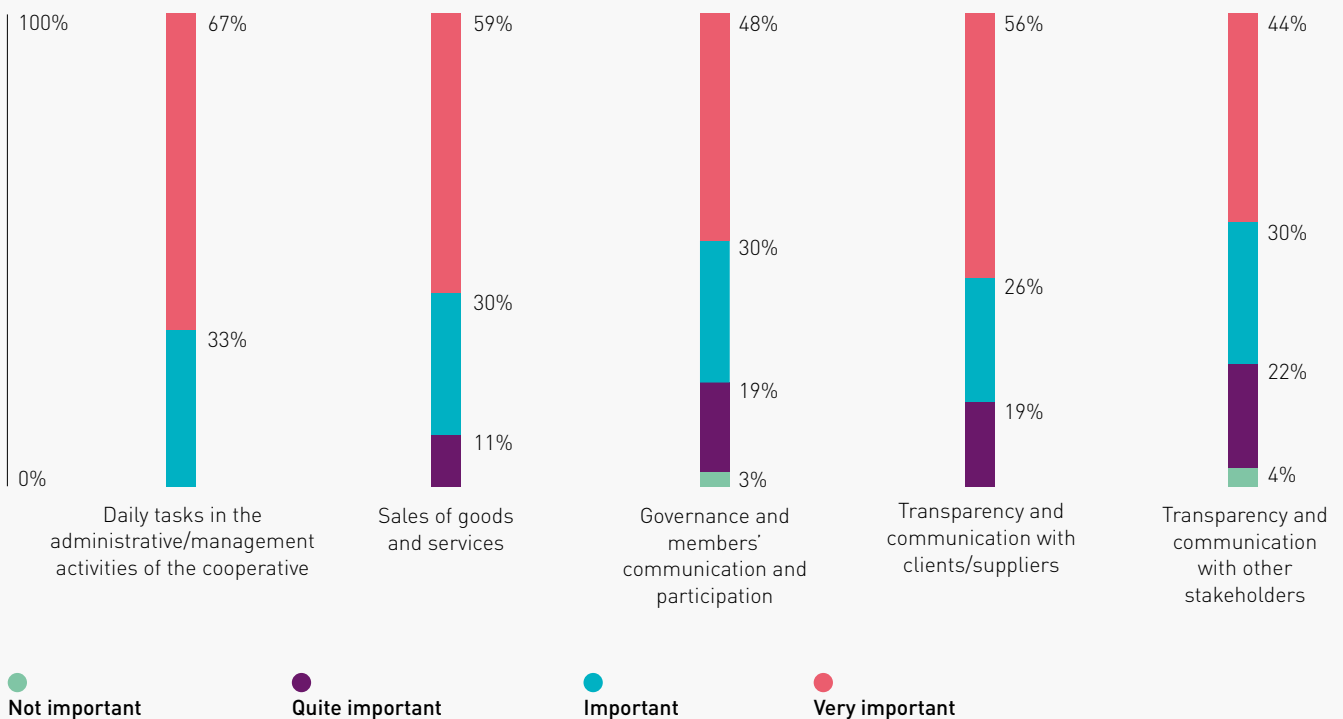
Looking at what is happening among cooperatives and what changes have been brought about by digitalization can be a good starting point for thinking about whether and how cooperatives can take advantage of the positive

effects of digitalization and mitigate the negative ones. For this reason, an exploratory survey was conducted, with the support of the ICA's International Cooperative Entrepreneurship Think Tank with a small sample of large cooperatives with the aim of gathering information on the level of digitalization and practices of using digital tools for members' participation. 27 cooperatives took part in the survey. These cooperatives are in different areas of the world (11 in the Americas, 9 in Europe, 4 in Asia-Pacific, and 3 in Africa) and in different business sectors. Although the sample is not representative of the cooperatives listed in the World Cooperative Monitor top 300 ranking, it nonetheless was possible to collect the practices and experiences carried out by these cooperatives, which provide interesting insights into the relationship between digitalization and democratic participation.

LEVEL OF DIGITALIZATION

The members of the cooperatives interviewed are aware of the importance of digital tools that cut across different functions of corporate life. It is not simply a matter of using digital tools to handle the usual administrative operations; there is also an awareness that something fundamental has changed in the way cooperatives are managed. For more than eight out of ten cooperatives, it is important, if not essential, to use digital tools to sell their goods and services online and manage relationships with customers and suppliers. Slightly lower—with one-quarter of the respondents considering them only “quite important”—is the perceived importance of using tools to enhance member participation and communication with the stakeholders.

FIGURE 1. THE COOPERATIVES' RATINGS OF THE IMPORTANCE OF DIGITALIZATION IN DIFFERENT AREAS

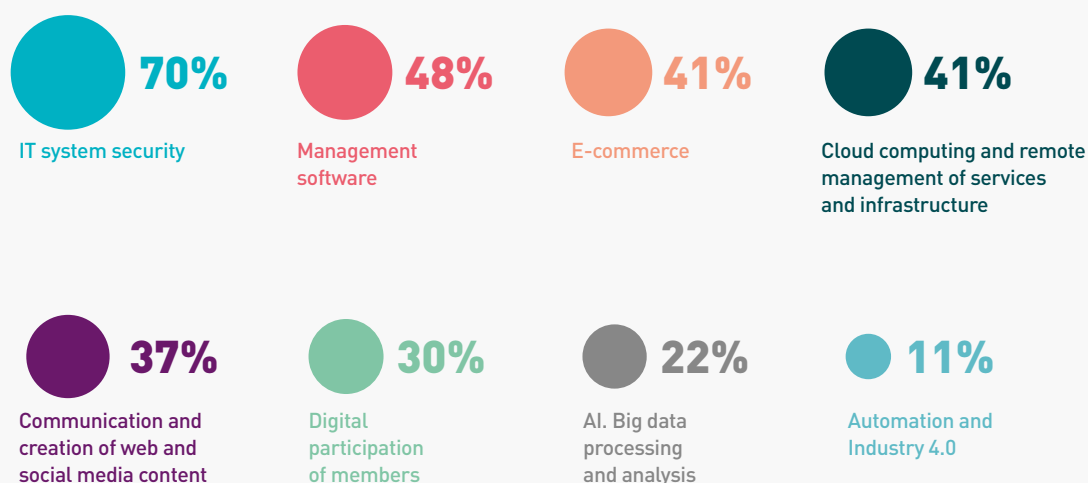


It is therefore not surprising that according to the cooperatives interviewed, the business areas in which digital tools play a crucial role are IT systems and their security, business management software, and selling goods and services online.

What is interesting to analyze is that, among the large cooperatives surveyed, there is ample room for improvement in the level of digitalization in all the dimensions surveyed. About one in ten cooperatives consider themselves to be poorly digitalized. Although with different percentages for individual business areas, there is room for improvement both in terms of the day-to-day management of activities and the online sale of goods and services, but more especially in terms of member participation and communication with stakeholders.

The gap between perceived importance and the level of actual digitalization might be related to the fact that the systemic use of digital tools in certain business areas only came into full swing during the Covid-19 pandemic. Indeed, although most of the cooperatives surveyed were already using digital tools—to varying degrees in different business areas, especially in the day-to-day management of activities—the pandemic increased their use and forced those cooperatives that were not yet using such tools to innovate and introduce them into their strategic, management, and work routines.

TABLE 1. THE MOST IMPORTANT AREAS FOR COOPERATIVES REGARDING THE USE OF DIGITAL TOOLS



REMOVING BARRIERS to DIGITALIZATION

THE BRAZILIAN CASE

Digitalization is one of the hot topics for Brazilian cooperatives. As evidenced by the survey of a sample of 78 Brazilian cooperatives (conducted by OCB using the survey developed for this chapter), the pandemic has accelerated the use of digital tools in all major areas of business, from administration to online sales of goods and services, to member relationship management, especially in terms of participation in decision-making and member interaction.

It is especially the fronts of member participation in decision-making and communication with other stakeholders on which the cooperatives surveyed feel they still have work to do in terms of digitalization: almost one in four cooperatives feel they are less digitalized than they should be in these two aspects, while less than one in three have not yet achieved good levels of digitalization; however, on this front, one in two cooperatives feel they have now achieved good levels of digitalization.

The Organization of Brazilian Cooperatives (OCB) is one of the leading entities in the country to work on the topic of platform cooperativism, both by conducting and offering courses and training on the topic and by creating platforms for cooperatives to connect in the corporate environment. Fostering communication between cooperatives and collaboration among cooperatives are the goals of several projects promoted by OCB, with the recognition that intercooperation is synonymous with prosperity and longevity for cooperatives.

Such is the case with *Negócios Coop*, a platform developed by OCB to meet the demand that exploded with the 2020 pandemic. Now, the digital platform for business among Brazilian co-ops is on its way to consolidation as a large e-commerce cooperative, occupying an important space in the market.

This initiative proposes to make this e-commerce tool a showcase in which cooperative products and services can be displayed and found, creating a virtuous circle of commercialization. In addition, the *Coop Business Platform* is intended to remove the barriers that prevent many cooperatives from doing business with each other. To participate in this initiative, cooperatives must be registered with the OCB System. Currently, there are more than 500 announcements in the platform and more than 600 cooperatives indexed.

The theme of collaboration is also at the heart of the *Colaborativa* platform, a communication and information management platform that enables, in a secure and unified way, access to documents, information, and services from the OCB headquarters (national unit) to state units (regional offices), promoting agility, transparency, security, and productivity. Within the platform, the user can consult and download official documents, such as regulations, manuals, visual identities of campaigns, models of technical notes, and other materials, for continuous consultation.

FIGURE 2. THE COOPERATIVES' RATINGS OF THE LEVEL OF DIGITALIZATION COMPARED TO WHAT THE COOPERATIVE WOULD LIKE TO HAVE IN DIFFERENT AREAS

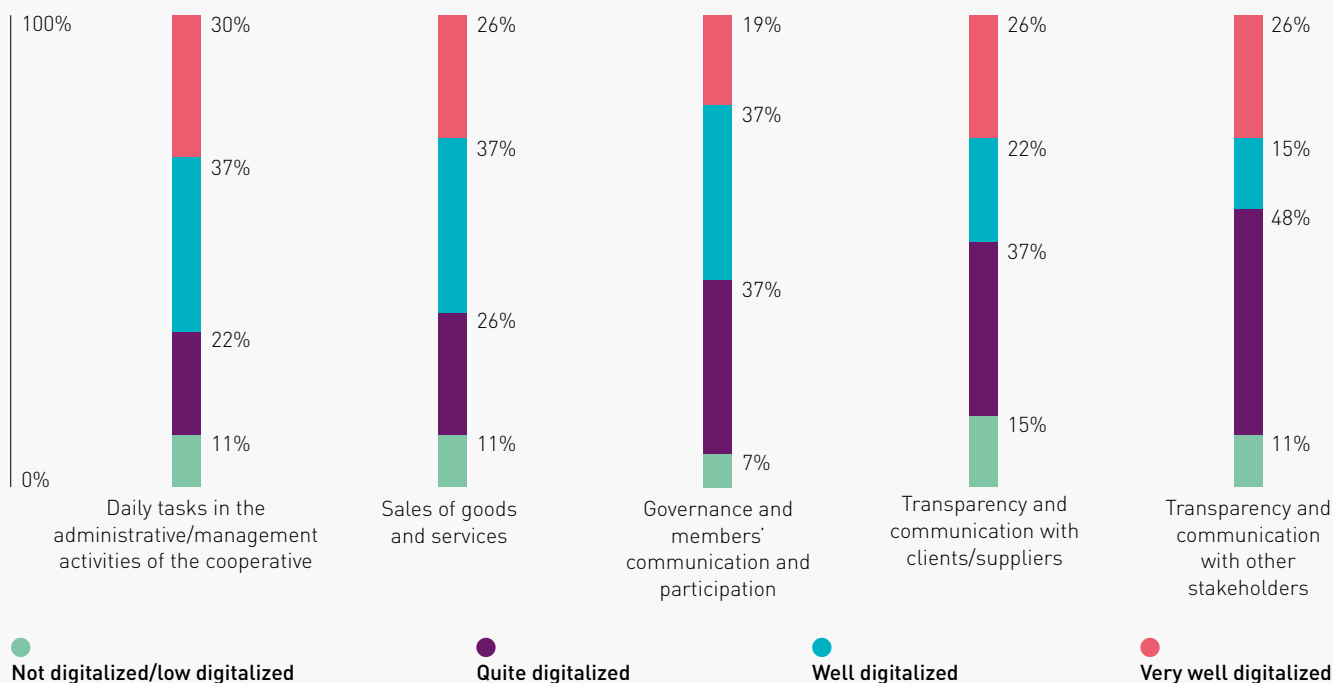


TABLE 2. COOPERATIVES' OPINIONS ON HOW THE COVID-19 PANDEMIC CHANGED THE USE OF DIGITAL TOOLS FOR THE FOLLOWING ACTIVITIES

	WE DID NOT USE DIGITAL TOOLS BEFORE BUT NOW WE DO	WE USED DIGITAL TOOLS BEFORE, BUT WE HAVE INCREASED OUR USAGE
<i>Daily tasks in the administrative/management activities of the cooperative?</i>	4%	85%
<i>Sales of goods and services?</i>	19%	56%
<i>Governance and members' communication and participation?</i>	19%	70%
<i>Transparency and communication with clients/suppliers?</i>	4%	67%
<i>Transparency and communication with other stakeholders?</i>	15%	52%

SUPPORTING COOPERATIVES in the DIGITAL ERA

THE ITALIAN CASE

The digital transition is a key issue for Italian cooperatives, as shown by the results of two surveys conducted by the study centers of the two main Italian federations to monitor the ongoing transformation process and track the results of the actions that will be introduced by the federations to support businesses in this transition phase.

The survey conducted by the Legacoop Study Center showed that some digital tools have now entered the ordinary work of member cooperatives: 98% have an Internet connection, 78% have a website, and more than 90% have had online dealings with public agencies. More advanced digital tools are also beginning to find their way into cooperatives: 21% use Internet of Things (IoT) devices; 10% use AI devices to convert voice notes to digital text or generate written or spoken language. The pandemic has accelerated the innovation process within organizations: data show that 41% have increased the percentage of employees with remote access; 76% have increased the use of remote meetings; and 22% have initiated or increased online sales efforts. For nine out of ten cooperatives, these increases were dictated by the pandemic (Area Studi Legacoop, 2022).

The survey conducted by the Confcooperative Study Center also confirms the high share of cooperatives that made investments in new technologies during 2021. Among these, 6% invested in big data analytics, and 2% invested in Internet of Things devices, robotics, augmented reality, and virtual reality. Digital tools are taking on an increasingly strategic role in driving innovation, with an impact on the internal organizational models of cooperatives as well (Fondo Sviluppo, 2022).

These data highlight how a significant change is taking place that is, first and foremost, cultural, and that federations are trying to support this transformation through some ad hoc projects and initiatives with a long-term scope. For example, the “Digital Cooperation” project is promoted by the Italian Alliance of Cooperatives with the support of Google.org, the philanthropic division of Google committed to addressing the main challenges of our society through funding, technological innovation, and technical expertise to support the most vulnerable communities and provide greater equity and inclusion.

The project stemmed from a discussion with the Italian Ministry of Economic Development on the topic of the digital transformation of Italian businesses, with the aim of enhancing cooperative and nonprofit enterprises by enabling 500 of them to seize the opportunities of digital transformation—including those businesses that would not be able to do so on their own—and, at the same time, strengthen the ecosystem of high-tech cooperative and nonprofit entrepreneurship. Thus, the project aims to create employment opportunities particularly for those most in need, as well as to empower the most vulnerable cooperatives, cooperators, and enterprises to seize the opportunities offered by the Italian recovery plan.

PARTICIPATION IN THE DIGITAL AGE

Cooperatives use digital tools to communicate systematically and assiduously with their members—often on a daily and weekly basis—from the most classic tools, such as the website and the online newsletter, to those tools that were rapidly deployed during the pandemic to facilitate working relationships when it was impossible to meet physically.

While communications are routinely handled with digital tools, their use on the member engagement front shows both the potentials and limitations of these tools supporting member participation in the life of the cooperative. In fact, while cooperatives seize as a positive factor the possibility of more easily organizing events (decision-making, training, or just debate and discussion) in which many members can participate regardless of their geographical location (e.g., in the streaming of the event), the experiences collected highlight that there are also barriers to both access and communication.

Driven by the challenges of the pandemic, all the surveyed cooperatives have activated online modes of participation in their general meetings. Until 2018, these meetings were run almost entirely in person, although a few cooperatives had already provided online voting tools. It was only with the travel limitations triggered by the virus containment provisions adopted in several countries that cooperatives opted to hold online meetings, which moved to the hybrid mode in 2021 and gradually have returned to in-person meetings in 2022. This is because, although digital tools have **ample potential in engaging members unable to attend the meetings in person, they have also shown limitations in engaging certain categories of members unfamiliar with the use of technologies** (and here the problem of the digital divide is confirmed). In addition, cooperatives complain about the lack of less formal interaction in online meetings (even arising spontaneously alongside the official meetings), as well as the difficulty of interpreting nonverbal communication, which makes it necessary to devise different communication methods than in the past.

However, the use of digital tools is not limited only to the involvement of members at the general assembly. Over half of the cooperatives surveyed also see the potential of digital tools to involve members in the co-creation of services and goods and to promote interaction among members. On this front, digital tools aid cooperatives by making it possible to run periodic surveys to gather suggestions and opinions both on new (potential) products and services and on other issues. They also facilitate the organization of focus groups and test groups in which members can discuss and share opinions on a wide range of topics.

IS THE FUTURE IN DIGITAL PARTICIPATION?

From the experiences gathered through the explorative survey, it does not seem that digitalization can radically reshape the way cooperatives relate to their members. The practices collected so far highlight how digital tools can facilitate the involvement of cooperative members in some situations, but in many of the cases examined, they are placed side by side with traditional methods to ensure the full participation of all members in the life of the cooperative. And this turned out to be the secret of cooperatives: embracing virtual participation while not neglecting in-person engagement.

This is not to say that digitalization is not a crucial challenge for cooperatives. Cooperatives grasp the benefits that digitalization can bring in terms of democratic participation, but they perceive as more imminent and disruptive the challenges arising from rapid change of technology, industries, and processes due to increasing interconnectivity and smart automation and the consequences this may have on the world of work. And it is on these two dimensions that the large cooperatives focus their attention, even with the ever-present goal in mind of ensuring sustainable growth and decent work for all.

INTERCOOPERATION for a DIGITAL FUTURE.

THE VIEWPOINT OF IT COOPERATIVES

At the same time as the processes of digitisation of cooperative organisations are being generated, we must be particularly careful about the tools we choose to use. The digital media that facilitate the flow of information are not disconnected from the business logic present in society, and in this sense the question arises as to how to encourage the use and development of technology that contains cooperative values from the outset.

Free Software is therefore presented as a development tool and model, since in addition to containing its four fundamental freedoms (according to GNU.org - use it for any purpose, study how it is made, modify it and distribute it with its modifications), it also encourages collaborative development practices focused on the production of common resources. This possibility that both technicians and users can participate in the development process of a tool enables the participation of different views, needs and subjectivities, in order to generate an inclusive software that is attentive to the diversities that make up our different organisations.

On the other hand, this development model does not generate costs in licenses, saves resources by being able to reuse code bases for new developments (not reinventing the wheel each time) and promotes local economic and knowledge development by allowing development teams to reuse, modify or expand these tools.

In Argentina, FACTTIC (Federation of Technology Cooperatives) and the cooperatives that make up PATIO (the global network of technology cooperatives) are working on the development of tools that take into account the cooperative value system and that can be adapted to the needs of the different organisations in the sector. This was set up following the case of FIT (Flujo Intercooperativo de Trabajo), a FACTTIC space where IT solutions are generated in an intercooperative manner, with the premise of cooperation rather than competition between companies in the same sector.

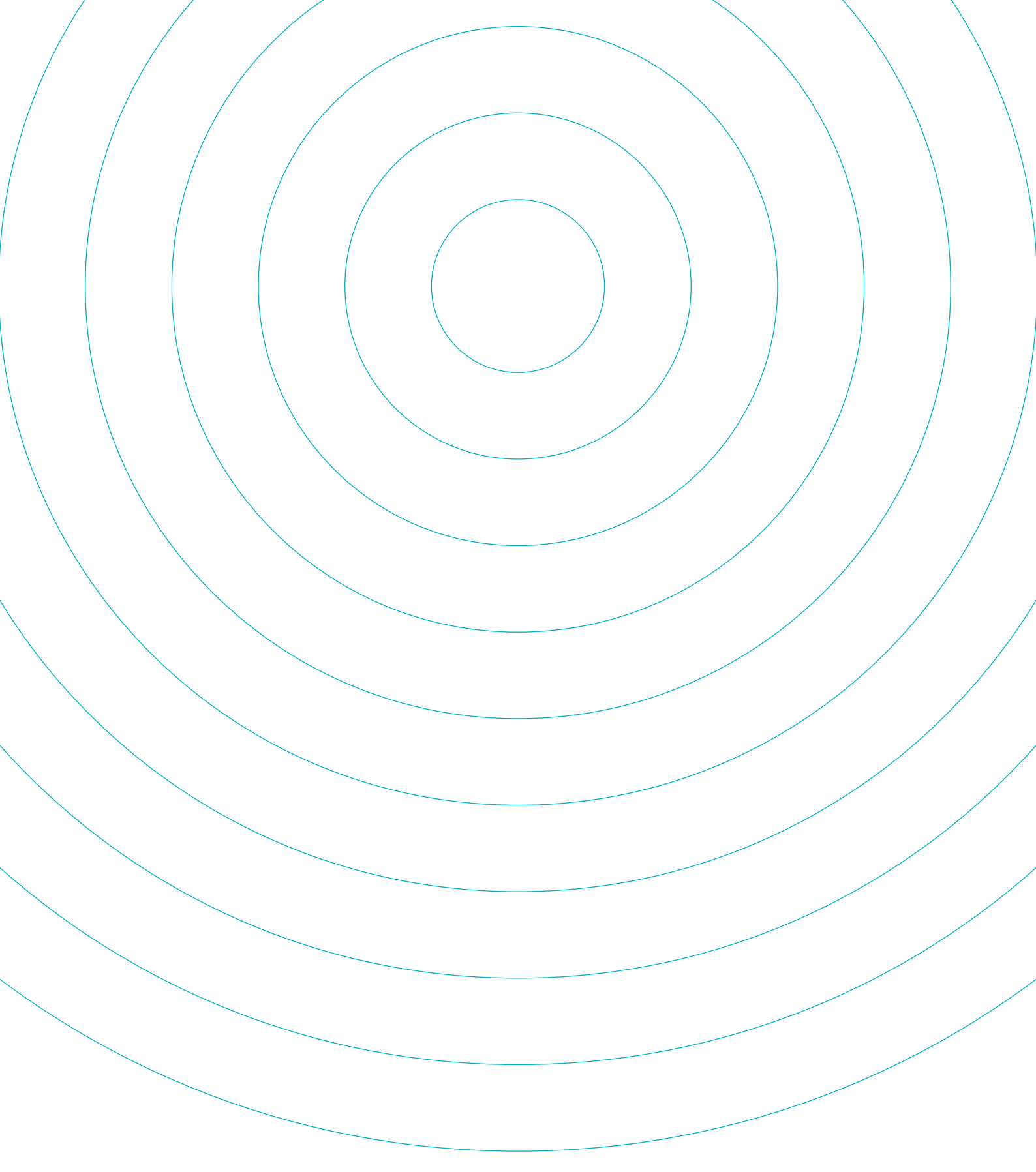
With common needs, large cooperatives can think of intercooperation as the answer to develop technology that fits their needs and values. Sharing governance and the software itself strengthens the whole movement and makes resources available to developing cooperatives.

FACTTIC is the Argentine Federation of Technology, Innovation and Knowledge Worker Cooperatives. It brings together more than 35 cooperatives throughout Argentina and is an active facilitator of the ICA IT network. <https://facttic.org.ar>

ICA IT network was originally created as a space for members to find IT cooperatives for technical help and advice. It has grown to become a platform where different actors can connect with each other and the ICA looks forward to creating even more channels to foster intercooperation on a platform called "Patio" in the future.

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