

## Creating Opportunities for Cooperative Enterprises Towards Sustainable Development

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Given the increasing contribution of the enterprise sector to employment generation and economic growth in the Philippines, there is a need to ensure its sustainability. The International Labour Organization (ILO) defines sustainable enterprises as economic entities that pursue both economic and social responsibilities to create a sustainable society through business activities that holistically reflect economic, social and environmental aspects of sustainability.

The key elements for sustainability at the micro level are productivity, market integration and value chain development, human resource investment, financial and physical infrastructure and services, social responsibility, and institutions, organizations and support networks (Figure 1). ILO has also emphasized the critical role of organizations in promoting the basic conditions for sustainable enterprises, which include democratic governance, economic efficiency and social equity. Given this framework, cooperative is seen to be a valid business model that has a strong potential in creating opportunities for sustainable enterprise development.

Its unique characteristics set it apart from a typical investor-owned firm, which make a cooperative a model capable of satisfying and providing the elements and conditions for a sustainable enterprise (Table 1). This is not to mention the main goal of cooperatives - to improve the quality of life of the members and their communities and promote the cooperative values, principles and practices that are inherently in line with the key goal and elements of sustainable enterprises.



Fig 1. Sustainable Enterprise Development Framework at Micro Level (Adopted from ILO)

Table 1. Investor-owned Enterprise vs. Cooperative Enterprise

Key Elements of the Business Model	Investor-owned Enterprise	Cooperative Enterprise
Articulate the value proposition	Satisfy customer needs and maximize shareholder returns	Maximize member benefits
Identify the market segments	Target most lucrative opportunities	Target areas of greatest member need
Define the value chain configuration	Suppliers and customers are outsider to the firm	Suppliers and customers are owner/ members of the firm
Estimate cost and profit potential	Reduce supplier costs and premium price for customers	Offer higher prices to suppliers and lower prices to customers
Define position within the value network	Block substitution threats and form strategic partnerships with complementors	Block substitution threats and form strategic partnerships within the cooperative membership
Formulate a competitive strategy	Exploit future opportunities with existing resources	Offer members best value

Source: <http://www.cemi.com.au/sites/all/publications/0901-COOPS-WA-LIT-REVIEW.pdf>

The potentials of cooperatives as a sustainable enterprise model have already been evident in some local cooperatives in the country, especially in agricultural cooperatives that practice collective action, bargaining, and horizontal and vertical integration in their business activities. Their linkages to support networks and organizations also enable them to enhance their financial and physical infrastructure and market access, thereby empowering and making them more competitive. The cooperative principles and values all contribute to providing an enabling environment for achieving the basic conditions for sustainable enterprise development.

However, while cooperatives present a number of potentials for promoting sustainable enterprise development, many cooperatives, particularly the micro cooperatives, are still weak and cannot exploit such potentials due to limited capital build-up, lack of human resources with adequate competencies, and some policy constraints. Elements at the macro level such as conducive governance, sectoral and trade policies, capacity building programs, and regulatory and legal environment for enterprises are therefore also necessary to enable them to achieve better business environment and conditions for sustainable enterprise development.

