

# GLOBALISATION AND CO-OPERATIVE DEVELOPMENT: CHALLENGES AND RESPONSES OF CO-OPERATIVES IN DEVELOPING ECONOMIES

Mohd. Taib Bin Hashim  
Co-operative College of Malaysia  
[drtai@mkmm.edu.my](mailto:drtai@mkmm.edu.my)

## ABSTRACT

*Co-operatives as business units cannot avoid themselves from competitive environment that will determine their survival. Co-operatives in LDCs by virtue of their nature of businesses have the tendency of depending some form of assistances from government. In the face of globalisation and liberalisation, it is inevitable that stiff competition from other form of businesses will have to be faced by co-operatives with or without the assistance of government. This situation makes it crucial for co-operatives to consider and adjust necessarily. The paper aims to discuss the effects of globalisation on co-operative development and the appropriate responses that co-operatives should undertake to ensure their survival. It is no longer suffice for co-operatives in LDCs to emphasise greatly on traditional realms such as micro credits, consumer, agriculture, and housing but to undertake strategic decisions in branching out to new areas of business propositions which are definitely a more competitive and a riskier but could also produce remunerative returns. What is more worrying is the encroachment of corporate giants in their traditional territory where the co-operatives are supposed to have an extra advantage such as credit. Thus, it is inevitable for co-operative to reevaluate their involvement in various types of businesses in line with the new business environment.*



## INTRODUCTION

Globalisation is one of the most current and prominent future trade policy themes that affects both Developed Countries (DCs) and Less Developing Countries (LDCs), with more profound negative effects inevitably being felt by LDCs<sup>1</sup>. Globalisation offers enormous economic growth potentials whilst at the same time, unleashing continuous and increasing competitive pressures. LDCs' failure to respond positively and constructively to the multifarious challenges created by globalisation, will severely put tremendous impacts in their quest for greater socio-economic development especially poverty alleviation. Inevitably, LDCs have to strive harder in order to be in the forefront of economic development and to reap enhanced potential benefits of globalisation. Economic and business globalisation has taken a centre stage and received greater attention in the debate about globalisation although conceptually it can be approached through various dimensions-political, social, religion, cultural and others.

To most people, globalisation connotes mega trends and represent an integrated world where governments, economies, religious and social institutions are being shaped by developed economies. As such, some parties fear that this massive process could be beyond human control. There are distinct ways in the conceptualisation and reasons for globalisation as well as the characterisation of the effects of structural changes resulting from globalisation. Nevertheless, there is a common understanding about the increasing interdependence between economy and societies in the world and how internationalisation of economy<sup>2</sup> takes place. In today's world, global business environment is continuously impacted by rapid technological advancement, worldwide socio-economic and political changes, increasing environmental awareness and other such factors. Most LDCs fear that the force of globalisation, which emanates from the power of transnational capital and the persistent imbalances in the current workings of the global economy, is ethically unacceptable and politically unsustainable. Thus, globalisation has become a complex phenomenon and has impacted the convergence of economic and social forces, of interests and commitments, of values and tastes, and of challenges and opportunities.

## EMERGENCE OF GLOBALISATION

Globalisation emerges as one of the most important economic, social and political dimensions in the relationship between DCs and LDCs. It is recognised as a buzzword in the

---

<sup>1</sup> Although globalisation is not a new phenomenon but recent advances in information and communication technology has accelerated the process by creating a truly global village and intensify competition. Physical borders no longer play a vital role in transmitting information across nation states.

<sup>2</sup> Internationalisation of economy refers to the ensemble of flows of exchanges of raw materials, semi-finished and finished products and services, money and people between two or more nation-states (Petrella, 1996:63)

1990s in tandem with global economic era, which was started in the middle of the 19th century. Due to its pervasive effects to socio-economic-political development especially to LDCs, Waters (1995:1) for example, has recognised it as the most recent concept of the 1990s that needs to be addressed by all countries especially LDCs in order to reap its optimum benefits extensively. There are myriads of definitions of globalisation as well as many claimants to its origin. In the context of economic model, globalisation and liberalisation have spawned a new economic model, which means interdependent and interrelated economy, unclear geographical boundary, technological and knowledge based and rapid capital movement in the capital market. It is also based on more advanced factors of production such as skills, knowledge and work efficiency and the ability to master new and sophisticated technology<sup>3</sup>.

Due to its presumptive pervasive effects to LDCs, the concept has received great attention although the definition can mean differently to different people depending on their very own perspectives. As a generic term, it means a fast movement of economic goods across countries and regions resulting in the reduction of economic distance between these nations and increase interdependence among economic actors. Held et al (1996:16) for example, defines globalisation as a set of processes which embodies a transformation in the spatial organisation of social relations and transactions-assessed in terms of their extensity, intensity, velocity and impact-generating transcontinental of interregional flows and network of activity, interaction and the exercise of power. Anderson (2000:4) nevertheless looks at globalisation as a decline in transaction costs to barriers in business transactions or otherwise interacting with people of other nations around the world. Many other writers view globalisation as starting only in 1980s in tandem with the rapid development of political, economic, religion, cultural and technological dimensions.

Historically, globalisation was in the minds of traders from the very outset of trading where the rules were simple and people were more trusting. The economic benefits should and could be fairly shared through globalisation based on universally shared values and respect for human rights and individual dignity. The absence of global governance in the past has been the cause of the breakdown of international trade and international monetary system. The evolution of globalisation was placed on fast track following the advancement in telecommunication, transport and application technology that have been facilitating trade transactions. As these advancements took place in DCs, they became the first torch bearers of the advent of globalisation. No country, especially LDCs, can avoid its guaranteed continuing onslaught. For example, US corporations have invested about USD 1 trillion abroad and employed more than 100 million overseas workers and over 100,000 US firms

---

<sup>3</sup>This model is quite a contrast from a typical old and traditional economic model, which considers income and wealth are totally dependent on land, capital and work force.

are engaged in global ventures valued at more than USD 2 trillion. Not surprisingly, DCs have reaped enormous benefits from globalisation. Foreign investments in the US for instance, have surpassed USD 3 trillion and an estimated USD 2 billion is being transferred across the world daily.

## **GLOBALISATION AND THE CHANGING ROLE OF CO-OPERATIVES IN LDCs**

The continuing onslaught of globalisation inevitably compelled economic forces other than transnational corporations to strategically think of ways to survive in the turbulent environment. For example, the co-operative brand as an attractive marketing tool is being communicated to the public through cheaper and value for money and services. Looking forward through this dimension alone, co-operative could become a powerful marketing tool providing competitive alternative to global corporations. Co-operatives as important economic forces worldwide have many advantages as against corporate entities. However, unfortunately, due to its limitations, it could not leverage the advantages so as to make it as the successful business entities especially in LDCs. Furthermore, as compared to corporate business entity, co-operatives have their own agenda to be fulfilled which are quite complex and guided by unique guiding principles, philosophies and values which are different from global corporate players whose overriding objective is much more straightforward-emplacing profit maximisation.

Current fast changing global economic scenario represents significant forces that compelled rethinking on co-operative philosophy from sponsoring orientation to more autonomy-based co-operatives. The advent of globalisation inevitably demands the realignment of co-operative objectives not only to focus and fulfill local needs but concurrently also to network and cooperate globally as economic and business strategies for greater sustainability. In this respect, co-operatives are ideally assigned to play a more strategic role towards making a fairer world due to their combination of economic and social objectives. Thus, transnational co-operatives tend to respect local communities whilst at the same time provide economically competitive environment with multinational enterprises. In addition, economic and social returns are received by its members irrespective of their operationalisation at international scale. Political and economic changes have put tremendous pressures on government into rethinking about their policies towards co-operatives. It is believed that in the past LDCs' governmental over-promotion and over-intervention resulted in co-operatives being too dependent on governmental aids. It is now timely for the co-operatives themselves to undertake greater initiatives and to try to emulate DCs' co-operatives that have displayed significant benchmark as successful business entities at par with ordinary corporations.

## **CHALLENGES OF CO-OPERATIVE DEVELOPMENT IN LDCs.**

The question is whether, in the face of persistent onslaught of globalisation, co-operative movements in LDCs still have a pivotal role to play or are being marginalised as passive participants and becoming an insignificant complement to corporate entities. Despite the overall backwardness of co-operatives in LDCs, they could still play significant role in shaping the evolution of globalisation alongside other actors of civil societies. Admittedly, challenges faced by co-operatives in LDCs are considered formidable although definitely not insurmountable. Some of the challenges faced by LDCs co-operatives in strengthening their roles are as follows:

### ***Strengthening Self Help Organisation in the Economic and Social Fields***

Co-operatives as a mass organisation have the advantage of creating an opportunity of self help without too much dependence on other institutions. There are more than 800 million people around the world as members of various types of co-operatives and they must be mobilised to create and seize more economic opportunities and thus ensuring their survival. Since the basic philosophy of co-operatives is self-help membership, co-operatives should go back to their members in appealing for continuous support and patronage. Co-operatives must find ways and means to retain existing members and to entice new members so that their businesses could be further enhanced.

### ***Enhancing and Strengthening Capacity Building***

Capacity building for any organisation should be a continuous effort and its leaders must be far sighted to ensure that their staffs are trained to be productive workers who realise their potentials. Thus the management must invest continuously in human resource development and training especially in new areas of businesses. Although capacity building will incur additional burden to co-operatives but the return would be worthwhile in the long run. Productive and farsighted workers would become valuable assets to assist in thinking strategically on the direction of the co-operatives.

### ***Balancing between Global and Local Needs***

Despite promising business opportunities globally, LDCs' co-operatives must ensure that the interest of their members at local level is preserved and not forgotten for long term benefits. There is a dire need to strike a balance between the need to go abroad to compete with the

giants and simultaneously to preserve the interest of local needs. The best option for LDCs' co-operatives is to undertake a conservative approach of developing and strengthening local fronts before launching unprepared forays at a global stage.

### ***Diversification of Products***

In this competitive world, product enhancement should be carried out continuously in order to fulfill the changing taste of customers. Co-operatives must be bold and strategic in offering new products so that client's support and loyalty is intensified. Creativity and innovations among co-operators are vital in ensuring that co-operatives are able to continuously offer new and interesting products to the customers.

### ***Strengthening Corporate Governance System***

One of the biggest problems faced by co-operatives in LDCs in uplifting their less attractive environment is the weaknesses in their corporate governance system resulting in continuous mismanagement which entails lack of confidence and support from members. Therefore, the co-operatives fall short of success to mobilise their resources to seize more business opportunities. Thus, it is imperative for co-operatives to solve this issue resolutely in order to gain confidence and trust from their clients.

## **CO-OPERATIVE RESPONSES TO GLOBALISATIONS**

The globalised world is continuously competitive, challenging and changing. To survive in a highly competitive environment and to fulfill the challenges of globalisation, co-operatives have to continue reinventing and repositioning themselves to match their members' needs for economic security and development. Transnational corporations have been regarded as one of the main vehicles through which globalisation takes place, and by becoming global players, they intensify competitions. In order to reduce cost, they break the production unit into smaller units. In most cases, LDCs have become the most convenient places to establish plants by taking advantage of various incentives that could be offered by these LDCs. Thus, businesses have become more complex as new competitors emerge almost daily worldwide<sup>4</sup>.

---

<sup>4</sup> In 1995, MNCs firms' produced about USD 7 trillion in sales through foreign affiliates - an amount that is greater than the world's total exports. MNCs firms' sales outside their home countries are growing 20-30% faster than exports. Although LDCs have benefited from the increasing inflow of foreign direct investment from more than USD 190 billion in 1999 as compared to USD 244 billion in 1990. During 1990s also, international portfolio investment has been growing equally as fast as FDI (WTO, 1996:44-46)

Rather than not doing anything, at least co-operative movement must undertake serious efforts to face the effects of globalisation. As important business entities, co-operatives could administer several measures and undertake appropriate responses such as the following:

### ***Enhancing Professionalism***

In order to compete effectively in a global marketplace where the size of the companies are several times larger, co-operatives have to be managed by professional staff who must be paid remunerative salaries. This practice could present minor financial problem to big co-operatives comparable in size with corporate entities, but to small co-operatives, having to struggle in order to survive, it could be almost suicidal to their very existence. Thus, co-operatives should provide conducive environment not only for hiring professionals but also for sustaining them in long term period. Customers have to be persistently convinced that co-operatives are a better choice than other forms of business enterprises.

### ***Embracing New Information Technology Paradigm***

Co-operative personnel should have good understanding about how IT can contribute to their growth and products especially those in the middle and top management, in order to better serve their customers. Rapid IT development in the market place is expanding at an alarming rate. In consonant with the continuous expansion of services sectors that have unavoidably embraced the utilisation of IT knowledge, co-operatives will have no alternative but to join the bandwagon in equipping themselves with IT prerequisites. Continuous improvements in their services is one of the effective ways to maintain the customers' loyalty and patronage.

### ***Embarking on Strategic Alliances***

In the face of increasing competition, companies have to reap from economies of scale in order to stay afloat at all times especially in turbulent global environment. Economies of scale can be derived from merger and strategic alliances. Thus, co-operatives not only have to work among themselves but also with other corporate sector companies and encourage cross border alliances in order to reap greater benefits and to survive in their long term endeavours.

### *Continuous Innovation*

Just like any corporate players who are constantly embarking for innovation in order to survive in the turbulent environment, there are many compelling reasons for co-operatives to undertake the same approach towards innovation. Thus, innovation must be in the mindset of every co-operative and responding to be doing things better, cheaper and faster than before. Co-operatives should also invest to a great extent in embracing innovation to present attractive and worthy of purchase products.

### *Greater Risk Undertaking*

Any business entity that is aspiring to succeed will inevitably have to look for new opportunities domestically and abroad. Thus, willingness to undertake greater risk is of paramount importance for co-operative in order to reap greater reward in the long term. Nevertheless, co-operatives due to their more complex structures compared to normal corporate organisations will have no alternatives but to work twice as hard with the right strategies. The ability to manage co-operative enterprises in a professional manner is one of the vital ingredient in ensuring that risk undertaking efforts are taken in a convincing way.

## **CONCLUSION**

One must not look at globalisation in a negative perspective only, but what is more pressing and relevant now is how to make it as a fairer vehicle and distribute its benefits to a wider spectrum of society. A wider benefit could mean putting peoples' interests first and respecting their rights, creating cultural identity and autonomy, and empowering the local communities in which they live. Co-operative enterprises worldwide should undertake unrelenting efforts in making globalisation an advantageous opportunity whilst at the same time managing their businesses in efficient and professional ways and delivering a high quality service. With efficient service and a more marketable products, the possibility of co-operatives to compete in a global arena is greater and thus the future of co-operatives would be brighter.



## REFERENCES

Anderson, K.2000.*Gobalization, WTO and Development Strategies of Poorer Countries* in S. Yusuf, S.Evenet and W. Wu ed. *Local Dynamics in an Era of Globalisation*, London and New York; Oxford University Press.

Petrella, R.1996. *Globalization and Internationalisation: The Dynamics of the Emerging World Order*. In *States against Market: The Limits of Globalization*, edited by Boyer R & Drache D. London:Routledge

Waters, M.1995.*Globalisation*. London & New York: Routledge.

World Trade Organisation. 1996. *Annual Report 1996*. Geneva:World Trade Organisation