

Principle of «concern for community»: beyond «social responsibility» in cooperatives¹

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Summary: I. Introduction. II. The principle of concern for community. III. Social responsibility. IV. The paradigm of the gift – the obligation to give, receive and reciprocate. V. Inconsistent relationship between the principle of concern for community and social responsibility. VI. Coherent relation between the principle of concern for community and theory of gift. VII. Concluding remarks. VIII. Bibliography.

Abstract: This article aims to demonstrate the principle of cooperatives Concern for Community represents the way cooperatives interact to its community, especially in a social aspect. Thus there is no need of using the terminology «Social Responsibility for Cooperatives» once the cooperative principle already encompasses the social actions of the cooperative in a more complete and organic way. This discussion is related to traditional mimicry of cooperatives management (technics and tools) from management of companies, which weakens the identity of cooperatives. This text also demonstrates the Theory of Giving can support the theory and practice of the Concern for Community principle.

Key-words: concern for community, social responsibility, theory of giving, cooperative.

Resumen: El objetivo del artículo es demostrar que el principio cooperativista de «Preocupación por la Comunidad» representa la manera por la cual las cooperativas interactúan con su territorio y la sociedad, especialmente en lo que se refiere a los aspectos sociales de su gestión. Por lo tanto, el concepto de «Responsabilidad Social de las Cooperativas» no es aplicable en la justifi-

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cación de sus objetivos de gestión. Porque el principio de la cooperación incluye, de forma integral y orgánica el concepto de responsabilidad social. La discusión es parte del tradicional mimetismo discursivo de la administración de empresas con fines de lucro (herramientas y técnicas de gestión) que intentan imponer a los modelos de gestión de cooperativas, lo que trae como consecuencia el debilitamiento de la identidad de las cooperativas. Se propone en este artículo un análisis crítico de la Teoría de la Dativa con el fin de sustentar la teoría y la práctica del principio de la Preocupación por la Comunidad en el cooperativismo.

Palabras claves: Preocupación por la Comunidad, Responsabilidad Social, Teoría de la Dativa, Cooperativismo.

I. Introduction

Cooperatives have been driven by principles that make them different from other organizations since their origin. The statute from the first experience on cooperatives in 1844, in Rochdale, contained principles upon which a cooperative organization should be created (Cançado *et al.*, 2012). According to Schneider (1999), some founders of the Rochdale cooperative had already participated in pre-cooperative experiences and were familiar with the ideas of Robert Owen, a socialist utopian and founder of the cooperative movement. Others had joined Carter's political thought, echoing his call for the emancipation of the proletariat by political means through the right to vote. After a few failed insurrectionary attempts, both of these fractions joined and moderated their perspectives.

Many of the Rochdale pioneers participated in movements to improve basic working conditions. These experiences enabled the ideas of a cooperative to mature, and it was upon these experiences that the rules of the Rochdale cooperative were formulated. The founders of the cooperative did not only want food at fair prices; they also aimed for education of family members and access to housing and employment—through the purchase of land and factories—for the unemployed and underpaid. The success of Rochdale fostered great expansion of the cooperative movement in Britain and Europe and in the rest of the world (Schneider, 1999; Holyoake, 2008).

With the growth of world cooperative arises the necessity to create a transnational organization to represent the movement. In 1895, the International Co-operative Alliance (ICA) was created in London, England, with the initiative of English, French and German leaders (Schneider, 1999). Since then, the ICA has provided subsidies and «has become formal and explicit [of] Rochdale's legacy» (Schneider, 1999, p. 56). The ICA thus serves as an «authority» when discussing basic cooperative principles.

Several events have been carried out by ICA. Some of them, in 1937, 1966 and 1995, directly addressed the adequacy of cooperative principles. Among these, the principle of «Concern for Community» was included during a key meeting in 1995 which took place in Manchester, England (Cançado *et al.*, 2012).

In addition, the management at cooperatives often relies upon theoretical and practical frameworks used in companies— or what we call mimicry. It is understood that copying models or tools of business management contributes to the loss of identity of cooperatives, as the goals of these organizations are markedly different from cooperatives. This is

not an academic position based on simplistic or romantic principles in the face of increasing competitiveness, but rather a critical argument made on the basis that the theoretical and practical underpinnings of cooperatives are sufficient.

Linked with these points is the need to address notions of «Social Responsibility», a concept that is gaining increasing attention within the cooperative movement. The purpose of this paper is to demonstrate that the principle of «Concern for Community» contains this notion of «Social Responsibility» without having to mimic company-based management models. In other words, the principle of «Concern for Community» is fundamentally different from the «Social Responsibility» practiced by companies, as it embodies the values of cooperatives regarding the need to intervene in social affairs. These differences will be addressed in greater detail below.

This paper is largely theoretical. We adopt a theoretical framework drawing from the «Theory of Gift» to understand the principle of Concern for Community and its differentiation from Social Responsibility. The text is divided into six sections. In the following section, we present the principle of Concern for Community, then the concept of Social Responsibility is introduced. Section three will address the «Theory of Gift,» followed by discussion of the results and final remarks.

II. The principle of concern for community

Cooperative principles have been revised by the ICA in 1937 (Paris), 1966 (Vienna) and 1995 (Manchester). It is noteworthy that these changes were preceded by extensive consultations with cooperatives, representative bodies of the cooperative sector and researchers around the world, taking many years of study before proposals were brought forward (Schneider, 1999). These changes to cooperative principles can be regarded as updates, bringing a more contemporary outlook to the cooperative movement while keeping the essence that guided the collective action of the Rochdale Pioneers (Cançado *et al.*, 2012).

While we discuss the principle of Concern for Community in this paper, Concern for Community itself is closely related to other concepts, especially the principle of democratic member control. The 2007 ICA definition for the principle of Concern for Community is that «cooperatives work for the sustainable development of their communities through policies approved by their members». The principle of Concern for Community is founded on two pillars: a) the sustainable development of communities where cooperatives are located; and b) the ac-

complishment of this development through policies approved by their members.

The first pillar, sustainable development, is based upon the use of natural resources in the present without compromising its use in the future, generating synchronic responsibility to the current generation and diachronic responsibility to future generations. Another widely accepted concept shows sustainable development as development that is socially just, environmentally sound and economically viable. In both cases, the concepts are compatible with cooperative. Cooperative organizations are built to provide services to current and future members. Cooperatives are formed to serve more than one generation and are therefore compatible with the concept of sustainability. The cooperative is made to grow and develop.

The second pillar points to interdependence between the principle of Concern for Community and the principle of democratic member control. Policies for sustainable development of communities are decided by the members who live in the community. The cooperative members and residents in the territory discuss and decide how the organization will support sustainable development in their own territory. There is, therefore, a very strong link between decision-making and living with the impacts of these decisions. In the following section, we present a discussion on Social Responsibility.

III. Social responsibility

Social Responsibility initiatives by companies are not new. There are reports of actions related to Social Responsibility in virtually all parts of the world throughout different eras. What has changed is the societal reaction to companies that perform—or refrain from performing—actions of Social Responsibility.

In recent decades, companies have been in permanent confrontation between private interests and collective welfare; that is to say, between the pursuit of satisfying the interests of shareholders (profit maximization) and responding to pressures from society or the local community to improve or maintain their quality of life and environment. Among the main drivers of corporate activism to Social Responsibility are: a) «social problems», which become barriers to the modernization of production systems in achieving higher standards of competitiveness; b) the current social context requires organizations to maintain a balanced relationship with stakeholders by fostering requirements such as transparency; c) intentionally or not, people and organizations are granting more public at-

tention to the social actions they perform (Fischer, 2006). We add to this the crisis of confidence in the ability of the state to maintain basic needs for its citizens (Schoeder and Schoeder, 2004).

In the case of Social Responsibility, the central theme revolves around reputation. According to Srour (2003), to talk about reputation is to talk about an intangible, fragile asset that depends upon respect and the perception of others in relation to the organization. In this sense, reputation is closely linked with considerations developed by the community. Reputation is characterized as a process in constant construction. For Fischer (2006), companies should work to increase their reputational capital, understood as the value of their market attributes based on their image and the perception of their performance. This reputational capital would strengthen the company brand through actions that foster Social Responsibility.

Thus, banks, airlines, research institutes, medical clinics, hospitals and many other organizations can only survive in the market because they maintain positive reputations throughout their existence. In this sense, «companies that care about their image or reputation, give to the ethical reflection a relevant part of business strategy» (Srour, 2003, p. 82). Moreover, the loss of reputation by any organization represents a breakdown of collective trust, which is generally irreversible, particularly with respect to the significant role that media play regarding allegations of fraud and other illegal actions.

Social Responsibility is not just a lot of isolated, occasional actions or attitudes motivated by marketing and other business advantages. Rather, such actions should encompass a comprehensive view of the policies, programs and practices that permeate all business operations on the basis of respect for the interests of the population while preserving the environment and meeting basic legal requirements. Fisher (2006), however, draws attention to the fact that excessive exposure of companies' social actions can lead to a blurring of perception between good and opportunistic actions; that is to say, social actions can very easily be classified as crass institutional marketing tools. One cannot ignore that market rationality permeates the Social Responsibility ethic and that much of what companies say they do, is never actually done (Soares, 2004).

According to Ferrell *et al.* (2001), Social Responsibility can be subdivided and better understood based on the following categories:

- Economic Responsibility: involves the company's obligations to be productive and profitable. The Social Responsibility of the business activity is economic in nature.

- Legal Responsibility: expectations from society that businesses comply with obligations under existing legal frameworks.
- Ethical Responsibility: companies adopt appropriate behavior in line with expectations of society within the context of where they are situated.
- Discretionary Responsibility (or philanthropic): reflects the common desire that companies are involved in improving the social environment and going beyond the basic functions traditionally expected from business activity.

Also, included in this classification is the concept of Strategic Philanthropy, which means linking philanthropic donations to the strategy and general objectives of the company. To Ferrell *et al.* (2001), this is a business approach that results in a more positive image, increasing the loyalty of employees and strengthening ties with customers.

In general, discussion about the engagement of companies in Social Responsibility is antagonistic. On one side, the arguments in favor of Social Responsibility are based on the premise that it is ethical and moral, or on the premise that, most socially responsible companies are more competitive and end up profiting from this kind of behavior in the long run. On the other hand, adverse arguments are based on the premise that other institutions like governments, churches and civil organizations exist to conduct Social Responsibility functions, and also on the premise that the allocation of resources from businesses to government (taxes) should take account for these social aspects.

In short, the existing views on Social Responsibility practiced by companies can be classified as follows:

1. Broad responsibility:

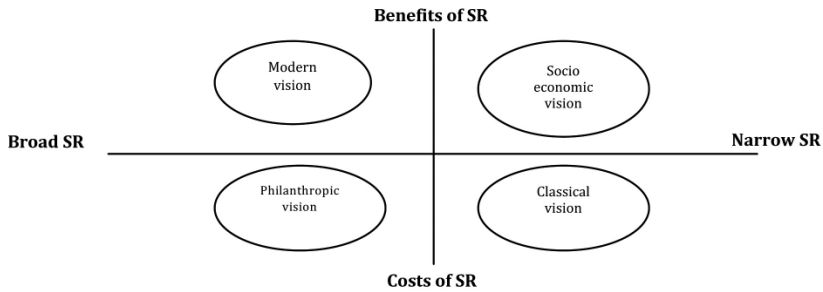
- a) Modern: social actions benefit the company in long-term; and
- b) Philanthropic: defend the actions of Social Responsibility even if they do not bring any profit.

2. Narrow responsibility:

- a) Socioeconomic: its function is the maximization of value to shareholders, but the actions of Social Responsibility can help in this regard; and
- b) Classical: Social Responsibility's actions do not generate value for the company and should not be developed.

Figure 1 elucidates how the Social Responsibility (SR) dimensions relate to each other.

Figure 1. **Dimensions of Social Responsibility**



Source: Adapted from Srour (2003, p. 82).

According to the figure, broad Social Responsibility relates to activities that go beyond economic aspects of the company, while narrow Social Responsibility relates to the objective or function of the company (i.e. add value to shareholders). The next section will present the «Theory of Gift» to complete the theoretical basis of this article.

IV. **The paradigm of the gift – the obligation to give, receive and reciprocate**

Caille (1998) characterizes three regulatory models of society. The individualistic paradigm focuses on *Homo economicus* and social relations must be understood as a result of the use of utilitarian calculus by individuals (Weber, 2002; Ramos, 1989). In the holistic paradigm, individuals are expressions of society. These individuals are molded by a totality of influences from their surrounding society. The ascendancy of this holistic paradigm is so strong that it is now widespread in the social sciences and can be tied to diverse strands of thought, including: functionalism, in which individuals are expressions of the reality of society through the functions that they play; culturalism, in which individuals are expressions of the reality of society through the values that they contain; and structuralism, in which individuals are expressions of the reality of society through the rules that they follow (Caille, 2002).

And where is the gift, as a third paradigm or an alternative to individualism and holism? According to Godbout (1998 and 1999) and Caille (1998), actions are not explained either by the holistic paradigm or by individualistic paradigm. On one hand, the social bond is not understood by holism, and methodological individualism regards all forms of cooperation between individuals as purely formalist and utilitarian. For these two dominant paradigmatic theoretical perspectives, trust—a basic construct in authentic social relations—is negated by selfishness (from the perspective of individualism) or by the lack of individual freedom (from the perspective of holistic thinking).

Thus, it is only possible to restore confidence in individual cooperation and concern for others by adopting another paradigm. The «Theory of Gift» is an additional—not exclusive—third way relative to the two prevailing paradigms. The engine of social action is not pure individual utility. There is an obligation and a freedom to social action. This paradigm, according to Mauss (2001), is supported on the relieved obligation to give, receive and reciprocate (give back).

In this context, a sociological definition for a gift is «any provision of goods or services made without guarantee of return, in view of the creation, maintenance or regeneration of the social bond» (Godbout, 1999, p. 20). In a more generic approach, the gift can be understood as any social action performed without expectation, guarantee or assurance of return, which carries a dimension of «gratuity.»

A deeper understanding of the gift paradigm requires further elaboration on the General Law on the Functioning of the Society, proposed by Caille (1998 and 2002) and Godbout (1999). According to these authors, there are two forms of social relation that are imperative for the functioning of society: the primary sociality and the secondary sociality.

The primary sociality is based on the obligation to give. In primary sociality, personality is more important than the tasks performed. The bonds in this type of sociality are more important than the goods (Caille, 2002). The primary sociality has its configuration justified in family relationships, among friends and neighbors. On the other hand, what matters in secondary sociality is the functional efficacy—governed by rules of neutrality—in which functional competence is worth more than personality. This secondary sociality is represented by the society of the market, state administrators and the society of science according to Godbout (1999).

Furthermore, in secondary sociality, economic organization and management does not work if it cannot mobilize people. Mobilizing people means impelling them to give something to contribute, to get

involved and support an institution; in other words, a call to (re)construct a primary sociality within the secondary sociality, driving people to a relationship of giving within the organization. To Caille (1998), contrary to what the world wants us to believe, social relations and associative ties should not solve in the contract or to dilute in the market. The understanding is that there are new forms of economic regulation in addition to public and private spheres. In this context of other forms of regulation lies the cooperative.

Facing opposition, the paradigm of the gift settles and seeks recognition. This epistemological perspective is not exclusionary as it acknowledges the existence of the market and the state, along with the holistic paradigm and the individualistic-methodological paradigm. In fact, Godbout (1998) argues that while one must recognize the importance of the other two systems, it is also essential to understand and recognize the more hidden role of the cooperative system.

V. Inconsistent relationship between the principle of concern for community and social responsibility

The main differences between the principle of cooperative Concern for Community and Social Responsibility fall within four dimensions: (I) the reason that generates the action; (II) the method of decision making; (III) territoriality; and (iv) participation in the implementation process.

With respect to the reason that generates action, the principle of Concern for Community is built into the very fabric of cooperative organizations. It is known that co-operatives already provide services to the communities where they are located, valuing the producers and workers, moving intermediaries away and in some cases serving as regulators of prices and interest rates. The inclusion of Concern for Community within cooperative principles in 1995 only reinforces a practice that has been done since Rochdale.

Conversely, the Social Responsibility is based on philanthropic actions (Broad Philanthropic Social Responsibility), where there are clear relations of power and dependency or influences from market pressures (see Broad Modern Social Responsibility and Narrow Socioeconomic Social Responsibility above). Thus, the actions of Social Responsibility can also be understood as acts of institutional marketing, and in some countries, as a strategy for tax planning (tax relief linked to Social Responsibility). Companies are motivated by the pursuit of maximizing results (Srouf, 2003; Fischer, 2006), and one way is to increase reputational capital, which has influence on a company's market value. Social Responsibility can improve

the image of a company, garner loyalty from employees, and strengthen ties with customers (Ferrell, Fraedrich and Ferrell, 2001).

There are also big differences with respect to decision making processes. In cooperatives, the principle of Concern for Community is applied through collective decisions as, for example, with sustainable development cooperative priorities (ICA, 2007). We will not discuss here the difficulties arising from this decision-making process because it is not the subject of this work. What is important here is the possibility of participation in decision making based on principle.

In Social Responsibility, it is clear that in companies decisions are taken by owners or their representatives. Even in companies with more participatory management processes, where employees can be heard and participate in decisions, such participation is permitted by the owners and will always be limited. Here we are, back to the reason that generates the action of Social Responsibility. If the company seeks to maximize results, then the actions of Social Responsibility will be chosen strategically among those choices that can «give more results» in terms of visibility and/or reputational capital. Thus, this «choice» is intended to have the maximum results with the application of the minimum resources possible. Some of these organizations do research to understand what society values most and then aim to optimize their Social Responsibility contributions based on these values.

Differences are even more latent with respect to geographical position. The cooperative has a scope of action that generates an identity linked to this territory —often the name of the cooperative has the same name of the place. What is important is that cooperative members live in the territory where the cooperative is formed (i.e. directly on the site where the practice of Concern for Community happens). Moving from there, it is clear that members make decisions relating to Concern for Community within their own territory, increasing their commitment to both the decision— making and the implementation of these actions. Another important issue is continuity. If the cooperative will always act in their area, these actions have continuity and can be conceived in medium and long-term, fostering sustainable development.

Again, Social Responsibility is markedly different from the principles of Concern for Community. Companies that are able to perform actions of Social Responsibility will seek to maximize the performance of these actions, choosing regions of greater commercial appeal for their actions, which may be in another country or even another continent, in some cases strengthening the dependence of developing countries. It does not mean that we are against these actions, as there are certainly

important beneficiaries, especially those at risk. Yet actions of Social Responsibility may create or reinforce dependency relationships with a very dangerous side effect; namely, there is no guarantee that the actions of Social Responsibility will continue in these territories. In summary, the companies choose where to hold their actions of Social Responsibility according to its «social appeal» in order to maximize their reputational capital and the problem is that these actions may be discontinued, either because another territory becomes more attractive or because of a retraction of Social Responsibility investments.

Regarding the outcomes, cooperative members that made decisions are simultaneously—even indirectly—benefiting from these actions because they are within their own territory. If these actions bring positive results, the cooperative member benefits; if the results are negative, he/she will suffer its negative effects. This organic relationship reinforces the commitment of members within the decision-making process itself and with its implementation and outcomes.

In the perspective of companies, this commitment to outcomes is more related to their image than to the outcome of Social Responsibility within society. As many actions of Social Responsibility are difficult to assess, companies present their results in the way that suits them. In this case, the owners are unlikely to be affected by the actions of Social Responsibility, even indirectly. Their interests are in the visibility of these actions, and the cost-benefit output generated by them.

All four dimensions prove to be very different when comparing Concern for Community and Social Responsibility. It now remains to demonstrate how the Theory of Gift can be integrated into the principles of Concern for Community. The actions related to the principle of Concern for Community are motivated by the very reason for the existence of cooperatives. Decisions about what to do are taken collectively by the members. The actions have a territoriality which fosters continuity and sustainability. Finally, the actual decision-maker will suffer the impact of his or her decision, which reinforces the commitment to the decision, its implementation and its results.

VI. Coherent relation between the principle of concern for community and theory of gift

The Theory of Gift is established through the creation, maintenance and rebuilding of social bonds through the triad of «giving, receiving and giving back». There is no contract, agreement or equivalence between giving, receiving and returning. Rather, bonds through reciproc-

ity are established. When performing actions upon the principles of Concern for Community, the cooperative creates a link between the organization and the community. If this community is going through a process of sustainable development, for example, it becomes a better place to live for members who are the cooperative. The cooperative can see, even indirectly, the effects of their decisions based on the principles of Concern for Community, effectively closing the triad and starting the process of reciprocity. Thus, we argue that there is a strong relationship between the Theory of Gift and the principles of Concern for Community.

On the other hand, the Theory of Gift cannot establish itself within relations of Social Responsibility because utilitarian calculations do not foster the appropriate conditions. Companies are not seeking to establish social bonds through Social Responsibility; rather, they are seeking reputational capital to enhance their brand and increase visibility.

Thus, it is clear that there is a rapprochement between the Theory of Gift and the principles of Concern for Community. It must be stressed that we are not setting a simplistic Manichean value judgment: Concern for Community is good and Social Responsibility is bad. The goal is to distinguish between these two kinds of action; define Social Responsibility and its meanings; and demonstrate that the principles of Concern for Community adhere more closely to cooperative ideals when associated to the Theory of Gift.

VII. Concluding remarks

The purpose of this study was to outline the principle of Concern for Community, Social Responsibility and the Theory of Gift, to highlight the discrepancies between Concern for Community and Social Responsibility, and to note the consistency between Theory of Gift and Concern for Community. However, the perspective adopted here is theoretical. We suggest that research be conducted in an attempt to find empirical proof or refutation of this argument. Another promising research agenda is the search for theories compatible with the reality of cooperatives as a benchmark that can serve as a support for cooperatives. Finally, this study reinforces the need to broaden the scope of discussion of cooperative identity, avoiding mimicry with companies, which is often done to improve the management of cooperatives. The tools used to manage organizations that seek profit should at least be adapted to organizations without a strict profit-motive.

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