



DECENT WORK IS NOT JUST A GOAL-  
IT IS A DRIVER OF SUSTAINABLE DEVELOPMENT

# Entrepreneurship Development through Cooperatives

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# Key Figures of Cooperatives

- More than 2.6 million cooperatives in the world
- More than 1 billion members
- Secure livelihood of 272 million people
- 300 largest cooperatives have combined turn over of 2.5 trillion USD



# Reasons for Joining a Cooperative

## Economic motivations

- When transaction are lower with a cooperative
- When cooperative marketing reduces marketing risks
- When the effectiveness in bargaining a higher price

## Non-economic motivation

- S/he joins because s/he is afraid to brave the social ostracism of the farmers who do become members, but saved his greatest approbation for spiritual motivation-the 'need for cooperation'

*Howard D. Leathers*

# Entrepreneurship

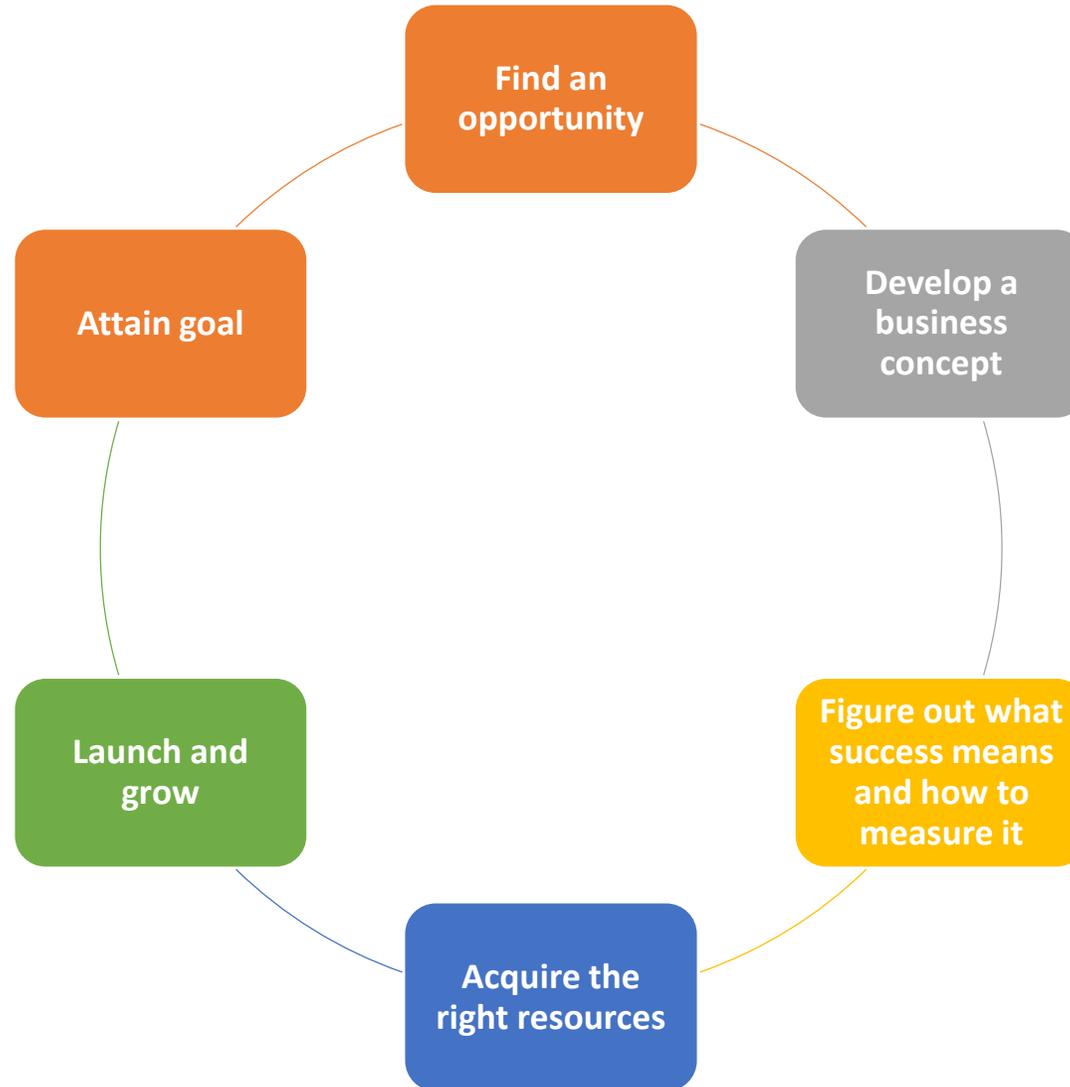
Entrepreneurship is the process of **creating value** through **establishing a unique assembly of resources** in order to **exploit the opportunities** (Moghimi, 2003).

Entrepreneurship is considered as **an economical development engine** in the competitive market based economy accompanied with the speedy changes and revolutions, which **can develop the countries' economy, increase the productivity, provide jobs, and cause social welfare** (Milton-Kelly, 2003)

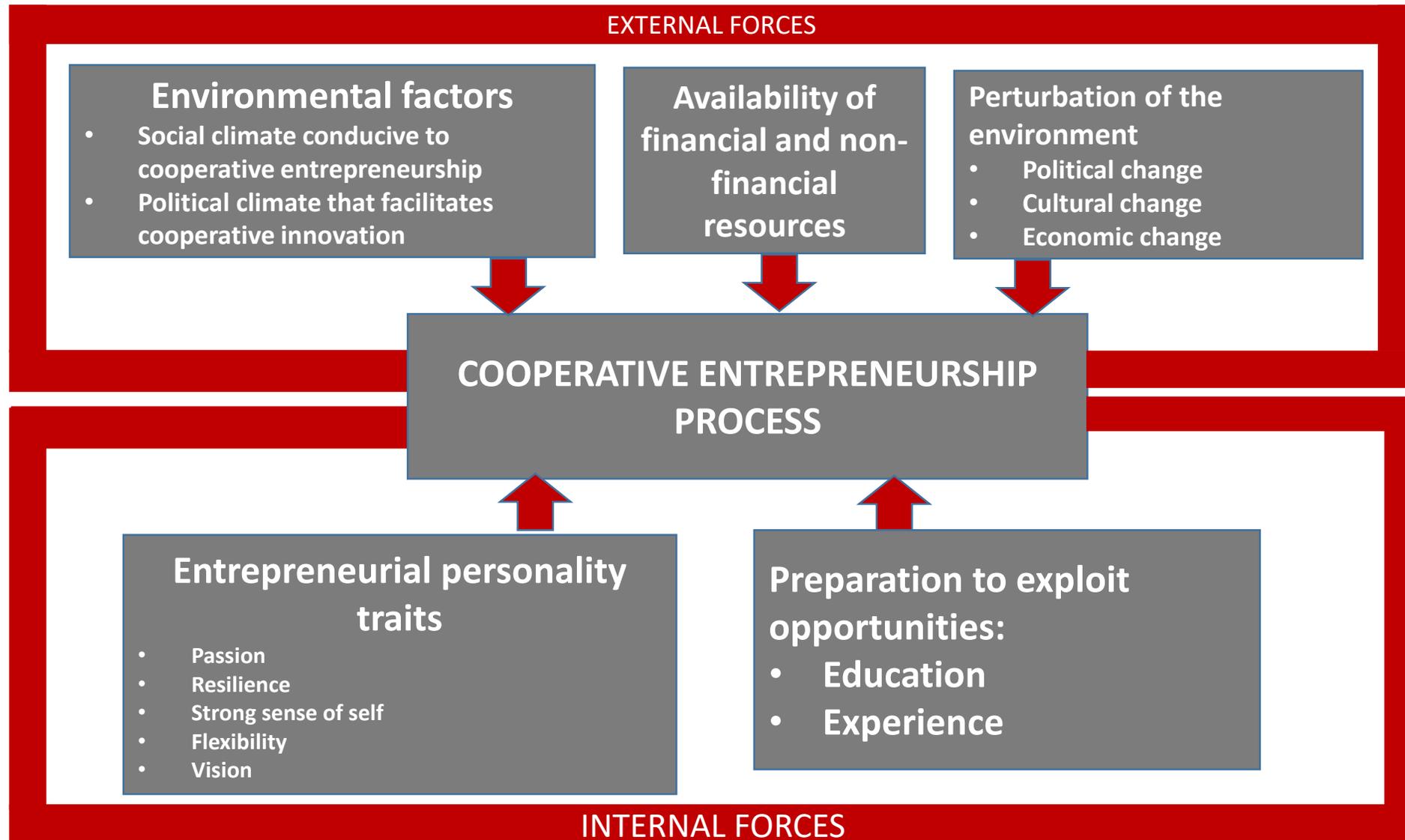
In a cooperative, an enterprise owned by its members, joint entrepreneurship and **success create a sustainable basis for profitable business.**

Cooperative entrepreneurship **is a modern and flexible form of running a joint enterprise.**

# The process of cooperative entrepreneurship:



# External and Internal factors of Coop Entrepreneurship



# Characteristics of Cooperative Enterprises

- A cooperative is more
- In a cooperative, everyone can have a say
- A cooperative is there for its members
- A cooperative brings businesses together
- A cooperative is a modern way to be an entrepreneur
- Cooperative enterprise meets needs unmet by commercial markets and (usually) the government
- Cooperative enterprise is motivated by social benefits
- Successful cooperative enterprise usually works with, not against, market

**Self-confidence, risking, development motivation, creativity, etc. are the entrepreneurship characteristics in cooperatives.**



# Cooperative 'not for profit'

Sometimes cooperative enterprises are described as 'not for profit' as any profit or surplus generated is used to further the social objectives of the business.

**The only big difference between commercial and cooperative entrepreneurship: Attribution of the bottom-line**

# Commercial Vs Cooperative Enterprises

## Bottom-line

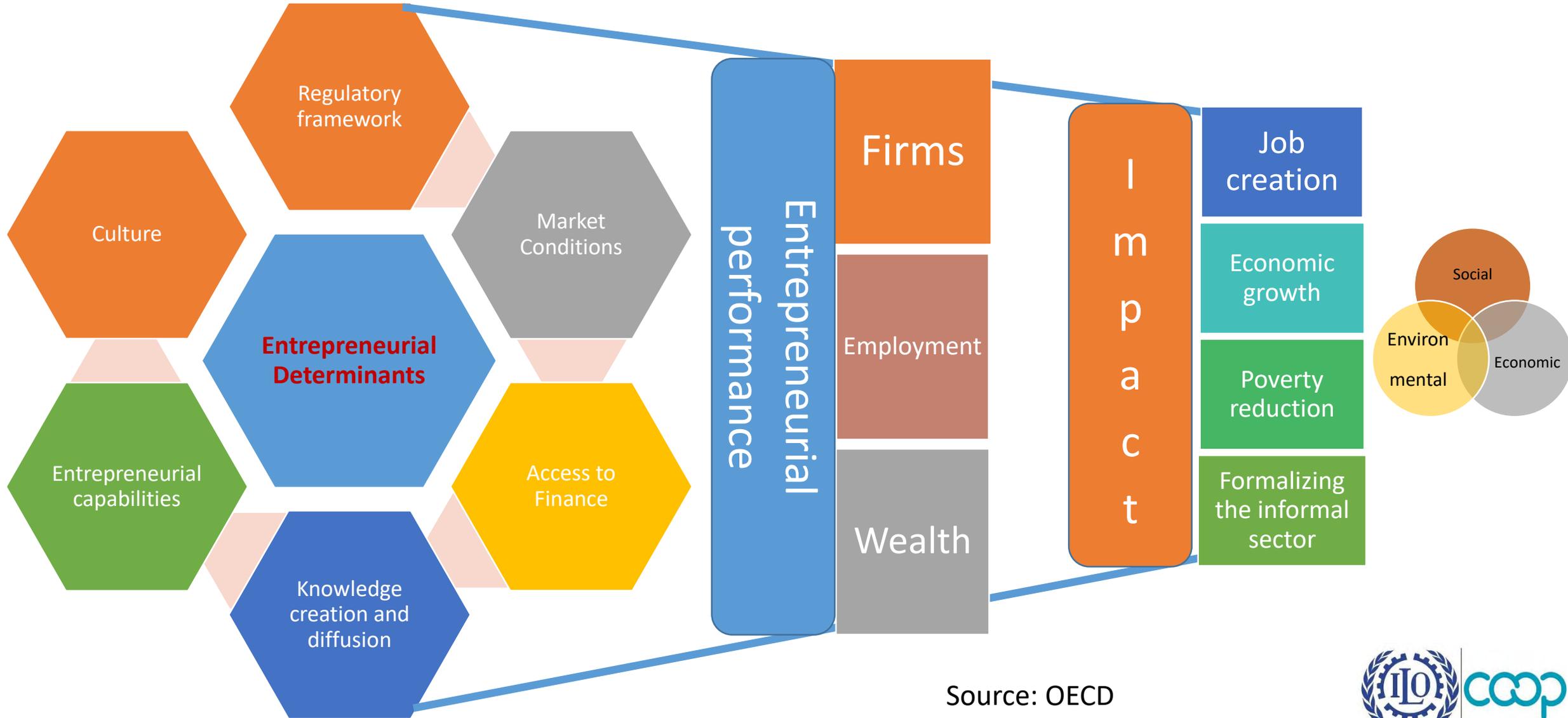
### Traditional business/commercial enterprises

- One bottom-line
  - fundamentally motivated by the perception that ultimately make the enterprise more financially viable

### Cooperative

- Up to 4 bottom-lines
  - **Social:**
  - **Environmental:**
  - **Economic:**
  - **Financial:**

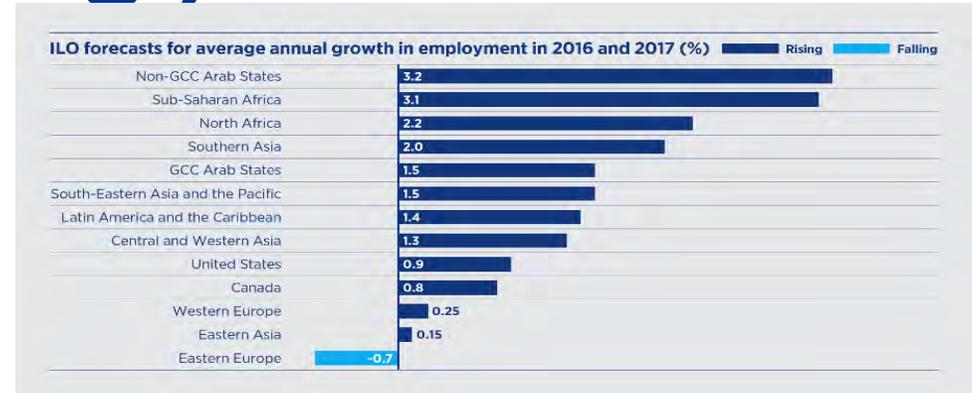
# Entrepreneurial determinants, performance and impact



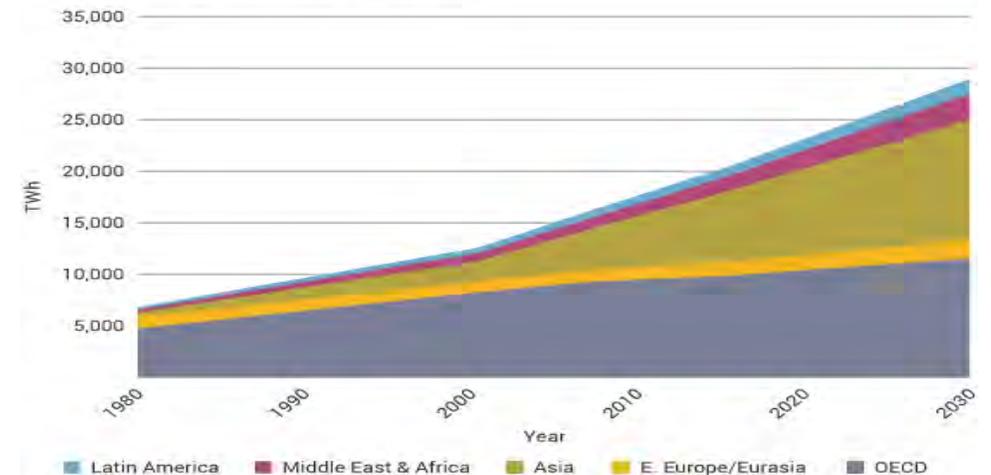
Source: OECD

# Future Focused Areas (e.g.):

- Around **670 million jobs need to be over the next 15 years** to keep up with the growth of the global labour force-ILO
- Meeting future energy needs (and doing it sustainably) will cost **USD 48 trillion between now and 2035**- IEA
- In both cases, it is cooperative that will contribute to do the heavy lifting



**World Electricity Consumption by Region**



Source: OECD/IEA World Energy Outlook 2009 - Reference Scenario

# How difficult is it for cooperatives to develop entrepreneurship?

## Commercial

- The entrepreneurial function within a cooperative tends to be less clearly allocated.
- The returns at the cooperative level always distributed among the group.
- Capital accumulation tends to be a problem in cooperatives
- Wages offered to managers are not high enough to attract the most entrepreneurial ones.

## Vs Cooperative

- Entrepreneurial function is clearly mentioned in investor-owned firm.
- Investors have a greater incentive to devote time to private entrepreneurial tasks on their own firm.
- Dividends have to be paid to very few so capital accumulation is not a problem.
- Highly paid and most entrepreneurial staffs.

# How difficult is it for cooperatives to develop entrepreneurship?

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## Commercial

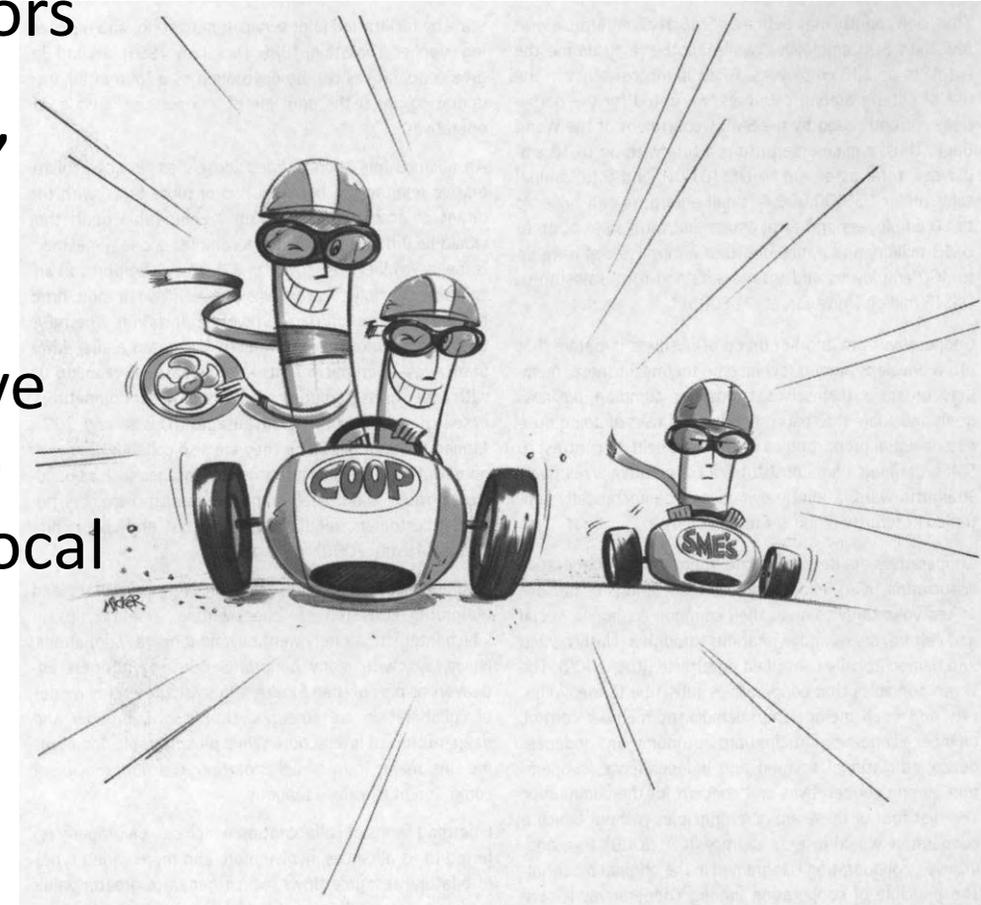
- Research and training weakness are the most important problems
- Dominance of small/marginal farmers, fragmented supply chains, absence of scale of economies, low level of processing/value addition, inadequacy of market infrastructure.

## Vs Cooperative

- Various supportive services for entrepreneurship
- Support private sector development in order to accelerate entrepreneurial activity rates.
- Creating the continuous learning culture

# Cooperative: representing strength

- Cooperatives continue to develop in most sectors
- Cooperatives are good to provide employment, collaboration, creativity and innovation development
- Cooperatives, financially and commercially, have the positive economical influences on both the national economy and their own members at local level
- Income rising, industrial and commercial efficiencies development and geographical distribution of the markets



# Some of the challenges cooperative enterprises and their movements

- The regulatory environment for cooperative enterprises is inadequate. Demand is also growing for regulatory frameworks for the social and solidarity economy.
- Unreliability of funding sources may prevent good cooperative practices from being scaled up and replicated.
- Limited institutional infrastructure on cooperative education and training makes it difficult to create an understanding around cooperative enterprises.
- Lack of comparable statistics, across countries, on cooperatives and their impact on employment and the economy at large
- Local focus of cooperatives on their members' and users' prevents them from greater engagement on policy discussions

# Required policies and activities for cooperatives

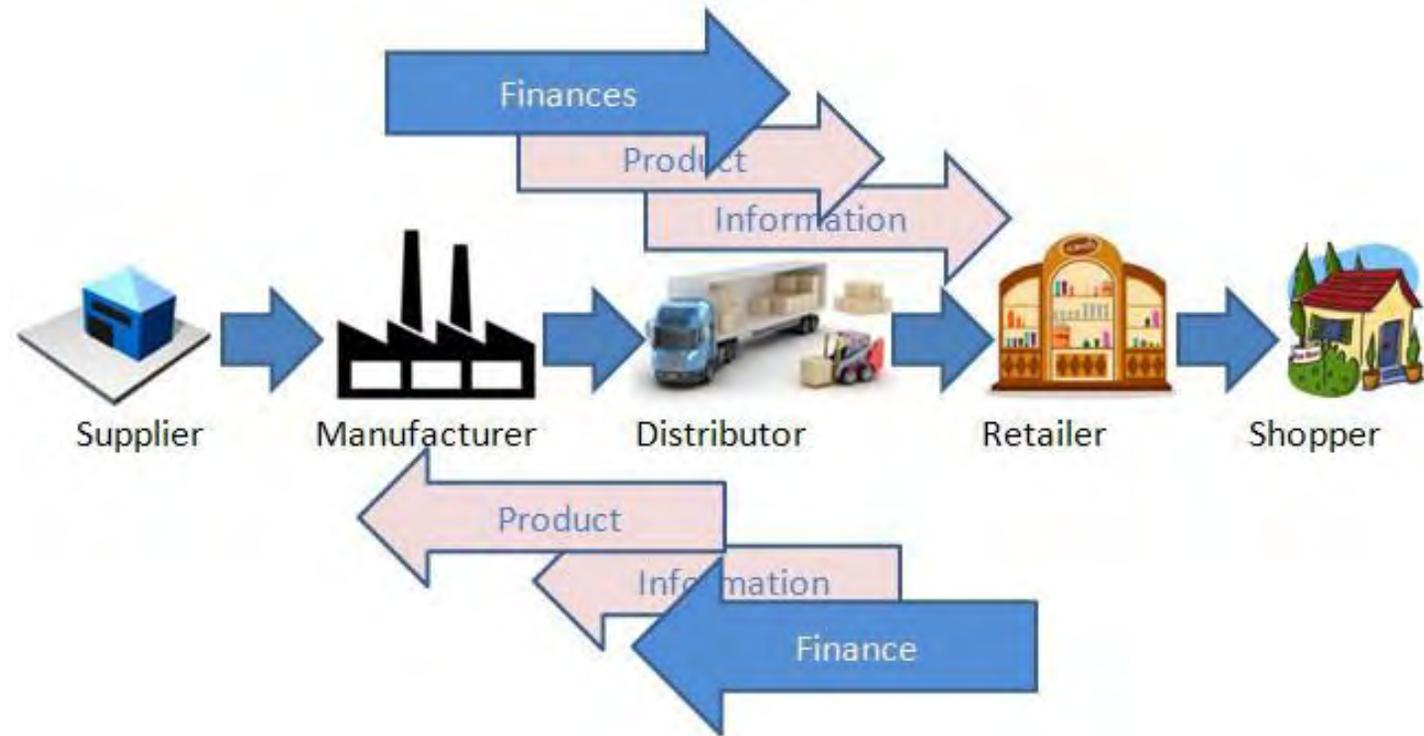
- Financial supports
- Legal supports
- Educational supports
- Consulting supports
- Informing supports
- Technological supports

# Support institutions: cooperative entrepreneurship development

- To provide information on regulations, standards, taxation and customs duties on marketing issues.
- To advise on business planning, marketing and accountancy, quality control and assurance.
- To create incubator units providing the space and infrastructure for business beginners and innovative companies
- Pay attention to the cash shortage and the entrepreneurship invests in the cooperative sector
- Proper educational and cultural policies and facilitating and approving the regulations related to business are necessary for developing and preparing entrepreneurial forces

# Entrepreneurship in supply chain

- Institutional arrangements to link producers, processors, marketers and distributors.
- Flow of products and information between supply chain members/Coops procurement of materials, transformation of materials into finished products and distribution to end users/customers.
- Create value for consumers while increasing the profitability of every link in the supply chain.



# Towards the Entrepreneurial Organization

- An entrepreneurial organization is that which pursues opportunity, regardless of resources currently controlled.
- The level of entrepreneurship within the firm (i.e. the pursuit of opportunities) is critically dependent on the attitude of individuals
- The entrepreneurial behavior exhibited by a firm will be positively correlated with its efforts to put individuals in a position to detect opportunities; to train them to be able to do so and to reward them for doing so.

# Towards the Entrepreneurial Organization

cont'd/...

- Firms which make a conscious effort to lessen negative consequences of failure when opportunity is pursued will exhibit a higher degree of entrepreneurial behavior.
- Not only the success rate, but the very amount of entrepreneurial behavior will be a function of the employee' (subjective) ability to exploit opportunities.
- Organizations which facilitate the emergence of informal internal and external networks, and allow the gradual allocation and sharing of resources, will exhibit a higher degree of entrepreneurial behavior.

# Networking contribute to develop business

- The cooperatives are often advised to develop relationships with external organizations that can assist their business development, survival and growth.
- The role that alliances and networking play in allowing cooperative to acquire and develop the resources and capacities they need to succeed in the current business environment.
- Cross-sector collaboration is the key for the sustainability of small business ventures and cooperatives.
- The newer forms of collaboration that go beyond traditional philanthropy are important for the success of cooperative enterprises that do business with poor, particularly for necessity entrepreneurs who lack the basic skills for developing an efficient business initiative.

# Recommendation for entrepreneurship development

- Developing awareness and knowledge of entrepreneurship concepts
- Supporting the implementation and accomplishment of the entrepreneurial plans.
- Establishing entrepreneurial consulting firms in various areas of the country
- The country's educational system should develop a complete national program for developing the entrepreneurship.
- Preparing a manual, by the objective of harmonizing and classifying the instructions
- Improve production capability, marketing, service necessary providence, social development, health, and income are effective in increasing the production cooperatives share

# Conclusion:

Cooperative can play an important role in the promotion of rural entrepreneurship, business development and employment creation.

In addition they provide basic services as well as social protection in rural areas.

# Thank You !

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