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of Local Government in Achieving Societal Harmony**

**The Key Factors Contributing Towards Successful Performance
of Cooperatives in Fiji for Building a Harmonious Society**

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Abstract

Cooperatives have been promoted in many developing countries including Fiji to build harmonious societies addressing issues such as unemployment, housing shortages and as a means of creating income generating activities. It is designed to be an easy method of development in these countries. However, in majority of cases these efforts resulted in failure. This study demonstrates that one of the main reasons for failure was inadequate planning. The ideas were thrust upon the people without first preparing them fully about the ideas, concepts and principles of cooperatives.

This study attempts to analyse the key factors which seemed to contribute toward successful running of cooperatives. The views and opinions of cooperators helped to develop useful prescriptions. The issues identified may be relevant to those starting or managing cooperatives in Fiji

It was found that in some cases, for example the Fiji Nursing & Associates and Fiji Police Credit Unions, the cooperatives were successful because they followed the credit union philosophies and procedures meticulously. The credit union increased awareness of members by visiting branch offices, conducting meetings, discussions and keeping in touch through newsletters.

Introduction

A cooperative is an association of people who aim to attain social and economic gains through mutual benefits while conforming to the Rochdale Principles (Bonner, 1961:296). A cooperative can be described as a business organisation owned and democratically controlled by its customers, or producers or the employees (Briscoe, 1991:1). The International Cooperative Alliance's definition of cooperatives is an autonomous association of people united voluntarily to meet their common social, economic and cultural needs and aspirations through a democratically controlled and jointly owned enterprise. A cooperative is therefore defined as an enterprise directed by users applying democracy to serve both the members and the community needs (Lambert, 1963:231).

In the early eighteenth century, Robert Owen, 'the Father of Cooperation,' experimented with the idea of forming cooperative communities, which were called Owenite communities. Owen was the founder of the cooperative movement and believed in worker control even though he was a capitalist himself. He tried out his ideas and philosophies in New Lanark, Scotland by establishing enlightened pattern of industrial life based on his ideals in a well governed community (Gordon, 1994:279). Dr King followed Owen by publishing a monthly pamphlet called *Cooperator* from 1825-30, informing the community about cooperative ideas in simple English and spreading cooperative knowledge. Dr King inspired the first generation of cooperators and pointed the way toward a cooperative society by publicising and popularising Owen's basic ideas.

Dr King assumed that the cooperatives would accumulate into a capital fund and that any surplus from trade and production would support the communities. This did not materialise, because building communities would have been a mammoth task but the division of profits according to purchases from the shop, capital contribution or equal share to each member was adopted (Watkins, 1986:76). Owen's concept of *Villages of Cooperation* and Dr King's ideas influenced early cooperators, especially the Rochdale Pioneers, who founded one of the first successful Consumer Cooperatives in 1844. Rochdale is an industrial part of Manchester, the birthplace of cooperatives in the United Kingdom.

The Rochdale Pioneers participated in a long and careful study of earlier experiments conducted by Owen (Alexander, 1967:26). These Rochdale Pioneers were flannel weavers, who had been unsuccessful in improving their living conditions through industrial action and decided to address their problems, by subscribing two pence per week each to finance a cooperative (Lambert, 1963:62 and Bonner, 1961:48).

The Rochdale Pioneers developed a viable strategy that influenced cooperative development worldwide. They did this through the development of practical rules such as the following:

- open and voluntary membership,

- democratic control,
- limited interest on capital and
- dividend paid on purchases made from the cooperative.

The International Cooperative Alliance adopted these rules with the addition of promotion of education and cooperation with other cooperatives. It was found that the cooperatives that observed these rules meticulously were successful. From a global perspective, cooperatives have prospered worldwide with 226 member organisations representing 800 million individual members throughout 89 countries.

The advantages of cooperatives are that the goals and objectives of employees are the same as that of employers and hence there is less need for supervision and the employees derive a share of dividends from profits. The main disadvantage is that all the decisions of cooperatives are made public and sometimes the employees' wages may be less compared with other businesses. However, there are a lot of intrinsic rewards from working in cooperatives such as workers' views and opinions are valued.

Cooperatives have been promoted in many developing countries including Fiji to address issues such as unemployment, housing shortages and as a means of creating income generating activities. Cooperative movement was designed to create harmonious societies by involving and empowering communities, that is, the religion of cooperation. Owen advocated a great moral revolution in which all classes of people were equal and they should unite in order to make the organisations successful. The cooperative sector in India and Thailand had a spiritual character that appealed to the people. This brought about a situation where the schools, colleges and hospitals worked together under the cooperative sector instead of various community organisations.

The major success stories are the Gujarat based Anand, Co-Optex in Tamil Nadu and the Sarawati Cooperative Bank of Maharashtra. These organisations have followed their corporate governance, hence been successful. According to (Iqbal, 2004:1) cooperatives have been hugely successful in India and can emerge as an instrument of development process in developing countries that are converting their economies with low subsidies. Based on the oldest social development model called "Thiru Onam", a world peace experiment as a social work programme started in Kerala, India in 1981. Social work in Kerala had enshrined the values of life such as Neethi (justice), Nyayam (righteousness), Daya (patience), Danam (philanthropy), sincerity, truthfulness, brotherhood, cooperation, equality, harmony, self help, mutual aid, unity and love. The interventions at Kerala were multidimensional involving a large deployment of human service information technologists with socio- cultural complexes. Similarly, in Thailand, a Buddhist Utopia called *Asoke* community has been set up (Sangsehanat, 2004:3). The most important aspect of this is setting up of a peaceful community called *Sila*, which incorporates a system of life that is harmonious with nature, without exploitation. Hence, utopian ideals are vital to create sustained and better society (Brenner and Haakan, 2000:333). Owen also believed that to achieve social reform, economic and educational improvement was essential for improving social standards (Ward and McKillop, 1997:9)

In a study of Indian and British cooperatives (Harper, 1992:14) it was found that individual leadership and broader social and community objectives were found to lead to successful cooperatives.

Harper also concluded that membership with similar background, having strict rules and procedures, avoiding political interference and starting with one activity without subsidy also led to success. Cooperatives have been promoted extensively in many countries (Harper, 1992:14). In a number of developed countries such as United Kingdom, United States of America, Iceland, Norway, Sweden, Denmark, Finland, Spain, Israel and Canada cooperatives have been extremely successful (Ostberg, 1985:29). Some examples of successful cooperatives are Mondragon in Spain and Kibbutz in Israel. In Canada, they are in every sector of the economy, that is, people can be born in a Hospital Cooperative and be buried by a Funeral Cooperative. They can live in a Housing Cooperative, work in a Worker's Cooperative and buy their groceries, clothing and other items from Consumer Cooperatives. They can send their children to a Child Care Cooperative, do their banking at a Credit Union and purchase their insurance from an Insurance Cooperative. In fact, in Nordic countries, Consumer Cooperatives have captured 25-30% of retail trade.

In some developing countries such as India, China, Colombia and Bangladesh cooperatives have been flourishing as well. Cooperatives are widespread in China in rural areas. Most rural credit cooperatives are small but there are 35,000 across China and together they control almost 12% of the financial system's deposits. In 2003, China's central bank announced that the city planned to integrate over 230 rural credit cooperatives and established Shanghai Cooperative Bank, the third local commercial bank in Shanghai.

However, in parts of Africa and India, cooperatives developed into forms of extortion where groups of inexperienced people tried to form cooperatives which, they thought would solve all their problems (Harper, 1994:141).

This study was inspired by a report on Marama Cooperative which stated that the cooperative had achieved its original founders goal of demonstrating that "Fijian Women can be good businesswomen" (Vakacegu and Harper, 1992:48). However, on closer examination it was found that even though Marama Cooperative achieved break even point in 1987 and made profits until 1989, after the death of the first manager, Marama Cooperative started having financial management problems and the cooperative was dissolved in 1995.

Methodology

The initial stage of the inquiry was to develop a list of factors that were found to be important for the successful performance of cooperatives. These were designed after literature research and discussions with cooperators. An interview schedule was designed in a way to find out whether the respondents were practising cooperative concepts and principles. The interview schedule is attached in Appendix 1. Structured interviews were built around this interview schedule and responses recorded for analysis. Through probing and prompting questions an investigation of their performance was assessed. Some questions towards the end of the interview schedule were administered in a semi structured manner to record the respondents' opinions and views on the administration of their organisation.

The main emphasis of the study was on interviews with principal informants' since oral history is especially important in local settings. The interview schedules were delivered to key people in the Department of Cooperatives and Small Businesses, Cooperative organisations and credit unions.

The sample was random and representative of the population on cooperative organisations in Fiji. The majority of cooperatives are based in Suva, the capital of Fiji and the interview schedule was administered in such a way to get detailed information from the respondents of their involvement with cooperatives. It was intended to get views and opinions from cooperators of different backgrounds and experiences and to develop useful prescriptions for cooperatives in Fiji.

A total of 40 interview schedules were delivered and 30 people responded. The interview schedules were delivered to Mucunabitu Cooperative, Raiwaqa Methodist Cooperative and to past members of Marama Cooperative, Raiwaqa Duavata Cooperative and Suva Industrial Cooperative that had been dissolved. A total of 6 credit unions and 5 Savings and Loans Cooperatives were approached for their views and opinions. The respondents included a member and a manager from each of the cooperatives as well as two key personnel from Department of Cooperatives and Small Businesses main office and the Central/Eastern office.

The response rate from the Department of Cooperatives and Small Businesses was 80% hence these respondents were interested in the project and shared their views.

The views were from cooperators directly involved in cooperatives. One credit union was not able to return the interview schedule in time. However, cooperators from Savings and Loans cooperatives were very enthusiastic about their comments. About 10% of respondents mainly from Savings and Loans cooperatives did not complete the final part of the interview schedule that requested for their opinions on future development of cooperatives. They did not complete this section because these respondents were fairly new to cooperatives. They did not have detailed knowledge to give their views and opinions.

The main aim of this project was to find out the key factors that the cooperators agreed contributed to the successful performance of cooperatives in Fiji. This study should help future studies that can examine cooperatives in other parts of Fiji to validate or otherwise the views and opinions expressed by the respondents in this study. It is also hoped that a summary of results may be valuable to Fiji government and other agencies involved with community groups and cooperators who are working towards building a harmonious society by applying the concept of cooperatives. The results represent views and opinions of people from different backgrounds but all with experience of working with cooperatives.

Results and discussions

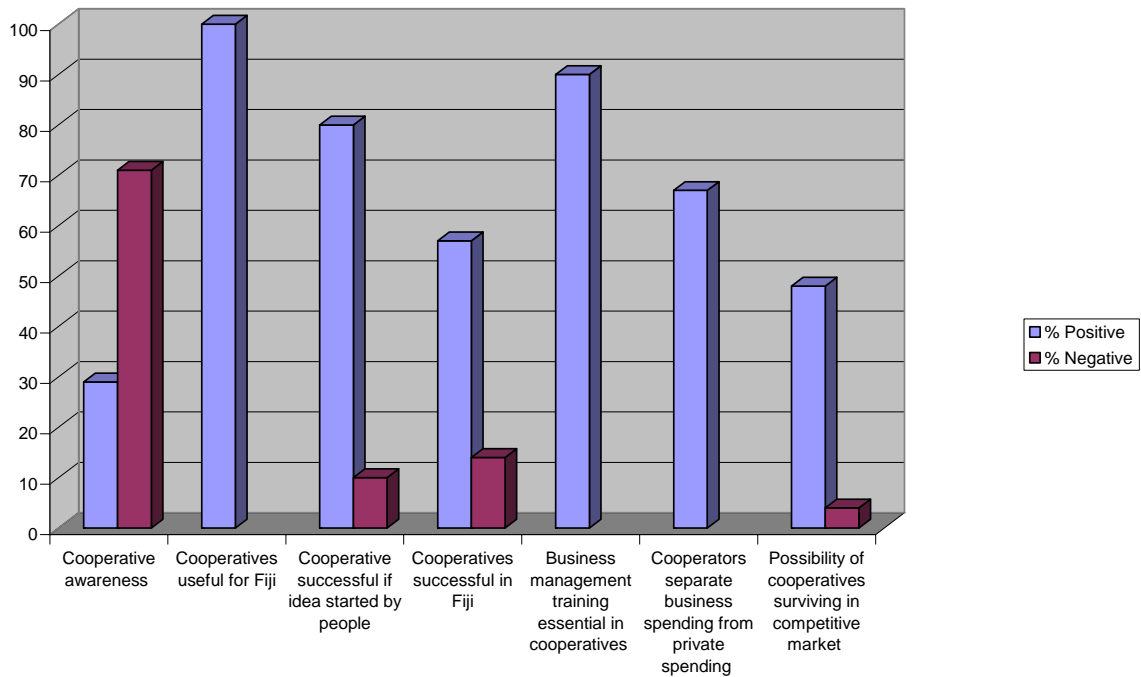
The interview schedule covered seven main themes, namely: awareness of cooperatives, whether cooperatives were useful, whether user initiated cooperatives were more successful, whether cooperatives were successful for Fiji, whether business training was important, whether cooperators could separate their business spending from private spending, and could cooperatives survive in a competitive environment. The views of the respondents about each will be examined next, with a brief description of the responses preceding a more thorough exploration of them. All 30 respondents (100 percent) agreed that cooperatives were useful for Fiji.

Furthermore, 26 respondents (85 percent) agreed that lack of management skills was the main problem with cooperatives in Fiji. Nine respondents (29 percent) claimed that they had basic knowledge of cooperatives before joining; hence there was some level of awareness of cooperative concepts.

Even though training was available at Lami Training School and Bergengren Training School in Pender Street, Suva, there had not been specific transfer of skills to a lot of participants. The training occurred with a small group of people and not with all the cooperators, so the majority of cooperators remained untrained. Hence, training had not been effective.

The graph below shows the percentage of respondents who agreed with the questions and the percentage that disagreed.

Graph: Main responses regarding cooperatives in Fiji



Source: Analysis of interview data.

(i) Cooperative awareness

Only 9 respondents (29 percent) who were activists, such as credit union officials were aware of credit union philosophies, while majority, that is 21 respondents (71 percent) were not fully aware of these concepts. Cooperative awareness in this context referred to how the cooperators acquired knowledge of cooperative principles and the degree of their understanding of how these organisations were managed. These people had general knowledge of cooperatives before joining. This knowledge, however, was limited to distribution of bonus payments at the end of the year. Therefore, they had a minimum level of awareness of cooperative concepts and ideas. After they joined cooperatives, they learned that these were much bigger institutions. Consequently, they did not realise their rights and benefits of the projects but concentrated mainly on receiving returns.

(ii) Cooperatives useful because they addressed social concerns

The survey also revealed issues such as the role of cooperatives in addressing some of the social concerns in the community. Most respondents, 29 (99 percent) claimed that cooperatives would be useful for rural development if members cooperated to build good working relationships and allowed development of business skills in people. These respondents proposed that working for cooperatives were not just doing a job. They saw cooperatives addressing interests and welfare of the entire family. On the other hand, 27 respondents (90 percent) proposed that by linking income generating activities of cooperatives, people would learn to work together and pool resources and members would acquire job satisfaction and training on the job as businesspeople, thus developing business management skills.

(iii) User initiated cooperatives more successful

Some cooperatives such as the credit unions were more successful than others especially when the climate was conducive to cooperative development. Twenty four respondents (80 percent) mentioned that the cooperative idea was more successful when it originated from the people. For instance, people of Indian origin stated that they could develop land using the cooperative concept. In the case of Suva Industrial Cooperative, the garage owners initiated a cooperative venture. Eight members pooled their resources to obtain land and build individual garages repairing motor vehicles while paying off the loan.

The idea was to hand over the responsibilities to operators when the loan was paid off and the members would own their own garages. In this instance the idea came from the people and they made efforts to ensure its success.

Ten respondents (33 percent) on the other hand claimed that the cooperative idea was a new concept for the indigenous people. These people should develop skills to separate traditional practices from management of business affairs. Currently their practices such as *kerekere* (borrowing from kin without repaying) and *reguregu* (huge gifts given at funerals of close family members) were draining their resources. The people were committed to the communal wellbeing, not realising their individual survival. If the idea of forming cooperatives came from the people they would accept their individual responsibility for the organisation to succeed. The survey conveys the impression that the cooperative concept was implanted in the indigenous people of Fiji by promotional activities of the Department of Cooperatives and Small Businesses. Therefore, the concept was thrust upon them.

It was also envisaged that if the cooperative idea had been successful in other parts of the world it could also be suitable in Fiji.

(iv) Success of cooperatives in Fiji

According to the majority of the respondents performance of cooperatives in Fiji was moderately successful. Seventeen respondents (57 percent) claimed that cooperatives were successful in villages but were a problem in urban centres.

It was agreed that in the case of the Raiwaqa Duavata Cooperative, the Department of Cooperatives and Small Businesses had to intervene and liquidate the cooperative. Four respondents (14 percent) claimed

that cooperatives were unsuccessful in Fiji. The reasons for this performance were lack of member participation after commencement, untrained staff and inadequate planning. The respondents stated that these issues could be best addressed in three ways viz.

Firstly, to design programmes to help people identify their needs and provide them training and support to meet these needs. Secondly, to translate the major concepts and principles of cooperatives to the vernacular to enhance people's understanding of them and finally by providing skills based training. The cooperators must also be aware that the success of their cooperative was dependent on member participation. The credit union increased awareness of members by visiting branch offices, conducting meetings, discussions and keeping in touch through newsletters. Education of this form reinforced knowledge of cooperative concepts, ideas and principles.

Even though training was organised by the Lami Training School, a branch of the Department of Cooperatives and Small Businesses, it was not reaching the people who needed it and it was not in a form, which could be easily comprehended and applied.

Other cooperators at Raiwaqa Methodist Cooperative store and Marama Cooperatives garment factory recommended that members' shares be increased with members paying subscriptions regularly and using the services such as buying from the cooperative for better performance of these cooperatives. It was important for members to realise that paying subscriptions regularly and using their own services were vital as the bonus was based on purchases made from the cooperative.

In the case of Marama Cooperative, this might sound unrealistic to those who did not derive any real benefits since dividends were not distributed when the cooperative did not make profits but in most cases cooperatives took time to establish and members must be aware that benefits will not be instantaneous. Fifteen respondents (50 percent) further expressed that periodic reviews of cooperatives should be carried out by independent bodies such as the International Labour Organisation to determine which kind of cooperatives would be effective for people in Fiji.

Most of the respondents agreed that the cooperative concept be encouraged through member participation by creating an awareness of the advantages of being a member of a cooperative. Examples of this would be good quality goods sold at reasonable prices and other additional information provided to members such as newsletters on nutritional value of products sold at grocery stores.

Another major problem faced was competition from other private businesses especially from those in urban centres. Here it was suggested that the Fiji Development Bank be requested to assist cooperatives with further loans after granting the initial start-up capital because in most cases the cooperatives were unable to generate enough income to break even in a short time. There was a strong recommendation for small businesspeople to be helped more if provisions were made for lower interest rate on operating finance after the initial loan was approved (Samisoni, 1986:26).

It was stated that appropriate manpower planning was needed for the next five years as there was a shortage of qualified and skilled management staff. The staff members in cooperatives generally were working with traditional equipment and they realised that there was a need to upgrade their systems and technology for efficiency in providing quality service.

(v) Business management training essential in cooperatives

Twenty seven respondents (90 percent) identified the major problem with cooperatives was lack of management skills. Their staff members were untrained and the cooperatives could not afford to hire professional accountants to assist with budgeting, cash flow analysis, costing and pricing products adequately. The Department of Cooperatives and Small Businesses officials assisted with preparation of accounts and stocktaking.

Twenty one respondents (70 percent) claimed that lack of knowledge of cooperative principles and lack of commitment from members were other major factors that contributed to the performance of cooperatives in Fiji.

It was also found that the social activities took precedence and the Raiwaqa Methodist Cooperative being attached to the church was obliged to give donations even in its first few years of operation. Political interference in daily affairs of cooperatives was also found to be a major problem. For example if the Fiji Cooperative Association decided not to buy *Bushels Tea* from Motibhai and Company, this message would be relayed to the Prime Minister. The Prime Minister would get in touch with the Director of the Fiji Cooperative Association to find out why this decision was made.

Twenty seven respondents (90 percent) stated there was a need for training in financial management skills. If they were in business they needed to control expenditure and budget their spending. This was identified as one of the areas that needed improvement. Other areas identified requiring attention were quality control in production, financial planning and marketing. These respondents suggested that people should work together, learn from each other so that regular training could occur on the job. This would improve performance of cooperatives.

(vi) Separation of business spending from private spending

Credit was also not well managed at Mucunabitu Cooperative which was responsible for boilermaking, steel works and manufacture of burglar bars for the building industry.

Their receivables were tied up for a period of three months. A sum of \$74,000 was written off due to non-payment of accounts. *Kerekere* (borrowing from kin without repaying) is a traditional practice where the local people practice communal ownership of food, clothing, vehicles and cash. For instance in rural areas most places are inaccessible due to shortage of transport. If a cooperative vehicle were available the villagers would ask for its use. The cooperators, believing it was for community use, would allow it. Similarly sometimes staff would use cash from the cooperatives' till for their own use without realising that it had to be accounted for. In such cases it was lack of accountability promoted by the *kerekere* system that proved detrimental to the performance of cooperatives. This was found to be prevalent in most cooperatives except the credit unions.

Ten respondents (33 percent) were not clear whether cooperators were able to separate business spending from private spending. In some cases the traditional and cultural obligations of *kerekere* took precedence over business affairs. This *kerekere* system was especially difficult to control in villages where it affected the cash flow of the village cooperative stores. Some of these people thought that *kerekere* was part of a mutual notion and a cultural obligation of a personal nature, which should be separated from the business enterprise by keeping separate accounts for personal spending and business spending.

(vii) Survival of cooperatives in a competitive environment

Whether cooperatives could survive in competitive circumstances is now discussed. It was agreed that cooperatives faced stiff competition from private businesses. In some cases private businesses used ruthless practices against them. For example, the neighbouring shop at Raiwaqa Methodist Cooperative bought all the bread from the van. The van had to go back for the cooperative's bread. By this time the customers had already bought their bread from the other shop.

In this study, however, 14 respondents (48 percent) agreed that it was still possible to practice cooperation and at the same time succeed as a business in a competitive market. These respondents proposed that the social needs of people would be met with harmonious relationship with trade unions because cooperatives would not have a lot of industrial disputes. However, 20 respondents (67 percent) were not clear whether cooperatives were at a disadvantage because all their business affairs were made public and decision making became slow which hindered their progress.

A. Conclusion

This study confirmed that:

- the people interested in forming cooperatives must have the awareness and knowledge of the cooperative concepts, business and management principles, and commitment from people;

- the *kerekere* system (borrowing from kin without repaying) and *reguregu* (huge gifts given at funerals of close family members) affected the cash flow of cooperatives because the cooperators were unable to separate business spending from personal spending by maintaining separate accounts;
- appropriate education and training of cooperators was considered a high priority for having successful cooperatives, this to be followed up with further training in their respective area;
- the board members must be elected prior to registration. After appointment it is vital for the members and staff to undergo intensive training on cooperative principles, management skills and practices of the operation of business;
- prior to registering any particular cooperative the Department of Cooperatives and Small Businesses must ensure that the cooperative has adequate working capital. This would confirm their commitment which is vitally important for the success of the venture and would assist cooperatives avoid liquidation;
- the staff members advising board members of cooperatives need to have skills and knowledge of business enterprise because the management of cooperatives relied heavily on their expertise. This advice must not interfere with the day to day operations of the cooperatives;
- The cooperatives have to be free of any political interference and have a common bond in order to maintain harmonious relationships.

This study demonstrated that the main reasons for unfavourable outcomes in Fiji were inadequate planning, lack of training in financial management and lack of understanding of cooperative concepts. The cooperators were given some assistance with a feasibility study for a loan and assistance with stocktaking as in Raiwaqa Methodist Cooperative. In extreme cases, such as Raiwaqa Duavata Cooperative, the Department of Cooperatives and Small Businesses took over the responsibility of the cooperative and later transferred the running of the business to the chairperson.

The main reasons for failures were that cooperatives were promoted by governments and other development agencies instead of the idea originating from the people i.e. it was a top down approach instead of a bottom up approach. In Fiji, a lot of cooperatives were formed because the government promoted entry of indigenous people into business. The cooperative idea was thrust upon the cooperators without preparing them adequately with what the cooperative concepts meant and how to implement the principles and ideas of cooperatives. In order to maintain harmonious societies it is essential for cooperators to practice democracy, follow financial management and cooperative principles meticulously and provide real benefits to their members and the community at large.

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Appendix I Interview Schedule

1. Were any other members of your family involved in cooperatives?

Yes

No

2. What do you *value* most and find useful about the cooperative?

3. What aspects of the cooperative do you *not* like?

4. How successful do you think cooperatives are in comparison with other businesses you may know of?

5. Do you think that cooperatives are *more successful* when they are started by people themselves?

6. What major changes have occurred in the cooperative movement in Fiji in the past five years?

7. What sort of changes do you anticipate in the next decade?

8. What could cooperatives do to improve their business position?

9. What are the main problems cooperatives face now?

10. How could these problems be solved?

11. I have learnt that a lot of people leave a cooperative after they have received *training*. Do you think it is a serious problem with cooperatives? If so what could be done about it?

12. What major *changes* do you think are needed in the next five years to make cooperatives more effective?

13. What *values* would you like to see safeguarded within a cooperative structure?

Cooperatives Compared with Other Businesses

14. What do you consider to be the most important differences between cooperatives and non cooperatives or other businesses?

15. Do you think other businesses are less *ethical* than cooperatives?

Role of Board of Directors

16. What do you consider to be the role of Board of Directors?

17. How do cooperatives draw the line between the Board's and Management's responsibilities? Does this work in practice?

18. Please consider the following propositions:

(a) Cooperative Directors should only be involved in *policy* decisions and should avoid getting involved in the day to day affairs of the cooperative.

(b) The cooperative method is working successfully in the cultural and social setting in Fiji taking into account the traditional and cultural aspects such as the "kererkere" system.

(c) Businesspeople are able to separate their personal funds from the business of a cooperative.

(d) Cooperatives have made a big impact on the development of the community by providing jobs which generate income and they could be used as a means of mobilizing resources in rural areas for effective development in Fiji.

(e) It is possible to practice to be a cooperative and at the same time succeed as a business in a competitive market.

(f) Cooperatives are at a disadvantage because all their business affairs are made public, decision making is slow due to the democratic structure and employees do not work as hard as their counterparts in private businesses.

19. Please rank these four types of cooperatives for their enhancement of the communal way of life in Fiji?

Consumer: businesses owned and democratically controlled by their customers such as Village Cooperative Stores.

Worker: an organization which is owned and democratically controlled by the people who work for it such as workers.

Producer: businesses owned and democratically controlled by independent producers such as farmers and fishermen.

Community: a group of small businesses in the area join together to form a joint Cooperative organization.
