The ruling did not recognize that the fundamental difference between a co-operative business and an investor driven business, the purpose of the business, was dramatically different and that this fundamental difference in

bers who also owned them. Credit union mortgage defaults ran between 10-15% during the Great Recession not because there were a lot of 'bad' mortgages issued but because many members had lost their jobs. This is not to claim that all credit union mortgages were perfect but that the reasons and forces driving credit union and bank defaults are different.

The regulatory response was interesting. An unfair level playing field was applied. Even though credit unions were negotiating with members to keep them in their homes whenever possible and many banks were simply clearing their balance sheets, the regulators wanted a 30% write down on all bank and credit union mortgage holdings. Credit unions were treated equally but unfairly. They were treated as if the purpose of the business were the same and as if risk were the same and as if their behaviour was the same. Regulatory response was blind to reality.

I Accounting for Co-operative Goals

it23 (ecession not becaus) 11 (o) 9 7the same ainvlayorir homes when he achieves the measurable goal and, while s/he may make valiant efforts to achieve others, if they are seen as attractive. Neither the board nor the manager will have any solid sense of whether or not they are successful. In the absence of a sense of achievement in relation to non-financial goals both board and management interest in those goals is more likely to wane. Evidence may be gathered to support the efforts made but there is at least the possibility that, the poorer the effort or achievement, the more a manager will be motivated to produce mounds of 'soft evidence' to offset declining interest, effort and performance.

There is another important consequence. Every co-operative must have as a goal that the co-operative be financially healthy. Bankrupt co-operatives do not meet member need. That is very different from maximizing return. The co-operative's financial health would surely include accumulation of the financial capacity to invest in technology, plant, equipment and skills to meet evolving and changing member need. The definition of financial health will have to vary from co-operative to co-operative but there needs to be a core analytical approach. While it may exist in some co-operative somewhere, or it may exist in bits and pieces in many co-operatives, it has yet to be systematically developed and studied.

The onset of a business downturn or recession will force cuts in the use of what are now more scarce resources. When cuts in use of resources are necessary, from which goals would the resources most likely be cut? The logical response is to cut the use of resources where their effectiveness is unmeasured and 'less certain' – to cut from where it does not matter. In the case of a co-operative business, using only standard accounting tools, this would mean protecting resources used to achieve a higher rate of return on invested capital and cutting the use of resources for the other goals. It often means cutting goals related to education or community impact or co-operation among co-operatives, not because they do not contribute to the long term goals or financial health, but because we do not know their impact. In many co-operative businesses this has meant cutting the other goals that distinguish a co-operative from an investor owned business. This means, that on a periodic basis, credit unions and other co-operative businesses reduce the resources devoted to those goals that make them different. If they cease to be different what would be the case for their existence?

From a thoughtful co-operative business perspective this cutting process, over a period of time, repeatedly weakens the co-operative nature of the business and makes it resemble more and more closely its investor-owned competitors. Co-operative managers and boards are then left wondering why 'members don't have the loyalty they used to have'. The result can often be a weakened co-operative business that attracts less and less member patronage and investment. A credit union or other co-operative business that is not different from its investor-owned counterpart is simply not needed and of little use to its members or society.

But is the co-operative identity of value in the sense that people regard it as attractive. If a co-operative lost its identity would members and clients or customers see it as having lost something of importance? In 2012 the Canadian Co-operative Association commissioned a survey of opinions held about co-operatives. (CCA 2012) It had the following findings:

- 84 per cent said co-ops are more likely to support the community's values.
- 83 per cent said co-ops are more likely give people a say on how the business is run.
- 82 per cent said co-ops are more likely to support the local economy.
- 81 per cent said co-ops are more likely to sell locally produced products.
- 76 per cent said co-ops are more likely to treat their employees better.
- 72 per cent said co-ops are more likely to have environmentally sustainable practices.
- 70 per cent said co-ops are more likely to have better customer service.
- 53 per cent said co-ops are more likely to have lower prices.

These finding are not fundamentally different from surveys that have been taken around the world over a number of decades. While results vary from country to country people generally view co-operatives in a positive light and significant numbers see co-operatives ass out performing privately owned business in respect to variables like trust and fairness. If co-operative identity is of value and can be used as a business advantage, how can accounting help measure how efficiently resources are used to achieve that goal. How can accounting develop measures for each of a co-operatives goals? How can accounting help a co-operative determine whether it is spending the appropriate resources on adhering to its values and principles and spending those resources well?

Traditionally the non-financial goals of a co-operative are seen as 'soft' and difficult to measure. It is often forgotten that many of the measures used in standard accounting are estimates and that a great deal of latitude is left to the good judgment of accountants. What will the rate of depreciation be, and what impact will it have on the 'bottom line,' are questions of judgment. What is the real value of buildings, plant and equipment? The measurement of so-called 'soft goals' may in many cases be based on as hard 'facts' as those of 'hard goals'.

What are the proper financial goals of a co-operative if they are not to maximize the rate of return on invested capital? Co-operatives often decide they do not need the same rate of return as competitors and frequently co-operatives are created where a sufficiently high rate of return to attract investor-owned business is not possible, but a need for some type of economic activity exists. If returns to investors in a com-

or Agway. One could also argue that member owners of failing community level consumer co-operatives in Atlantic Canada were not adequately advised of the decline in the value of their share capital. Members were surprised to learn that as a result of prolonged annual losses the value of shares on wind up or merger had in many cases become negative. In publically traded corporations share prices may not tell you the value of the firm but they do tell you what you might expect to get by selling a share. In a co-operative where shares are not traded members need a reporting mechanism that estimates the true value of shares and indicates whether share value is rising or declining. What needs to be done differently?

Co-operatives have traditionally had problems in raising capital by using the traditional financial instruments of investor-owned business. The subordinate role of capital in a co-operative makes such difficulties inevitable. One implication of developing capital instruments that are more suitable to the co-operative business model will be an increasing ability to ÔmarketÕ such instruments in the same way that co-operatives who operate their businesses incorporating a Ôco-operative differenceÕ find that those business practices are increasingly Ômarketable. It is because the Co-operative Bank in the UK, Oxford Swindon and Gloucester Co-operative and Co-op AtlanticÕs Agro-Food strategy are different that they are attracting a more and more positive response from people. Current financial instruments now in use need to be systematically reviewed to determine those which are most compatible with co-operative purpose. Co-operative accountants need to evolve reporting to reflect how reporting may need to be altered as a result of new co-operative financial instruments.

Conclusion

The key challenges listed above are clearly inter-related. Rethinking one has implications for rethinking the others. Rethinking will be ineffective unless there is ongoing, planned education for co-operative boards, management and staff members. Finally, The rethinking of accounting is inter-related with rethinking each aspect of co-operative management. For example, if we measure our results related to non-financial goals we can better educate our members, market our advantage and inspire our managers and staff. If we account for how we use our resources to achieve all our goals we will be able to integrate all of those goals into our co-operative businesses rather than seeing them as Ônice things we ought to do if we have the money.Õ

The co-operative values and principles are included in Appendix I below. In the introduction we noted that a shaping question in the MMCCU Program is, ÒIf that is how it is done in an investor owned business how would it be done differently in a co-operative?Ó It is not possible to respond to that question without constant reference to and reflection on the co-operative values and principles. The development of co-operative accounting without constant reference to co-operative purpose, values and principles is not possible to imagine.