



THE NEED FOR ETHICAL CONSIDERATION IN INNOVATION PRACTISES IN CO-OPERATIVES

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Abstract

It has been established that there is a need for co-operatives to consider ethics in the innovation practices. Ethics establishes the levels of honesty, empathy, trustworthiness and other virtues by which we hope to identify our personal behaviour and our public reputation. This paper has explained the co-operative's main function as to process the products from its members and then sell them to the customers. In so doing officers or employees within this sector are required to consider ethical aspects in order to meet stakeholders' expectations. It has been discussed that ethics in philosophical perspectives possess questions such as how, then, should we behave? From philosophy, three different perspectives help us assess whether our decisions are ethical on the basis of reason. These perspectives are called normative ethical theories that focus on how people ought to behave. Few philosophers have been discussed as reference. In the world of business, there are many different types of innovation that a co-operative might pursue. In academia, we've all heard the phrase "publish or perish". In innovation we have to "adapt or die" and for businesses to achieve success in today's modern world, this is a universal truth. Co-operatives pursue innovation in order to take advantage of new opportunities as well as to counter threats. However, co-operatives face a number of challenges in terms of professionalism, generating ideas, as well as selecting and funding innovation projects.

I. Introduction

Ethics consists of the standards of behaviour to which we hold ourselves in our personal and professional lives (Gibert, 2012). It establishes the levels of honesty, empathy, and trustworthiness and other virtues by which we hope to identify our personal behaviour and our public reputation. Desjardins (2009) argues that in our personal lives, our ethics set norms for the ways in which we interact with family and friends. In our professional lives, ethics guides our interactions with customers, clients, colleagues, employees, and shareholders affected by our innovation practices in our co-operatives too. On the other hand, Tweve (2019) comments that there is a need for caring about ethics in our lives, professions and co-operatives settings.

A co-operative is an enterprise collectively owned by a society of members having a transaction relationship with it (Hendrikse and Feng, 2013). The co-operative's main function is to process the products from its members and then sell them to the customers. In so doing, officers or employees within this sector are required to consider ethical aspects in order to meet stakeholders' expectations. The German social philosopher, Habermas (1993), has put forth a theory of communicative action. It is called "The theory of distorted communication" and includes some strong contractual elements. Communication is a central element in business organisations. It offers a theory of equal negotiating partners and an opportunity for domination-free communication. The theory displays a rational way to proceed in communication practices; it assumes that it is possible for the parties to achieve an agreement by using effective negotiating mechanisms (Habermas, 1993). The basic idea is that every individual has the right to domination-free action. Thus, an application to marketing (the buyer-seller relationship should be evaluated and reconstructed) on the basis of the ethics of mutual communication which is the basis in co-operatives.

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Effective and efficient communication is essential to keep the co-operative working in members' interests. WBCSD (1999) points out that members who lack understanding of its practices due to poor communication and unethical decisions are likely to have a negative attitude towards their co-operatives, and this may cause poor performance. United States Department of Agriculture report (2020) envisaged that ethical problems posed to agricultural co-operatives leaders are faced with many difficult decisions that present vexing ethical dilemmas. Co-operative members often express concerns about ethical decision making and behaviour at the local, regional, and national levels. Yet, they feel inadequate to offer solutions. From competitive pressures to confusion about fiduciary responsibilities, waning loyalties, conflicts of interest, and breach of trust by their patron-members, many co-operative members express concern for what they see as declining ethics in their organisations, community, and country.

2. Ethics in Philosophical Perspectives

How, then, should we behave? Philosophy and science help us answer this question. From philosophy, three different perspectives help us assess whether our decisions are ethical on the basis of reason. These perspectives are called normative ethical theories and focus on how people ought to behave (Kagan, 1998). In contrast, descriptive ethical theories are based on scientific evidence, primarily in the field of psychology, and describe how people tend to behave within a particular context. However, these are not the subject of this paper.

The first normative approach is to examine the ends, or consequences, a decision produces in order to evaluate whether those ends are ethical. Variations on this approach include utilitarianism, teleology, and consequentialism (Broad, 1930). For example, utilitarianism suggests that an ethical action is one whose consequence achieves the greatest good for the greatest number of people. So, if we want to make an ethical decision, we should ask ourselves who is helped and who is harmed by it. Focusing on consequences in this way generally does not require us to take into account the means of achieving that particular end, however. That fact leads us to think critically about how professionals should adhere to ethics in order to have a good end.

However, Aristotle comments that because humans are endowed not only with reason but also with the capacity to act in an honourable and ethical manner, they may reject their end, either intentionally or by default (Aristotle, 1955). The great task of life, then, is to recognize and pursue happiness, no matter the constraints placed on the individual, the most dramatic of which are suffering and death. Because happiness might not be genetically encoded in human beings, they must learn how to be happy. How do they do that? Happiness is developed and is not a piece of property already in one's possession.

The second approach does examine the means, or actions, we use to carry out innovation decisions. An example of this approach is deontology, which essentially suggests that it is the means that lend nobility to the ends. Deontology contends that each of us owes certain duties to others ("*deon*" is a Greek word for duty or obligation) and that certain universal rules apply to every situation and bind us to these duties. In this view, whether our actions are ethical depends only on whether co-operatives leaders adhere to these rules (Atwell, 1986). Thus, the means we use is the primary determinant of ethical conduct. Immanuel Kant is the thinker that is most closely associated with deontology. He is the eighteenth-century German philosopher.

The third normative approach, typically called virtue theory, focuses on the character of the decision maker—a character that reflects the training we receive growing up. In this view, (Raw *et al.*, 2003) it is clear that our ethical analysis of a decision is intimately connected with the person we choose to be. It is through the development of habits, the routine actions in which we choose to engage, that we are able to create a character of integrity and make ethical decisions. Put differently, if a two-year-old is taught to take care of and return borrowed toys even though this runs contrary to every instinct they have, they may continue to perfect their ethical behaviour so that at age forty, they can be counted on to safeguard the billions of money investors have entrusted to their care in different projects.

3. Innovation Practices

Innovation, as a concept, refers to the process that an individual or organisation undertakes to conceptualise brand new products, processes, and ideas, or to approach existing products, processes, and ideas in new ways. In the world of business, there are many different types of innovation that a co-operative might pursue. These are often tied directly to individual products, internal processes or workflows, or business models. ICA (2015) points out that why is innovation important for co-operatives success? In academia, we've all heard the phrase "*publish or perish*", in innovation, we have "*adapt or die*" and for businesses to achieve success in today's modern world, this is a universal truth. Take, for example, the massive expansion in technological advancements in the past decade. Because of this extreme growth, businesses have been forced to adapt and expand more than ever before. Adoption of innovation in co-operatives has three main importance; helps co-operatives grow, keeps co-operatives relevant and helps co-operatives to differentiate themselves.

Innovation in co-operatives has two main objectives: to meet unmet needs and to respond to threats. Co-operatives seem to innovate in a proactive way, both to anticipate new needs and to respond to a more competitive environment (OECD, 2015). Some co-operatives are not planning to pursue any innovative strategies, suggesting that many co-operatives are planning to pursue such innovation. The current paper suggests that co-operatives have to respond in a proactive way to new needs while they face threats and competition. In addition, this suggests that co-operatives need to prepare themselves in order to review their business strategies and enhance ethical practices. Indeed, effective innovation capabilities and high-performance technology platforms would greatly contribute to shorter development periods and efficient selection processes of ideas.

Scholars (Carroll 1991, Co-operatives Europe, 2016, Fisher and Lovell 2006) have shown that there are three major areas that co-operatives should prioritise: First, expansion of new services, co-operatives are urged to develop new products and services, developing service cost, and or developing new products for expansion to new customers, and renewing the relationship with the co-operatives. Second, the development of capacity in innovation, there is a need to meet new standards or regulations to improve sustainability. Third, speed of adopting new technologies by making incremental changes to existing products, services and supporting the social economy within the society.

Literatures (Borgen and Aarst, 2016; ICA, 2015 and Brat *et al.*, 2016) have categorised innovation in the co-operative sector into four distinct logics. First, reinvention initiatives that take into account technological, socio-economic and demographic trends to transform the business model and strategies. Second, seeding practices have multiplied in recent years, and co-operatives are playing a proactive role in the emergence of new business strategies and in supporting local and co-operative entrepreneurship. Third, extension innovations, some of which have been in place for many years, are activities aimed at broadening the scope of action and guiding members towards more social, ethical and moral issues or towards value added services. Fourth, open innovation illustrates the participation of co-operatives in local initiatives and their experimentation with less mature technologies that have the potential to transform business models.

4. Ethical Aspects in Co-operatives

Whatever hopes professionals have for their future, they almost certainly want to be successful in whatever career they choose. With the increased competition among co-operatives and evidence that innovators and professionals are concerned about the erosion of ethics, co-operatives can highlight their distinctiveness by emphasising ethical standards. Gilbert (2012) suggests that to remain competitive and serve members, co-operatives must monitor member needs, and enlist membership support in renewing their commitment to ethical business practices. How might ethics guide professionals' decision-making and contribute to their achievement of these goals?

Trust lies at the heart of cooperation. Without trust, people do not communicate and as a result, co-operation is unlikely. People who work together must know and trust each other. It is very difficult for people to trust each other unless they share a commitment to ethical principles. An important ingredient in building trust among and between members and their co-operative organisation is ethical business practices. De Gorge (2010) insists that where high ethical standards exist, a foundation of trust is established that is essential for co-operative action to occur. When ethical behaviour is the norm, people are more likely to trust each other which, in turn, increases levels of communication and understanding. Where ethical conduct is emphasised, we expect to find higher levels of two-way communication between the manager, board members, and stakeholders.

Open and transparent communication contributes to building mutual understanding of co-operatives' goals and mission. This, in turn, leads to greater co-operative action. Without the foundation of business ethics that builds trust among employees, board members, managers and patrons, there is little reason to expect people to work together. Scholars like Ngulube (2010); Twelve (2013) and Hosmer (2003) noted that trust doesn't just happen. It results from conscious decisions and efforts to improve human relationships. Building trust among any group is a long-term and time-consuming effort. It is evident that where there is ethics and trust, there is Co-operation.

Honesty, being successful at work may therefore consist of much more than simply earning money and promotions. It may also mean treating our employees, customers, and clients with honesty and respect. Rowan and Zinaich (2003) comment that it may come from the sense of pride we feel about engaging in honest transactions, not just because the law demands it but because we demand it ourselves. It may lie in knowing the profit we make does not come from short changing others. Thus, ethics in innovation guides the conduct by which co-operatives and their agents abide by the law and respect the rights of their stakeholders, particularly their customers, clients, employees, and the surrounding community and the environment.

Integrity that unites what we say and what we do, is a highly valued trait. But it is more than just consistency of character. Acting with integrity means we adhere strongly to a code of ethics. So it implies trustworthiness and incorruptibility. It means you practice what you preach, walk the talk, and do what you believe is right based upon reason. Integrity in innovation brings many advantages, not the least of which is that it is a critical factor in allowing innovation and society to function properly. Hosmer (2003) insists that professionals should never put their own gain above the welfare of clients or others to whom they have a professional responsibility. Respect their confidentiality at all times and always consider the wider interests of co-operatives and society in your judgments. Integrity is mainly a combination of accountability and competence with corruption free (I equal to Accountability plus Competence minus Corruption).

5. Challenges for Co-Operatives in Driving Innovation

Co-operatives pursue innovation in order to take advantage of new opportunities as well as to counter threats. However, Brat *et al.*, 2016 point out that co-operatives face a number of challenges in terms of professionalism, generating ideas, as well as selecting and funding innovation projects. While ICA (2015) outlines major challenges that relate to the innovation process, business culture and specifically to delays in development, selecting the right ideas and having a risk-averse culture. The culture of co-operatives is usually focused on proximity and service to members, but not necessarily on innovation and risk-taking.

Other common challenges related to innovation facing co-operatives in Africa and Tanzania in particular are: developing, funding and prioritising the right ideas. Others include: reducing the cost of innovation, reducing time to market, managing external collaborations, pursuing projects in high-growth markets, hiring or retaining talent, accessing senior leadership support. OECD (2015) outlines other challenges as marketing innovation, incapacity to measure performance well, leadership selecting the right ideas to commercialise, lack of coordination, not enough customer insight, and marketing (corruption).

Transparency is among common ethical challenges managers face in different settings; co-operatives are included. Ngulube (2010) underscores the importance of transparency by arguing that without transparency in co-operatives, there could be no accountability and efficiency. He further argues that lack of transparency can lead to corruption and loss of confidence among stakeholders. In this respect, co-operative managers are expected to increase transparency in all communication and other practices related to innovations.

6. Corporate Social Responsibility and Co-operatives

Corporate Social Responsibility (CSR) is also known as Corporate Citizenship, Global Citizenship and Corporate Accountability. It has a role to play in treating its employees well, preserving the environment, developing a sound corporate governance, supporting philanthropy, fostering human rights, respecting cultural differences and helping to promote fair trade, among others (Co-operative Europe, 2016). All are meant to have a positive impact on the communities, cultures, societies and environments in which co-operatives operate.

One measure the co-operatives can take to control and maintain ethical practices is to embrace CSR. In fact, businesses now use CSR as a strategy to appeal to the conscience of customers and society regarding how ethical they are with respect to their responsibility to society. Carroll (2000) believes that organisations are expected to practice “social responsibility” or be a good “corporate citizen”. Corporations should not only be judged on their economic success but also on non-economic criteria. To fulfil the good corporate citizen role, a corporation and co-operatives should fulfil the following responsibilities: Economic perspectives: earn a fair return on capital to satisfy the shareholders, deliver value for money products to satisfy customers, create new jobs and new wealth for the business, and promote innovation. Legal perspectives: requires complying with the law. Ethical perspectives: should be moral, fair and justice, respect people’s rights, avoid harm or social injury and prevent harm caused by others and philanthropic perspectives (charitable): is expected to perform beneficial activities for society.

7. Benefits for Adoption and Implementation of CSR

By jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. The following are some of the benefits of implementing CSR in organisations and co-operatives in particular: better anticipation and management of an ever-expanding spectrum of risk; improved reputation management, enhanced ability to recruit, develop and retain staff, improved innovation, competitiveness and market positioning. ICA (2015) outlined other benefits such as; enhanced ability to address change, and improved relations with regulators. Above all is the access to capital, financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. A business plan incorporating a good CSR approach is often seen as a proxy for good management.

Generally, co-operatives have been informed by the need to consider Corporate Social Responsibility (CSR) in their operations. CSR has a role to play in treating its employees well, preserving the environment, developing a sound corporate governance, supporting philanthropy, fostering human rights, respecting cultural differences and helping to promote fair trade, among others. One measure the co-operatives can take to control and maintain ethical practices is to embrace social corporate responsibility (SCR). There are a number of potential benefits for implementing CSR in co-operatives such as better anticipation and management of an ever-expanding spectrum of risk; improved reputation management, enhanced ability to recruit, develop and retain staff, improved innovation, competitiveness and market positioning.

8. Conclusion and Recommendations

It has been established that there is a need for co-operatives to consider ethics in the innovation practices. Ethics establishes the levels of honesty, empathy, trustworthiness, and other virtues by which we hope to identify our personal behaviour and our public reputation. In our professional lives, ethics guides our interactions with customers, clients, colleagues, employees, and shareholders affected by our innovation practices. The co-operative’s main function is to process the products from its members and then sell them to the customers. In so doing officers or employees within this sector are required to consider ethical aspects in order to meet stakeholders’ expectations. Ethics in philosophical perspectives possess questions such as how, then, should we behave? From philosophy, three different perspectives help us assess whether our decisions are ethical on the basis of reason. These perspectives are called normative ethical theories and focus on how people ought to behave.

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