

# **First Community Cooperative's Concept of Corporate Social Responsibility (CSR) and Creating Shared Value**

**Anngelie Ilano**  
Ateneo School of Business

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## **ABSTRACT**

Cooperative history has provided many lessons that can be drawn upon by present generation who advocates for cooperative revolution. Some of the failures identified were: (1) owners/members have no feeling of ownership; (2) capital was externally provided; (3) cheating was rampant; (4) lack of education (farmers, who turned squatters, became managers). Different groups persevered to continue its effort of making cooperatives successful. Leaders learned to adopt policies that became the so-called "cooperative principles". Other significant lessons learned include (1) start small (from simple to complex); (2) good intentions are not enough; (3) internal capital must be sourced out; (4) ownership; and, (5) need for unity, cooperation. Cooperatives made headway in Europe in the second half of the 19<sup>th</sup> century. The Americans learned of it in early 20<sup>th</sup> century. In 1938, a protestant missionary successfully introduced a credit union in Tuguegarao, Cagayan here in the Philippines. Since then, cooperatives in the country started to be formed by different groups.

keywords: cooperative, corporate social responsibility, creating shared value

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## **INTRODUCTION**

### **The First Community Cooperative (FICCO)**

FICCO is a multi-purpose cooperative registered with the Cooperative Development Authority. It began its operation in 1954, with 17 members only, and as of year-end of 2012, members totalled to 165 thousand. It started very small, yet it is now a significantly huge enterprise, owned by diverse classes of people. Its growth in assets, P6.5 Billion as of 2012, is internally generated, coming primarily from deposits and share capital of members. It has no secret formula of success, but its philosophies

and synergetic culture has propelled its growth and has underpinned its success.

The five philosophies drive its CSR, with each component creating sub-elements that strengthen the coop's drive for its CSR programs. Also, FICCO, over the years, through trial and error, successes and failures, has developed its own unique way of doing things. They call it the FICCO culture.

To underscore one of its defined culture is **Total Member Care**. The principles and approaches introduced by Michael E. Porter and Mark R. Kramer in their paper, *Strategy and Society*, and *Creating Shared Value (Capitalism Is Under Siege...)* are reflected in its culture, as well as in its slogan "Alleviating Poverty, Our Responsibility"

### Model of Corporate Social Performance

Corporate social responsibility is management's obligation to make choices and take actions that will contribute to the welfare and interests of society as well as the organization. The conceptual model of CSR is shown as the Pyramid of CSR that describes four criteria of social responsibility. First is economic responsibility.

#### FICCO Philosophies are:

1. Union of Persons
2. Self-help leading to mutual help
3. Equality and equity
4. Tools for reform
5. A coop is not for profit, not for charity, but for SERVICE.

For FICCO, its wide range of financial services generate income/profit for the organization. Secondly, the coop complies with legal requirements as mandated by local government units (LGUs) and other regulatory agencies which show that the coop is aware of its legal responsibility. Thirdly, ethical responsibility is proven with the coop principle of equity and fairness.

Each member receives equitable dividends in proportion to their capital/investment, and patronage refund on interest paid on loans

availed. FICCO, likewise, gives respect to the rights of an individual. All members have privilege to become officers as long as they qualify with the criteria set by the election committee, and approved by the general membership. Lastly, discretionary responsibility is reflected on its value of volunteerism. The commitment of leaders and management staff contributes to the organization's success. While paid personnel are called salaried personnel, the board of directors and other committee officers receive minimal honorarium. The unique nature of the coop is that leaders give their generous commitment with no pay-back in terms of material value.

### **Strategy and Society**

FICCO's strategy is simple yet competitive. It is now a brand, but it makes no sophisticated promotion. Its competitive advantage is the value-creation it has provided since its establishment. Parents who are members of the coop, especially when they get old, transfer the value of the organization and encourage their children to join FICCO. Even as their children are still young, parents have started to open savings account for them.

The coop's philanthropy makes it possible to establish commitment of members. FICCO takes active effort to promote human welfare. FICCO's CSR practices and initiatives are not isolated from its operating units. In fact, all employees are involved in most of its programs initiated by FICCO Community Outreach Foundation, Inc. and the Education Committee of the cooperative.

### **FICCO's CSR**

FICCO Community Outreach Foundation, Inc. (FCOF) was registered with the Securities and Exchange Commission on February 10, 2012, but before it functions as the arm of FICCO to carry out the community related services of the coop, the education committee has already accomplished related activities or programs which are now incorporated in the programs of the foundation.

**Underscoring few of the foundation's projects and programs:**

- a. Construction of classrooms with a total area of 89 square meters at Lumbia Elementary School (Cagayan de Oro) to be utilized as two (2) rooms for grade three students. The over-stretched classroom situation worsened with the influx of typhoon Sendong evacuees.
- b. Assistance to the City Central School, whose 45 classrooms and 15 offices were gutted by fire last August 2012. Priority was the rehabilitation of two of the offices.
- c. Palay procurement project in Maranding (Lanao del Norte) that was implemented last September 2012 went off to a smooth start. The program assists farmers not only in terms of production, but also in the processing and marketing of their produce.

Even personal needs (i.e., hospitalization, tuition, wedding, etc.) are provided for. The production loans are taken care of by the coop, while the procurement and other needs are provided by the Foundation. The palay was processed and distributed to FICCO members. Net income/profit to be realized will be for the account of the Foundation.

- d. The Foundation also signed a Memorandum of Agreement with the Provincial Government of Surigao del Sur for the construction of a coffee trading center cum warehouse in Tagbina, Surigao del Sur.

The Provincial government shall provide technical assistance to the farmers, while the Foundation will shoulder the cost of the building in a government land. The farmers shall benefit as the project stabilizes farm prices of coffee that is now dictated by middlemen.

The Foundation has also finalized a coffee tree planting project in Talakag, Bukidnon, where FICCO will provide the financing, while the Foundation will help in the marketing of the produce.

- e. Assistance to flood victims in Luzon with the money coursed through the Red Cross and the Ateneo de Manila University. The fund was taken from the calamity budget of the Foundation.

The abovementioned programs and projects are only a few from many other efforts of the Foundation. Palay procurement and coffee tree planting, at first, may be construed as value: doing good, but it would be more applicable to be identified as *creating shared value*.

The CSR program enhances the coop's brand/image. The more it gives to the community, the more it becomes competitive and marketable, as its members grow exponentially.

### **Creating Shared Value (CSV): Total Member Care**

The FICCO itself represents its shared value by the leaders and members. People may wonder: "Did the members improve their lives because of FICCO? Or, did FICCO grow because of its members? The answer is Yes. FICCO's remarkable growth is funded by its members' capital contribution and deposits. It is a testament of trust of members to the coop. It also testifies to the improvement of its members' capacities.

Five years ago, the average capital contribution of members

#### **Total member care:**

- Quality service: Members feel that joining FICCO is a value-added exercise
- Responsive services: wide range of products/services, business centers, extra working hours
- Service with personal touch: personnel go out of their way to serve members
- Active participation of grateful members: members help sell the FICCO idea

amounted only to around eight thousand. This has increased to around fourteen thousand at the end of 2012. Also, savings deposits more than doubled from around ten thousand to twenty-one thousand. FICCO grew because its members had grown.

Choosing which societal issues to address:

For FICCO, “Alleviating poverty is our responsibility”

Can FICCO change the society for the better?

Quoting from the news article of one of the champions of FICCO’s CSR and CSV and Vice Chairman of the coop, Mr. Isagani B. Daba:

*“From a macroeconomic perspective, the answer is Yes. During the last five years, FICCO pumped into the economy over P20 billion in loans. A conservative multiplier effect of five times would translate into economic activities worth P100 billion. This covers the people employed by entrepreneur members, the taxes paid, the goods exchanged or consumed. That is an enormous economic contribution by any standard. Yes our members have improved themselves economically. Yes, we are no longer at the mercy of the opportunists! But, shall we be contented with those positive changes? What about other aspects of our society. For example, why do we have to endure chaotic traffic and its attendant pollution and health issues, not to mention foreign exchange loss? Why do we have to pay for water bills way above production costs? About the cost of health care, why is it so expensive? Why do we have no say in determining the costs of these basic needs in our lives? These are just few among many others of society’s ills that we in FICCO (and other coops and citizens) can address for positive changes.”*

## **Creating a Corporate Social Agenda**

Responsive CSR is being done by the Foundation. Organizing for CSR means that FICCO integrates business and social needs that take more than good intentions and strong leadership. FICCO leaders do away with emphasis on image, but focus on substance. Its office, equipment, gatherings are not very much sophisticated and just enough to boost employees' morale. Instead, savings from other expenses go to members.

FICCO addresses social issues by creating shared value and does not rely on private or government subsidies or not even moved by political will. There have been many attempts from politicians who try to enter the organization (given the coop's great number of members that can be translated into number of votes), but the leaders do not allow those politicians to find their opportunity to enter. FICCO maintains its principle of political neutrality and non-discrimination.

## **Concept of Shared Value for FICCO**

Internal hiring/promotion: training of future leaders and managers is one of its priorities. Employees who have proven their commitment to the coop are given the privilege to undergo the Management Development Program (MDP).

Expanding the total pool of economic and social value by increasing the proportion of revenue of farmers (who are members of the coop) by paying them higher prices of their produce. The cooperative buys the crops and channels these to its members, as well. Farmers pay their loans not in the form of cash, but with their crops, instead.

FICCO Strategy: diverse background and status of members means responsive products and services. The wide range of loan products and deposit or savings facilities are in place.

## **CONCLUSION**

### **The Role of Social Entrepreneurs**

The viable business model is the cooperative model, which FICCO has its proof of concept. The need for a more sophisticated form of capitalism imbued with a social purpose is answered through the cooperative way.

FICCO has helped thousands of vendors, teachers, drivers, public utility operators, farmers, office workers, store and house helps, and many others to free themselves from poverty, send their children to school, own their homes, engage in income generating activities, expand their business, and even help others help themselves.

A study conducted a few years ago confirmed that three out of every four members had achieved economic emancipation after becoming members of FICCO, according to the Vice Chairman.

At present, a substantial number of water consumers in Cagayan de Oro has been advocating and crusading to convert government-owned-controlled Cagayan de Oro Water District (COWD) into a Cooperative COWD.

Why advocate? Because of the social benefits to the consumer-members-cooperative owners. Two effects were cited by Mr. Anselmo Mercado, one of the officers. Firstly, there is devolution of power from a Government-Owned and Controlled Corporation (GOCC) to the community represented in this case by the cooperative.

This is all the more significant considering that the transfer of ownership and control is for the common good, that will benefit all sectors, the government, the people and their communities. This is the reason our government is promoting and encouraging privatization of GOCCs.

Secondly, the primary motive of a cooperative is to serve the community (not for profit alone), in order to provide water services efficiently and effectively to the communities.

The people and their communities will learn greatly from the experience of a cooperative undertaking—working together, mobilizing their resources in order to address key issues and concerns faced by the communities.

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