

Revitalising the innovation potential of cooperatives¹

By Thomas Baumgärtler / Tobias Popović

Massive upheavals in the market environment, intensified by disruptive technologies, pose many companies the existential question of how they can further develop their established business model for the future or how they may have to fundamentally reposition themselves. In this context, volatility, uncertainty, complexity and ambiguity (VUCA for short) are the unfavourable side effects that also influence cooperative companies. The manifold challenges in the corporate environment, such as unfavorable demographic developments, increasing urbanization with an increasing demand for regional services of general interest, competitive pressure from new business models and competitors as a result of artificial intelligence or digitalization - for example by FinTechs - require the search for orientation, for a strategic compass for politics, business and society.

Raiffeisen's core idea: innovative solutions for current challenges

Far-reaching changes in the economy and society combined with disruptive developments can, however, also be a source of (social) innovation. From a historical point of view, there were already considerable ecological, social and economic challenges at Raiffeisen's time, which were accompanied by existential deficiencies, especially for poorer sections of the population. In addition, the situation of the population had worsened as a result of the massive eruption of the Tambora volcano (1817) in Indonesia, which led to declining temperatures and higher precipitation in Central Europe, with serious consequences for agriculture and the population: large sections of the population became impoverished, especially in southern Germany. For Friedrich-Wilhelm Raiffeisen, this was the decisive reason to pursue a new, innovative path with the cooperative model, which successfully contributed to solving current challenges on the basis of cooperative principles.

Cooperatives run through all social groups that are looking for approaches to help themselves. Old and new fields of activity are being discovered, from which the state is increasingly withdrawing or not wanting to become active at all. The needs of people today are undoubtedly different from those of Raiffeisen 200 years ago. Back then, it was often about bare survival. Today, the needs situation is in demand above all through joint member-supported projects in care, childcare, housing, mobility or energy. The demographic development and above all the need for care and housing are important challenges for services of general interest, which can demonstrably be successfully organised in the form of a cooperative model. A great potential for innovation can therefore be seen in the mobilisation of civic commitment.

From our point of view, it is above all two core competencies that generate the innovation potential of a cooperative: On the one hand, the ability to develop sustainable solutions based on the creative potential of its members in the face of constant changes in society, the market and the environment. On the other hand, the so-called platform competence (hub): In order to develop the problem solutions mentioned above, it is necessary to be able to configure and coordinate a powerful network of stakeholders. The aim of this network is not only to jointly develop sustainable solutions, but also to implement them. Numerous cooperatives have proven over decades that they can do just that under the most diverse environmental and framework conditions. In our opinion, a third competence is needed for the future: agility. We still see a lot of catching up to do here for

¹ Translation of Baumgärtler, Th./Popovic, T. (2019): Das Innovationspotenzial von Genossenschaften revitalisieren – Plattform, Netzwerk, Agilität, in: Baden-Württembergischer Genossenschaftsverband e.V. (Hrsg.) (2019): GenoGraph, pp. 10-13 (online-version available at: <https://www.wir-leben-genossenschaft.de/de/Innovationspotenzial-von-Genossenschaften-revitalisieren-Plattform-Netzwerk-Agilitaet-6841.htm>)

cooperatives. Particularly in today's complex "VUKA world", agility may be a key competence to make cooperative companies "resilient" - in the sense of the aforementioned platform and its network.

A firm foundation in turbulent times - The cooperative values

In view of the many complex challenges we face in society, it is likely that more cooperative or collaborative forms of social coexistence will be needed. The basic cooperative principles of self-help, self-administration and self-responsibility serve as orientation. Closely linked to this are cooperative values and attributes such as democracy, solidarity, personal responsibility, regionality and subsidiarity. The members are enabled to improve their own economic situation through cooperative business operations. Every foundation of a cooperative serves a promotional purpose, the legally anchored and thus obligatory promotion of its members. The basic democratic legal form enables an equal co-determination (one member - one vote) within the framework of the self-administration in fundamental economic decisions of the cooperative - The basis of cooperative trade is always the will of the members oriented towards a sustainable economy. The members are customers, partners and decision-makers of their cooperative at the same time. The cooperative value foundation, the member-based corporate form, the decentralized corporate responsibility and the governance structures typical of cooperative organisations in the sense of a "double incentive structure" make the cooperative model unique.

What one cannot achieve alone ... – The Community's innovative strength

Raiffeisen can be characterized as a prototype of a social or sustainable entrepreneur. He was intrinsically motivated and tried to develop viable solutions for real social, ecological and/or economic challenges in a collaborative and cooperative way, from which new trend-setting fields of innovation emerged. If one compares it in this context with the "Schumpeterian entrepreneur", the difference to Raiffeisen is primarily that Raiffeisen was able to promote and use the strength of the community and its creative potential in the awareness that many can create what one person alone cannot create. The credit and rural cooperatives as well as many cooperatives derived from the principles of nature are historical and up-to-date proof of the far-reaching innovation potential of the cooperative form of enterprise.

Local "innovation hubs" as an opportunity for revitalising the cooperative idea

In the context of local or regional innovation ecosystems, cooperatives also have opportunities - in addition to the manifold challenges of the development trends already discussed -: Due to their network competence, digitization offers cooperatives the potential to more effectively bundle and develop the existing relationship network of (local) stakeholders such as customers, members, craftsmen, companies, public administration and interdisciplinary university partners with the help of digital platforms. As a result, the Volksbanken Raiffeisenbanken could assume a new role as a network hub, initiating and coordinating a local ecosystem for innovation and thus assuming the function of an innovation platform ("hub for innovation").

The conception of a transdisciplinary real laboratory ("Living Lab"), whose goal is to develop real-implementable solutions to real challenges, is a suitable approach. Universities that have already gained experience with this approach can both support the establishment of an innovation ecosystem and be involved as know-how partners - for example by providing current research results - in various scientific fields. In the ideal case new products and services, innovative business models, business start-ups, jobs, etc. arise from the creative interaction of the partners involved. The example of the Vancouver region, which in recent years has developed into one of the world's leading innovation ecosystems, illustrates how a region can successfully develop innovations in a

variety of areas in a collaborative and cooperative manner. Among other things, the cooperative bank VanCity is an active partner in the innovation processes there. (Note: You can download a descriptive info graphic on this topic from the following link: <https://www.adgonline.de/akademie/zukunftsthemen/genossenschaften/adg-genomission/loesungsraeume/wandbild-innovationsformate.pdf?cid=yz>. The information graphic can be seen as a mural on Montabaur Castle in the premises of the Academy of German Cooperatives (ADG) as part of the cooperative campus expeditions).

Some essential success factors can help cooperative banks to take over the design function as an innovation platform as effectively as possible:

- Thinking in "platform configurations" (consistent networking)
- Internalization of "ecosystem logic"
- Use of creativity potential and (intrinsic) motivation in the sense of Raiffeisen
- Ability to "Reinvent the organization" (Frederic Laloux)
- Agile adaptability: Flexible, proactive, anticipatory, proactive in order to be able to develop innovative solutions to new challenges in a timely manner.

These success factors could perhaps be summarised as follows: It depends on the triad of "Mindset" (setting), "Purpose" (creation of meaning, determination) and the desired "Impact" (effect).

The following overview (Tab. 1) summarises the most important formats, methods and principles - at least implicitly based on Raiffeisen's "mindset" - of successful innovation ecosystems designed in living lab design.

PRINCIPLES	METHODS	FORMATS
Networking (local, supra-regional, international) of the essential stakeholders	Open Innovation	Incubators
Co-Definition (e.g. of problems and goals)	Design thinking	Accelerators
Collaboration	Business Model Canvas	MakerSpaces/FabLabs
Iterative feedback loops between the involved actors	Scrum	Hackathons/Makeathons/Ideathons
Co-creation (e.g. of innovative solutions)		Barcamps
Co-Production (joint implementation of new products, business start-ups)		

Tab. 1: Principles, methods, formats of successful innovation ecosystems (Source: Based on Popovic (2017), Popovic/ADG (2018), Jahns/Bergmann/Keil (2016); Capdevilla (2014))

These principles, formats and methods can also be used by cooperatives to exploit the creative potential of network members for new products, services, business models and even start-ups at local or regional level, for example in the form of an innovation cooperative. But the approaches are

also useful for Volksbanken Raiffeisenbanken in order to "reinvent" themselves in terms of sustainability and become more resilient.

Summary and Outlook

In the recent past, innovative ecosystems have emerged in numerous German cities (e.g. Berlin, Munich, Frankfurt, Stuttgart), from which a whole series of successful start-ups have already developed. Cooperative banks have the opportunity to actively participate as innovation partners. But they are not dependent on it, because as "innovation hubs" they can themselves initiate local innovation ecosystems in their respective regions. Further information will soon be available in a WhitePaper on "Regional Ecosystems", which will be published in the WhitePaper series of the newly founded research institute ADG Scientific - Center for Research and Cooperation (www.adg-scientific.de) - this quarter.

Prof. Dr. Thomas Baumgärtler, Offenburg University of Applied Sciences, Institute for Trade and Innovation

thomas.baumgaertler@hs-offenburg.de

Prof. Dr. Tobias Popović, Stuttgart University of Applied Sciences, Centre for Sustainable Management and Economics

tobias.popovic@hft-stuttgart.de