Introduction to Co-operatives:
who–what–where–why–when

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Incoming president,
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Dr Brett Fairbairn … Your presenter

- 30 years teaching and research on co-ops
- Fellow in Co-operative History and Governance, Centre for the Study of Co-operatives (U. of Sask.)
- History of co-operatives and co-op thought — around the world and in Canada
- Interdisciplinary studies of leadership, management, and strategy in co-operatives
- Special interest: governance and strategy
- 1 Dec. 2018: Thompson Rivers U as president
Current research

- Retail co-operatives (190 in Western Canada) and their central wholesaler, Federated Co-operatives Ltd.
- Organizational transformation since 2010
- Talent management, brand/strategy, corporate performance management
What I’ll cover today
(who–what–where–why–when)

- Understanding co-ops – definition and key features
- History and examples of co-ops
- Co-op governance and strategy
- Creating and developing co-ops
What I won’t cover:
how to form a co-op

Resources:

- Co-operatives First
  www.cooperativesfirst.com
- B.C. Co-operative Association
  www.bcca.coop
- Co-operatives and Mutuals Canada
  www.canada.coop
Key points

- co-ops are a widely distributed model
- co-ops behave differently from other businesses because of governance
- a co-op is the appropriate choice where members desire that different behaviour
Up next

- Understanding co-ops – definition and key features
  - History and examples of co-ops
  - Co-op governance and strategy
  - Creating and developing co-ops
What is a co-op?

Best single resource:

International Co-operative Alliance
Statement on the Co-operative Identity

www.ica.coop
ICA Statement

3 Components:

Definition of a Co-op

Statement of Values

Co-op Principles
Definition of a co-operative

An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
Implications of the definition for boards, managers, and staff

- **association – enterprise duality**
  (bring together membership and business)

- **identity of members and owners**
  (know who you represent: the users)

- **meeting needs & aspirations of members**
  (know what members want and value)
Values & Principles

"Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity…"

"The co-operative principles are guidelines by which co-operatives put their values into practice."

<table>
<thead>
<tr>
<th>Definition</th>
<th>A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of self-help, self-responsibility, social responsibility and cooperation for a better world.</td>
</tr>
<tr>
<td>Principles</td>
<td>The co-operative principles are guidelines by which co-operatives put their values into practice.</td>
</tr>
<tr>
<td>1st Principle: Voluntary and Open Membership</td>
<td>Co-operatives are voluntary organizations that are open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.</td>
</tr>
<tr>
<td>2nd Principle: Democratic Member Control</td>
<td>Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.</td>
</tr>
<tr>
<td>3rd Principle: Member Economic Participation</td>
<td>Members contribute equably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surplus (after providing for any or all of the following purposes: developing their co-operative, setting up reserves, part of which shall be individually beneficial to members, in proportion to their transactions with their co-operative, and supporting other members through their co-operative.</td>
</tr>
<tr>
<td>4th Principle: Autonomy and Independence</td>
<td>Co-operatives are autonomous organisations. They are independent of the state and other organisations. Co-operatives are democratically controlled by their members. If they enter into agreements with other organisations, including governmental organisations, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.</td>
</tr>
<tr>
<td>5th Principle: Education, Training and Information</td>
<td>Co-operatives provide education, training and information for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.</td>
</tr>
<tr>
<td>6th Principle: Co-operation Among Cooperatives</td>
<td>Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.</td>
</tr>
<tr>
<td>7th Principle: Concern for Community</td>
<td>Co-operatives work for the sustainable development of their communities through policies approved by their members.</td>
</tr>
</tbody>
</table>
7 principles (guidelines for how co-ops commonly put values into practice):

1. Voluntary & open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Co-operation among co-operatives
7. Concern for community
Differences from other enterprises

- Owners provide service to others, earnings go to owners
  - Investor Owned Firm (IOF), for-profit

- Owners provide service to others for benefit of clients
  - Charity, philanthropy, not-for-profit

- Owners provide service to themselves – owners are the users
  - Co-op
Other useful definitions

- German co-ops: self-help, self-administration, self-responsibility
- all for one, and one for all
- “not for profit, not for charity, but for service”
- mutual self-help
- USDA: “user owned, user controlled, user benefit”
Understanding co-ops – definition and key features

History and examples of co-ops

- Co-op governance and strategy
- Creating and developing co-ops
Where are co-ops?  
(UN 2014 global census of co-ops)

Co-op members in the world:

1.2 billion in 
3 million co-ops

Most co-ops in ag., most members in CUs

Regions:

Asia – 484 million. India, S. Korea, Japan
(not incl. China – autonomy issues)

Europe – 368 million. Fr. (ag, credit), It.
(social co-ops), Spain (Mondragón), Switz.…

North America – 135 million. (Mainly U.S.)
Who formed them?

- Britain  –  urban wage earners  
  (Rochdale co-op 1844)
- Germany  –  small business & trades  
  (Schulze-Delitzsch 1850)  
  –  farmers (Raiffeisen 1862)
- Eastern  –  national minorities  
  Europe

... anyone who wanted an alternative
In Canada

- Largest # of co-ops – housing co-ops
  2,318 co-ops; >100 in Vancouver
- Largest # of members – credit unions
  >10 million Canadians
  VanCity, FirstWest
- Largest $ of business – retail & ag.
  c. $30b; MEC, FCL
- Strongest province – Québec
Spotlight on ag – types & examples

- **Commodity marketing**: pork, chicken
- **Marketing/processing/value-added**: 
  **Dairy**: Agro pur (PQ), Gaylea Foods (ON), Northumberland (NB), Scotsburn (NS)
- **Organic**: Organic Meadow (ON), Glen Valley (Langley)
- **Farmers’ Markets**: Island Roots (Nanaimo)
Spotlight on ag, cntd.

- **Supply**: Coop Fédéree, Growmark (ON), UFA Co-op, FCL
- **Farmers of North America**
- **Services**: seed cleaning co-ops
- **Transportation**: Southern Rails (SK)
- **Rural utilities**: irrigation, gas co-ops
- **Big integrated co-ops**: CHS (US)
Points to consider

- Any line of business you can think of — somewhere, people have created a co-op to do it. Why would they?

- Proportionate to population, farmers and rural people have probably created more co-ops than any other group. Why is that?
Up next

✓ Understanding co-ops – definition and key features
✓ History and examples of co-ops

-Co-op governance and strategy
  • Creating and developing co-ops
Governance and strategy

- Governance is “who decides what, and who has a say over what”
- Organizations that are governed differently, behave differently — because different people call the shots
- Co-ops behave differently because of being co-ops. That’s the reason to form one.
How strategy works (should work) in a co-op

- Board of directors represents interests of members (users)
- Board shares with management responsibility for long-term vision & goals
- Management is responsible for operations, informed by the values of the organization
… leading to different outcomes

- Invest & reinvest where members are
- Long planning horizon (not driven by quarterly results)
- Values shape relations with stakeholders (employees, community — e.g. social, environmental responsibility)
- Develop community capacity
Qualifications

- Most co-ops face marketplace competition
- This can create pressures to look and act like their competitors (isomorphism)
- It matters how each particular co-op is led and governed
Typical governance problems in co-ops

- Board too strong/management weak
- Management too strong/board weak
- Directors have insufficient competencies
- Values and goals not clear or not shared by management
Typical governance solutions

- Training and development for directors
- Succession planning for directors and managers; developing senior managers from within where possible
- Planning and strategy that focus on co-op identify and values
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Founding co-ops: self-help in a group

- Co-ops are founded by groups who choose to take responsibility for their futures. Individual leaders also matter.
- BUT no group = no co-op
  Group development comes before co-op.
- If someone else wants them to form a co-op, a co-op may be a bad idea (except: social co-ops).
Remember

- “autonomous association of persons united voluntarily to meet their ... needs and aspirations…”
- “jointly owned and democratically controlled”
Successes and failures

Indigenous co-operatives in Canada:

- **1940s-50s** largely failures of efforts by government officials
- **1960s+** enormous success of Arctic Co-ops and a number of other examples
- **Difference** = whose idea? Whose needs? + Cultural fit.
Launching co-ops

- Studies indicate that once formed, co-ops survive better than other SMEs.
- Advantages: buy-in, commitment, loyalty, trust, community support.
- Disadvantages: shortage of capital.
- Many successful co-ops start small and develop capacity as business grows.
Developing co-ops

- “Education, training, and information”
- Periodic renewal of values
- Stages – see Plunkett Foundation (UK)
  www.plunkett.co.uk
Wrapping up

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