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Brett Fairbairn
Incoming president,
Thompson Rivers University

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



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 Mutuels 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

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What is a co-op?

Best single resource:

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

www.ica.coop

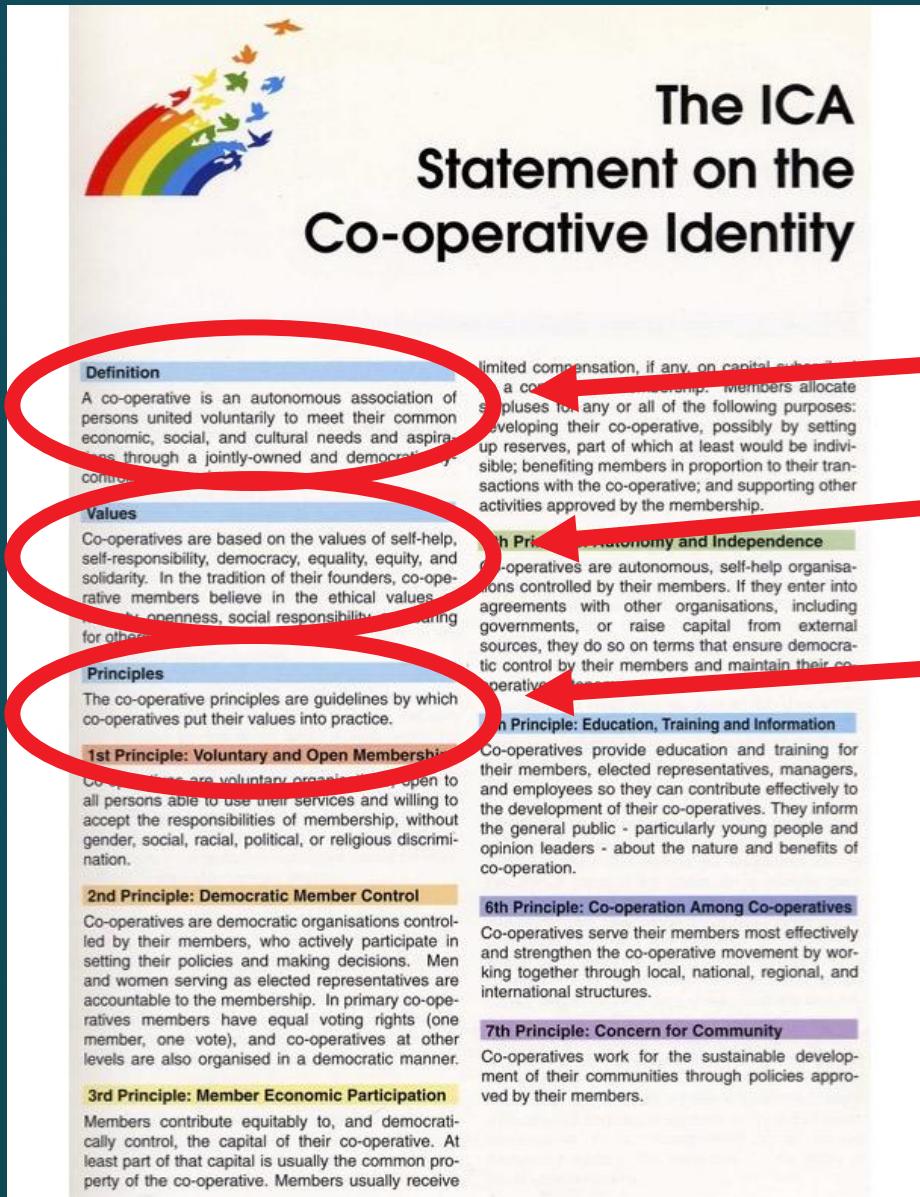
ICA Statement

3 Components:

Definition of a Co-op

Statement of Values

Co-op Principles



The ICA Statement on the Co-operative Identity

Definition
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.

Values
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 honesty, openness, social responsibility, and caring for others.

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

1st Principle: Voluntary and Open Membership
Co-operatives are voluntary organisations, 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.

2nd Principle: Democratic Member Control
Co-operatives are democratic organisations 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.

3rd Principle: Member Economic Participation
Members contribute equitably 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.

4th Principle: Autonomy and Independence
Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative character.

5th Principle: Education, Training and Information
Co-operatives provide education and training 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.

6th Principle: Co-operation Among Co-operatives
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th Principle: Concern for Community
Co-operatives work for the sustainable development of their communities through policies approved by their members.

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)



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3rd Principle: Member Economic Participation

Members contribute equitably 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 surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

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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.**”

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”

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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 Europe – national minorities
- ... 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 Fédérée, 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?

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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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- ✓ Creating and developing co-ops