

Making the Co-op Principles Work for You



Introduction

A co-operative, or co-op, is an organization that is owned by its members. Co-ops are formed when a group of individuals come together to meet a common need. Co-ops offer almost any type of product or service imaginable and can operate either on a not-for-profit or for-profit basis. A co-op operates on a democratic system that specifies “one member, one vote.” Co-ops around the world are organized according to the seven international principles of co-operation.

These principles were first developed in 1844 by the Rochdale Pioneers (please refer to the *What is a Co-op?* FACTSheet for more information) and were modified slightly and adopted as part of the Statement of Co-operative Identity by the International Co-operative Alliance in 1995.

Although co-operatives all adhere to these principles as part of their identity and operations, it can be difficult to determine how these principles can be incorporated in practical ways into the operations of the co-op.

Co-ops around the world are organized according to the seven international principles of co-operation.

1. Voluntary and 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

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, 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.

In order to enshrine these principles in the practical governance and operations, a co-op may choose to put into its bylaws

language that indicates that membership in the co-op is open and inclusive and that no one will be discriminated against as a result of their gender, race, social status or religion.

Co-ops may also make the topic of open membership part of the discussions they have when they form the co-op. This can include determining what an appropriate share and investment structure would be the most inclusive for the purposes that the co-op is organizing for.

2. Democratic Member Control

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.

- There are over 1,300 co-operatives, credit unions and caisse populaires incorporated and operating in Ontario, with 1,900 locations in 400 communities.
- In 2012 alone, 73 new co-ops incorporated in Ontario.
- Housing is Ontario's largest co-op sector (45%), followed by Financial Services (17%), Child care (17%) and Agriculture (6%).
- The co-operative sector in Ontario represents a very conservative \$30 billion in assets (2007).

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The one-member, one-vote principle of governance is one of the key defining characteristics of a co-op—and allowing members to exercise their democratic control of the organization is critical to maintaining a healthy co-op. Co-op boards and senior staff should take care to design and implement well-run Annual General Meetings that encourage participation and allow the membership to come together and elect their governing board.

Once the first Annual General Meeting has been held, the members must meet again within 15 months—and AGMs must be held consecutively within 15 months thereafter. Board and senior staff should keep members informed on an ongoing basis, either through general member meetings or through other communication tools. The Ontario Co-operative Association has developed a Guide to the *Co-operative Corporations Act* that includes appendices on how to run effective member meetings, elections for directors and board meetings. Available for purchase by contacting On Co-op, this guide can assist a co-op in ensuring that member engagement in the democratic process remains high.

3. Member Economic Participation

Members contribute equitably to, and democratically control the capital of their co-op. At least part of that capital is usually the common property of the co-operative. They 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 the 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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4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations (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 autonomy.

In many sectors, co-ops must enter into agreements with outside organizations to ensure that they can operate. For example, not-for-profit housing co-ops often receive funding from the government to support their work, and some co-ops that have programs with large capital requirements (like those in the renewable energy sector) may enter into agreements with other companies or organizations in order to help them finance their projects.

One way that co-ops can maintain their autonomy is to create policies or pass resolutions that indicate how the co-op's vision and mission will be used to guide decision-making or create guidelines about what types of partnership agreements or relationships are acceptable to the membership of the co-op. This can include information on what types of companies the co-op is willing to have relationships with.

- Three recent studies demonstrate that co-operative enterprises have significantly higher survival rates than other business corporations. In fact, a co-operative is twice as likely to be in operation after 10 years.
- Ontario co-ops employ and provide benefits to 15,500 people (greater than the total number of Ontarians employed in production of goods).
- 1.4 million Ontarians are members of a co-operative, credit union or caisse populaire (more than 10% of the population).

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5. 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.

One of the simplest ways to educate members, staff and volunteers involved with a co-op is to ensure that there is adequate orientation and training for new participants in the co-op that includes an overview of the co-operative model and what being a co-op is all about. Information provided to participants should outline how the co-op works, the co-operative principles and other information that allows people to participate fully in the operations and governance of the co-op.

Co-ops, in particular associations of co-ops, like the Ontario Co-operative Association or the Co-operative Housing Federation of Canada, also work to educate the public and elected representatives about the co-op model. This assists in raising awareness about the co-operative way of doing business and obtaining support from government on behalf of the sector.

6. 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.

There are a number of ways that a co-op can co-operate with other co-ops. One primary way that co-ops can do this is by joining with other co-ops through membership in a federation or association of co-ops. For example, worker co-ops can become a member of the Ontario Worker Co-op Federation in order to connect with other worker co-ops and share knowledge and experiences with each other. In turn, federations like the Ontario Worker Co-op Federation can also join associations like the Canadian Worker Co-op Federation or the Ontario Co-operative Association in order to support larger networks of co-ops.

Another way that co-ops can co-operate with and support each other is by doing business with each other. Co-ops can choose to place a priority on purchasing goods and services from other co-operatives, even if it may be slightly more expensive or less convenient.

By choosing to do business with co-ops above other types of businesses, co-ops can demonstrate the importance of doing business in the co-operative manner and

that supporting the sector is important. This also shows support for financial, social and environmental concerns and emphasizes that the financial bottom line is not the one of sole importance.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Many co-ops believe in the philosophy of the triple bottom line: meeting financial social and environmental objectives. While the financial viability and stability of a co-operative is important to its members, the primary objective is to maintain access to the product or service supplied by the co-op, not solely to increase the rate of return on their investment.

Co-op members are responsible neither to outside owners, nor to government owners. However, co-op members recognize that their co-op operates as part of the larger economic, social and environmental framework that affects people's day-to-day lives in their community.

As a result of commitment to this principle, in many communities, co-operatives have stayed to serve their members long after other businesses have fled to more profitable locales. For example, there are numerous communities in Ontario where

- There are some **49,000 co-operative volunteers across Ontario, including over 10,000 board members who are actively involved in governing and leading co-ops, credit unions and caisse populaires in Ontario.**
- **World-wide, co-operatives operate in over 90 countries, employ over 100 million people and are supported by over 1 billion members.**

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credit unions are the only source of financial services.

Other examples of this principle would include ethical purchasing guidelines, like agreeing to support the community through donations to local charitable causes, other co-operatives or community activities.

For example, The Co-operators donates a percentage of its pre-tax income to charities and co-op development initiatives all over the country as a way to demonstrate its concern for community.

Many co-operatives and credit unions choose to articulate their concern for community through corporate social responsibility or co-op social responsibility reports that show how the organization has demonstrated this principle in its operations.

References

International Co-operative Alliance
Statement on the Co-operative Identity:
www.ica.coop

FOR MORE INFORMATION, CONTACT

Ontario Co-operative Association
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More resources are available at:
CoopZone Network
coopzone.coop

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