

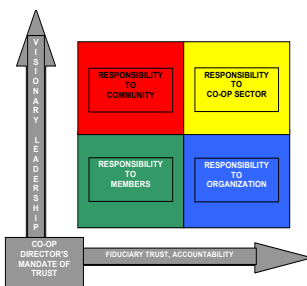
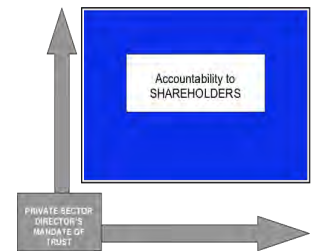
In what ways are successful co-operatives and credit unions similar to, or different from, successful investor-owned companies?<sup>1</sup>

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1. DIFFERENT: The Governance Mandate<sup>2</sup>

The Board of Directors sets the vision and direction for the organization. In the case of investor-owned, private sector companies, boards are elected by the shareholders or appointed on their behalf. In a cooperative, boards are elected by the members. The mandate each brings to the table is different.

In a private sector firm, the Board is responsible to the investors to improve the financial health of the organization. Capital is rented on the international market. If competitive rates are not paid, investors will park their money elsewhere. Firms that can reduce costs and increase revenue put smiles on the faces of shareholders.



Like their private sector counterparts, co-op directors have a fiduciary responsibility to look after the health of the organization. But in this case, on behalf of her members. And therein lies the difference. Unlike directors in the private sector, co-op directors must also look after the interests of the community and the cooperative sector.

2. DIFFERENT: Burden of Trust

Cooperative directors carry a higher burden of trust than do Directors who sit on boards of private sector, investor-owned companies. Particularly when elected by the members, but even when acclaimed, Directors of a cooperative organization come to the governance table with a mandate from the membership to deliver on four primary areas of responsibility, all of which are grounded in the Cooperative Principles.

Responsibility to the Members: Responsible and accountable to the members for ensuring cooperative and democratic values are upheld, encouraging open and active participation by the members in setting policy and directions, listening to the membership, acting on their concerns and priorities, ensuring that the workplace reflects strong cooperative values and providing education and training to members, their elected representatives, managers and employees so

<sup>1</sup> Assignment 1, Module 1, MMCCU: 6600 Comparative Co-operative Practice II: Co-operative Innovations and Best Practice, Masters of Management, Cooperatives and Credit Unions, Sobey School of Business, Saint Mary's University, Halifax.

<sup>2</sup> I find this question interesting from the governance perspective. Since playing around with the above thinking in MMCC 5500 I have wanted to go back and develop it into a 2 page précis. Still in refinement stage.

they can contribute effectively to the strength of the cooperative and to the general public about the nature and benefits of cooperation.

- 1<sup>st</sup> Principle: Voluntary and open membership
- 2<sup>nd</sup> Principle: Democratic member control
- 3<sup>rd</sup> Principle: Member economic participation
- 5<sup>th</sup> Principle: Education and training

Responsibility to the Organization: Fiduciary responsibility for protecting the member's capital, ensuring regulatory requirements are met, ensuring fiscal stability, financial soundness, proper risk management, strategic direction, operational integrity, distribution of surpluses to the membership and community as directed by the members, and maintaining cooperative autonomy.

- 3<sup>rd</sup> Principle: Member economic participation
- 4<sup>th</sup> Principle: Autonomy and Independence

Responsibility to the Co-Op System: Responsibility for leadership, networking and cooperation within and across the co-operative sector at the local, national, regional and international level to further the strength and success of cooperatives as an economic alternative to capitalism

- 6<sup>th</sup> Principle: Cooperation with Cooperatives

Responsibility to the Community: Responsible for recognizing and supporting – through policies approved by the membership - the economic, social, environmental, ecological, ethical, moral and spiritual sustainability of the community.

- 7<sup>th</sup> Principle: Concern for community

Additionally, Directors of a cooperative organization are required, in their governance deliberations, to uphold the Cooperative Values and, in the traditions of their founders, embrace the Cooperative Ethics

#### Cooperative Values

Self-help  
Self-responsibility  
Democracy  
Equality  
Equity  
Solidarity

#### Cooperative Ethics

Honesty,  
Openness,  
Social Responsibility and  
Caring for Others

### 3. DIFFERENT: Business Model.

The cooperative business model is driven by internalized cooperative principles and values rather than the external demands of capital and markets. Particularly in today's economic climate, cooperative firms that can nimbly collaborate with one another to form complex, adaptive networks are more innovative and entrepreneurial (Novkovic,<sup>3</sup> Soots,<sup>4</sup> Holm<sup>5</sup>). This gives coops a natural advantage because private sector firms lack the collaborative DNA to effectively compete in this arena.

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<sup>3</sup> Novkovic, Sonja. Defining the co-operative difference. *The Journal of Socio-Economics* 37 (2008) 2168–2177. 6 February 2008

<sup>4</sup> Soots, Lena K, Stewart Perry and Jamie Cowan. Supporting Innovative Co-operative Development: The Case of the Nova Scotia Co-operative Development System. 2007 Congress of the Humanities and Social Science

<sup>5</sup> Holm, Wendy and Sonja Novkovic Co-operative networks as a source of organizational innovation. ICA Global Research Conference Mikkeli, Finland August 25-27, 2011