

An Introduction to the Co-operative Business Sector in Newfoundland and Labrador



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1.0 The Co-operative Business Model

1.1 What is a Co-operative?

A co-operative is a business legally incorporated under either a provincial or federal legislative act. In many respects, a co-operative operates like other business entities. However, it is different from other businesses in terms of its structure, purpose, ownership, governance, investment and distribution of profits.

A co-operative is a business that is owned by the people that use its services. They are the members of the co-op and direct its operations through a democratic decision making process. These members/owners elect the co-op's Board of Directors and establish by-laws and approve policies that govern its operations. The primary purpose of a co-op is to provide quality services for member/owners at a reasonable cost.

The International Co-operative Alliance (ICA) is the organization that represents the co-operative business sector from a global perspective. It defines a co-operative (known also as a "co-op") as "an autonomous association of persons united voluntarily to meet their economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise."

Co-operatives and Mutuals Canada (CMC) represents the co-op business sector in Canada. It builds on the ICA's definition by further defining a co-op's operational structure, "A co-operative is an enterprise that is jointly owned by the members who use its services. All members of a co-op are equal decision makers in the enterprise, using a democratic system of one-member, one-vote. In turn, all members share the benefits of cooperation, based on how much they use the co-operative's service."

The co-op business model is utilized by people around the world to provide themselves with services that meet their economic and social needs. From a global perspective it would be difficult to identify any social or economic sectors in which there are no co-ops. In Newfoundland and Labrador (NL), co-ops operate in many of our traditional business sectors including agriculture, fisheries, retail and financial services (credit unions). More recently however, co-ops have been established in other sectors such as housing, health care, child care and community development services.



1.2 Types of Co-operatives

Co-ops can be formed for many different purposes and are classified in many ways: by sector, by purpose and by membership. Different countries and organizations classify co-operatives in different ways. In Canada, co-operatives operate at the local, provincial and national levels. Some co-ops do business internationally. Types of co-ops include:

- **Financial co-ops** which offer financial services (savings, loan, investment, insurance etc.) for their member/owners. Credit unions, insurance co-ops and mutual companies are common sector examples.
- **Consumer co-ops** that provide member/owners with consumer goods and can range from small purchasing groups to large supermarkets. Food, petroleum products, student supplies, hardware and agricultural supplies are common examples.
- **Community service co-ops**, which are generally non-profit co-ops that deliver social services such as health care, child care, funeral and housing services. Others are in the energy, transportation, resource management and communications sectors.
- **Producer co-ops** that purchase, process, and market their member/owner's products and services. They are common in many sectors including agriculture, the fishery, forestry and the tourism/cultural industry.
- **Worker co-ops** which provide their member/owners with employment through a jointly owned enterprise. Many operate in the natural foods, arts and entertainment, construction, printing/publishing and home care services sectors.
- **Multi-stakeholder co-ops** that are comprised of different categories of members who share a common interest in the success of the business. These categories may include clients, employees, consumers, investors, and community organizations.

As these classifications indicate, co-ops are flexible and adaptable business entities. They can be formed for many different reasons, operate in any sector of the economy, and can be structured in any number of ways to meet the specific needs and circumstances of the people they serve.

1.3 Comparison with Other Business Models

Like private sector enterprises, co-ops must operate as financially self-sufficient businesses. They differ, however, in a number of significant ways. A co-op's primary objective is to provide needed services and to improve the quality of life for its member/owners, not to make a profit for shareholders. Co-ops are driven by both social and economic concerns. Distinctions that make them unique can be described as follows:

- **Different Purpose:** The primary purpose of a private sector business is to maximize profit for its owners/shareholders; the primary purpose of a co-op is to meet the service needs of its member/owners. For a co-op, generation of surplus revenue or profits is secondary.
- **Different Control Structure:** Ownership of shares is the controlling factor in most private sector businesses. In a co-op, each member/owner has one vote; as opposed to the one-share/one-vote system of investor-owned enterprises.
- **Different Allocation of Profit:** Private sector businesses must allocate profits/dividends to investors based on the number of shares held; co-ops distribute profits to members as rebates proportional to the business they conduct with the co-op each year.

A more detailed comparison of the co-op business model with other business models is provided in Appendix "A".

1.4 Misperceptions about Co-operatives

Because of lack of information or misinformation, there are misperceptions that are often held with respect to the co-operative model. The following table presents some of those that are most prevalent and provides the realities.

Misperceptions	Realities
Co-ops have a high failure rate.	Studies have shown that the survival rate of co-ops is twice as high as their private sector counterparts.
Co-ops are charitable organizations.	Co-ops are self-sufficient businesses which may pay out profits to members.
Co-ops usually sell groceries or market agricultural products.	Co-ops are organized around delivery of services for all manner of economic and social activities.
Co-ops are controlled by a Chief Executive Officer.	A co-operative is ultimately controlled by the members through the Board of Directors.
Co-ops are irrelevant in a global economy.	More than 800 million people are members of co-ops and over 100 million people are employed by them.



2.0 The Provincial Co-op Sector

2.1 Local Co-ops and Credit Unions

There are approximately 90 local co-operatives operating in communities across the province. Nine of these are credit unions (financial services co-ops). The others operate in a variety of other business sectors. Examples include:

- The Gander Consumer's Co-operative which is one of eight consumer's co-ops that provide retail grocery and other services for thousands of members in their regions.
- The St. John's Farmer's Market Co-op which is owned by producers and consumers in the North East Avalon region.
- The Petty Harbour Fishermen's Co-op which collects and markets shell fish for its members and provides other services in their community.
- The Growing Our Future Childcare Co-operative which is one of three child care co-ops in the province that provide pre-school and child care services for their members.
- The North Shore Central Ambulance Co-op which provides paramedic and ambulance services for the north shore Conception Bay region.
- The Springdale Community Development Co-op which provides financial support for community development projects and services for youth in their region.
- The Eagle River Credit Union which provides banking/financial services through its branches in Labrador and on the Great Northern Peninsula.
- The Newfoundland Independent Filmmakers co-op which provides access to equipment and production/studio support services for the film industry in the province.
- The Future Housing Co-op, one of over fifteen housing co-ops that provide members with quality housing services at reasonable rates.

There are also a number of national co-ops that operate in the province. They include Mountain Equipment Co-op, based in British Columbia; Agropur Dairy Co-op, which has its head office in Quebec; and The Co-operators Group Ltd., which has its head office in Ontario and provides insurance and investment services in Newfoundland and Labrador.

2.2 Sector Support Networks

Our existing co-ops and credit unions are linked with an extensive network of business support and representational sector organizations at the regional, provincial, and national level. The Provincial and Federal Governments are also important partners in supporting the growth and development of the co-op sector in Newfoundland and Labrador.

The Newfoundland-Labrador Federation of Co-operatives (NLFC) is the provincial association that represents the co-op sector. Its mandate includes member advocacy, co-op promotion, education and development. Housing co-ops are also members of the Co-operative Housing Association of Newfoundland and Labrador and the Co-op Housing Federation of Canada. Most credit unions are also members of Atlantic Central which provides business support/advocacy services for credit unions in Atlantic Canada.

These provincial and regional co-op organizations are affiliated with their respective national organizations. This network is linked through membership in Co-operatives and Mutuals Canada, the country's national co-op central organization. The network further extends to international co-op associations such as the International Co-operative Alliance and the World Council of Credit Unions. In this way, the co-operatives in this province are connected to the broader sector from a regional, national and global perspective.



2.3 Government Support Agencies

The co-op sector in the province also works closely with a number of provincial and federal government departments and agencies. In addition to its regulatory functions, government also plays a strong developmental role within the co-op sector because of its important contribution to the community development process, particularly in rural Newfoundland and Labrador. Examples include:

- Service NL, which incorporates new co-ops and administers the province's Co-operatives Act.
- The Department of Tourism, Culture, Industry and Innovation (TCII) which partners with the NLFC to support the development of the provincial co-op sector.
- Innovation, Science and Economic Development Canada (ISED), which administers the Canada Co-operatives Act.
- The Credit Union Deposit Guarantee Corporation (CUDGC) which insures certain credit union member deposits and administers the Credit Union Act.
- The Atlantic Canada Opportunities Agency (ACOA) which provides financial support for eligible co-ops in the province based on submission of proposals.



3.0 The National and Global Co-op Sector

3.1 The Canadian Sector

There are over 8,000 co-ops in Canada providing goods and services for over 21 million members/owners. They provide direct and spin-off employment for over 600,000 people whose income totals \$33 billion annually. Over 70% of people in Quebec are members of co-ops, while in Saskatchewan, over 50% are members. Over 300 new co-operatives are established in Canada each year. Additional statistics are as follows:

- 1,200 agricultural co-ops are owned by over 500,000 members. They have annual sales of \$15 billion and retain close to 20% of the national market. The Cranberry Producers' Co-op and the St. John's Farmers' Market Co-op are local examples.
- 700 financial co-ops hold \$320 billion in total assets and offer services from over 3,000 locations. Provincial examples include Eagle River and Hamilton Sound Credit Unions.
- There are over 200 community development co-ops. The Bell Island and Springdale community development co-ops are examples in this province.
- 289 utilities co-ops provide electrification, natural gas, water management and recycling services for their members.
- There are 445 natural resources and processing co-ops employing over 8,000 people in the fishery, forestry and manufacturing sectors. Examples in this province include the Fogo Island and Petty Harbour fisheries co-ops.
- Over 2,300 housing co-ops manage 97,000 units for their 134,000 members. There are 21 housing co-ops in NL.
- Insurance co-ops employ over 27,000 people and serve over twenty million policy holders across the country. The Co-operator's Group Ltd. provides insurance services through its office locations across the province.
- 500 retail co-ops serve six million members and employ 32,000 people. There are 11 retail co-ops in NL.



Canadians are developing new co-ops to address a wide range of needs and challenges – including the needs of aboriginal and immigrant groups, youth, disabled persons and low income communities. New co-ops are being developed in many new sectors such as organic food production, car sharing, funeral services, wind power and bio-fuels. Co-ops across the country continue to help millions of people to address social and economic challenges, while building local leadership skills, local autonomy and community control.

3.2 The Global Sector

More than 800 million people in over 100 countries are members of co-operatives. Co-operatives provide over 100 million jobs around the world, 20% more than multi-national corporations.

- In the USA 30,000 co-ops provide jobs for over two million people.
- Over 90% of all Japanese farmers are members of producer co-ops.
- In Italy, 70,400 co-operative societies employed nearly one million people in 2005.
- There are 7,000 co-ops in the UK owned by fifteen million members.
- In France, 21,000 co-ops provide jobs for one million people.
- In Germany, 8,100 co-ops provide jobs for 440,000 people.

This province's co-ops are linked with the global co-op sector through membership in provincial, regional and national representative and trade organizations. These organizations are affiliated with the International Co-op Alliance and the World Council of Credit Unions which represent the sector at the international level.

4.0 Co-op Business Structure and Management

Co-ops are democratically run businesses. This directly impacts their organizational structure and how they operate. Fundamental to that structure is the role and responsibility of the member/owners of the co-op, which then defines and determines the roles and responsibilities in other elements of the business.

This democratic structure is sustained through the co-op's Annual General Meeting (AGM), where members elect a Board of Directors, review financial reports and vote on other issues impacting their business. The day-to-day operation of the business is similar to that of a private enterprise. For example, larger co-ops may have a manager or chief executive officer and other staff to coordinate/facilitate service delivery.

These operational components of a co-op are linked. The membership sets policy, gives direction, and elects the Board of Directors at the AGM. The Board of Directors, in turn, hires the manager who hires the rest of the staff. The management and staff are then responsible for carrying out the day-to-day affairs of the enterprise to serve the needs of its members (see Appendix



“B”). The roles and responsibilities of these stakeholders in a larger co-operative include the following:

4.1 Member/Owners

The service requirements of the membership are the sole reason for establishing a co-operative. They are the owners of the enterprise and as such, exercise their collective democratic control over its operations. Specifically, the responsibilities of co-op members are to:

- Attend the AGM and other membership meetings;
- Invest share capital (member equity) in the co-operative;
- Use the co-operative’s services;
- Participate in the election of the Board of Directors;
- Be aware of and abide by the co-op’s by-laws and policies;
- Participate in the decision making process;
- Serve on Board appointed committees;
- Promote the co-operative to others and to the community in general.



As a result of their investment and participation, member/owners share in the benefits of the operations of their co-op. These benefits include:

- Access to quality goods and services often not otherwise available;
- Local/community control of co-op business activities;
- Sharing of co-op profits or re-investment in the co-op or their community;
- Greater input/participation in the community development process;
- Enhanced community education and leadership development;
- Greater community engagement and control of economic and social service delivery.

The CMC guidebook “Building a Better Future Through Co-operation” describes the benefits and obligations as follows:

“Being a co-op member takes commitment, money and time. Co-op members also have to be able to work together, and be prepared to accept decision making by majority vote. The start-up planning process for a co-operative can be more complex than that of traditional business because it requires many people to come together to create a business plan. However, the advantages of working with a group of dynamic and committed people, who bring a variety of skills to the table, frequently outweigh any drawbacks.”

4.2 Board of Directors

Between AGM's, the Board governs the affairs of the co-operative on behalf of its members. Its power and authority are framed by the co-op's operational policies, by-laws and the Co-operatives Act; in the case of credit unions, the Credit Union Act provides the legislative framework. The responsibilities of the Board include:

- Articulating the co-operative's mission, purpose and other policies;
- Establishing and ensuring adherence to appropriate financial procedures;
- Selecting, evaluating and supervising management;
- Approving and monitoring the budget and overseeing ongoing operations;
- Developing and monitoring long-term strategic plans;
- Ensuring implementation of member and public communications plans;
- Preparing and submitting an annual report for members at AGMs;

- Managing and protecting the assets of the co-operative;
- Planning for and participating in board training/education sessions;
- Approving membership applications;
- Appointing delegates to attend other co-operative meetings and community events.

4.3 Committees

The Board and membership may delegate some of its responsibilities, particularly around issues of an operational nature, to an Executive Committee. This committee is normally comprised of a president, vice-president, secretary and/or treasurer. The power and authority of this committee is usually outlined in the co-op's by-laws.

In order to focus on specific tasks or projects and for efficiency and effectiveness, the Board or membership may also appoint other committees. Some of these take on areas of responsibility that are continuously necessary and are called standing committees. Common examples include Finance and Audit and Member Communications. Ad-hoc or working committees are formed occasionally to deal with specific issues or projects that arise from time to time.

Members of committees usually come from the Board and membership and may include external expertise if required. Most committees are required to make recommendations to the full board or membership on the issues which they have been mandated to address. The Board usually sets out terms of reference to guide the committee's activities.

4.4 Management and Staff

In a larger co-op, the day-to-day operations are generally the responsibility of the management and staff. The role of a co-operative manager is similar to that of a private sector company. The manager is responsible for hiring and supervising staff in accordance with the by-laws and operational policies.

If a co-operative is to be successful, it must first be successful as a business. Consequently, a board has a major responsibility to appoint a competent and effective manager to run the business on behalf of the membership. The Board must support the manager to ensure the co-operative's ongoing success.

The relationship between the Board and management in a co-operative is therefore critical, as they are the two elements of the one team. The Board governs and the manager manages. Both must work together with a clear understanding of each other's roles and responsibilities. While the Board has the ultimate responsibility for the success of the co-operative, it must rely on the professional competence of the management and staff to achieve that success.

4.5 Smaller Co-operatives

Retail co-ops and credit unions are large enterprises that serve thousands of members throughout the province. However, the majority of our co-ops are much smaller and require more basic and less costly operational structures. Members and the Board of Directors of smaller co-ops take on much more responsibility for day-to-day operations. Many do not have managers or staff but may have employees on a part-time or seasonal basis.

A smaller co-op's level of administrative and operational requirements is usually determined early in the development process. The members recognize that they are expected to participate to a significant degree in the running of their co-op, particularly if they have needed skills in such areas as marketing, accounting, business planning etc. Smaller co-ops will often access assistance from other co-ops and community agencies to help them with their business needs.



5.0 Co-op Principles, Legislation and Governance

5.1 Values and Principles

Co-operatives and credit unions are different from other businesses because they operate according to a core set of values and principles that are held in common by the sector worldwide. This ethical framework is ascribed to by all co-operatives and is reflected in their structure, policies and business practices. The original principles can be traced back to the first co-op established in England in the 1800s. They have since been revised and updated by the International Co-operative Alliance to reflect the evolution of the sector, most recently in 1995 (see Appendix “C”).

The values are standards of behavior that reflect the economic and social aspirations of co-op members and the way they direct the operation of their enterprises. They are a commitment to self-help and member responsibility; equality and democratic participation; and social responsibility and caring for others. They are what defines and sustains the principles and where co-ops “engage the hearts, conscience and loyalty of their membership.”

The co-op principles are guidelines through which the values are put into practice. They are the standards of behavior that co-ops use to formulate their visions, objectives and policies to guide their business activities. They are as follows:

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

These values and principles are what set co-ops and credit unions apart from other forms of enterprise. They are the fundamental characteristics of all co-ops and the basis from which the sector continues to be a movement and a force for community empowerment and control of the economic and social development process in Canada and around the world.

5.2 Legislation

Co-operatives and credit unions are legal business entities that are governed by provincial and federal legislation. This legislation provides the regulatory framework that guides the formation, structure, and operation of co-operatives and credit unions operating in the province. It is the law and is there to protect the interests of co-op members and the public.

In Newfoundland and Labrador, co-operatives are incorporated under the Co-operatives Act. The Registrar of Co-operatives is a government employee who has responsibility for administering this Act. A group wishing to incorporate a co-op must submit an application to the Registrar's office. Existing co-ops must submit annual reports to the Registrar and comply with other legislative requirements.

Because they are part of the financial services industry, credit unions in the province have their own legislation. They are incorporated under the Credit Union Act, which provides the legislative framework for their operations. All credit unions must comply with the Act in order to ensure the necessary level of professional business practices and the protection of member deposits. This Act is administered by the province's Credit Union Deposit Guarantee Corporation.



Both of these Acts address a variety of governance and compliance issues including procedures for incorporation; responsibilities of members; powers of the Board of Directors; meeting and financial reporting requirements and procedures for dissolution. It is important for people to know and understand the requirements and obligations specified under these Acts before they become members of a co-op or credit union.

Incorporation of non-financial co-operatives under the Canadian Co-operatives Act is applicable where a co-op intends to do business in two or more provinces, and have a fixed place of business in more than one province. The Co-operators Group Ltd. and Mountain Equipment Co-op are two examples of such co-ops that do business in this province. While most credit unions are provincially regulated and their business is primarily restricted to the province in which they are incorporated, they may also be federally incorporated under the Canada Bank Act and operate in all provinces.

5.3 By-Laws

All financial and non-financial co-ops must have by-laws, which prescribe the form, manner and procedures for their operations. By-laws outline the structure and objectives of the co-op and the rights and responsibilities of members, boards, committees, and management. By-laws build on the legislative framework providing additional procedural rules that are specific to each co-op.

By-laws must comply with the legislation but can be amended to reflect changing business needs. It is important for members, directors and employees to be familiar with and understand their co-op's by-laws. They are often referred to at board meetings and the annual general meeting when questions of a procedural and operational nature are being addressed.



The legislation requires co-operatives to have by-laws that are approved by the membership. Submission of a draft set of by-laws is required for incorporation. Some of the items that may be included in the by-laws are:

- Membership and divisions of membership;
- Membership requirements, rights, and responsibilities;
- Meetings, including types, quorums, and notices;
- Functions of the Board of Directors i.e. election, duties and terms of office;
- Member loans or share capital (share or loan certificates);
- Allocation of surplus and borrowing powers;
- Amendment procedures and process for dissolution.

5.4 Operational Policies

Most co-ops also have operational policies which build on the by-laws and govern the day-to-day operation of the business. Policies are processes that are established to guide decision making on issues of importance to the co-operative. They provide a framework for the Board, management and staff to make decisions on various matters with objectivity and consistency, without the necessity of amending the co-op's by-laws or consulting with the membership. They are usually set by the Board of Directors and can be amended or withdrawn as circumstances require.

Policy making is an ongoing process, as change is often necessary to reflect operational requirements. Some co-operatives have policy development committees that solicit input from members for consideration by the Board of Directors. Policies will vary depending on the needs of the co-op. Some common areas are as follows:

- Hiring, evaluation, termination and promotion;
- General personnel policies and working conditions;
- Member communications and handling of member complaints;
- Workplace harassment and staff complaints;
- Board decision-making and meeting practice (not covered by by-laws);
- Conflict of interest guidelines (for board and staff);
- Financial management and reporting procedures.

6.0 Become a Part of the Co-op Sector

Thousands of people in the province are part of the province's co-op sector through membership in local co-ops and credit unions and/or by doing business with existing co-ops. People also become founding members of new co-operatives which they can develop in their communities to meet their service requirements.

6.1 Join an Existing Co-op and Credit Union

Most regions of the province are served by existing retail co-ops and credit unions. Co-op insurance and investment services offered by the Co-operators Group Ltd. are available through their many regional branch offices across the province. They welcome new members and clients on an ongoing basis, in order to build local ownership and enhance their contribution to the communities they serve.

Other existing co-ops provide more limited opportunities for new memberships because they provide industry or sector specific services (i.e. fishery, agriculture, housing, child care etc.). Some have membership waiting lists due to limitations on their service delivery capacity. To learn more about joining these co-ops and their membership requirements they should be contacted directly. Listings of all co-ops and credit unions registered in the province and their service delivery locations can be obtained by contacting Service NL.

6.2 Start a New Co-op

Many communities have service needs that can be addressed through the development of new co-operatives. Starting a co-op is similar in many ways to establishing other businesses, but with some unique differences. Developing a co-op is a group exercise that requires a number of potential members to come together and support its formation. Building consensus around co-op objectives, structure and services are an essential part of the process. Co-op education is also important to ensure that members understand their roles and responsibilities as owners and users of the co-op's services.

There are also legislative requirements that must be fulfilled. A minimum of three members is required. By-laws, a business plan and articles of incorporation must be completed and submitted to the Registrar of Co-ops at Service NL for review and approval. Once this process is completed, incorporation is granted and the new co-op can commence operations.

A detailed overview of the co-op development process is provided in Appendix “D”. Information and advisory support services are available from NLFC and TCII to assist groups engaged in developing a new co-op. These services include introductory co-op presentations; opportunity identification and business planning advice; co-op development workshops; and access to business financing, subject to program eligibility criteria.

Note: The NLFC and TCII do not provide developmental support relating to the establishment of new credit unions in the province. This involves a different regulatory and development process. Further information regarding credit union development can be obtained by contacting the province’s Credit Union Deposit Guarantee Corporation.

6.3 Requirements for Success

Henehan & Anderson, in their publication entitled **Considering Cooperation: A Guide for New Cooperative Development**, refer to two fundamental conditions necessary for the successful formation of a co-op. First, there must be a shared recognition of an economic or social need by an initial group of leaders and potential members. Whether it is the loss of an industry or lack of some service in the community, the problem must be such that it can capture the attention of a potential membership base.



The second fundamental requirement is that the proposed co-op must be seen as the most effective and efficient means of addressing the problem. In most instances, this view is first held by a small group of individuals who will then need to achieve consensus among a broader group of prospective members and supporters. Strong and visionary leadership is therefore an inherent requirement. The following are some of the other conditions necessary for success:

- The real needs of the members will be met by the co-operative;
- A realistic feasibility assessment and a functional business plan;
- Access to business financing (if required);
- An educated and participatory membership;
- Ongoing membership education and communications;
- A strong focus on member commitment and loyalty;
- Effective communications with other stakeholders and the community;
- Long term thinking to ensure that business planning is an ongoing process.

Measuring the success of a co-op is based on different criteria than those of the success of an investor-owned enterprise. While it is important that a co-op be successful financially, its success indicators will not necessarily be return on investment or market share. Rather, its measure of success will be to what extent it is fulfilling its objectives and meeting the needs of its members.

For Further Information, Contact:

NLFC
Denise Walsh: 709.726.9431
dwalsh@nlfc.nf.ca

TCII
Tony Randell: 709.729.7146
tonyrandell@gov.nl.ca

Appendix A

Business Model Comparison



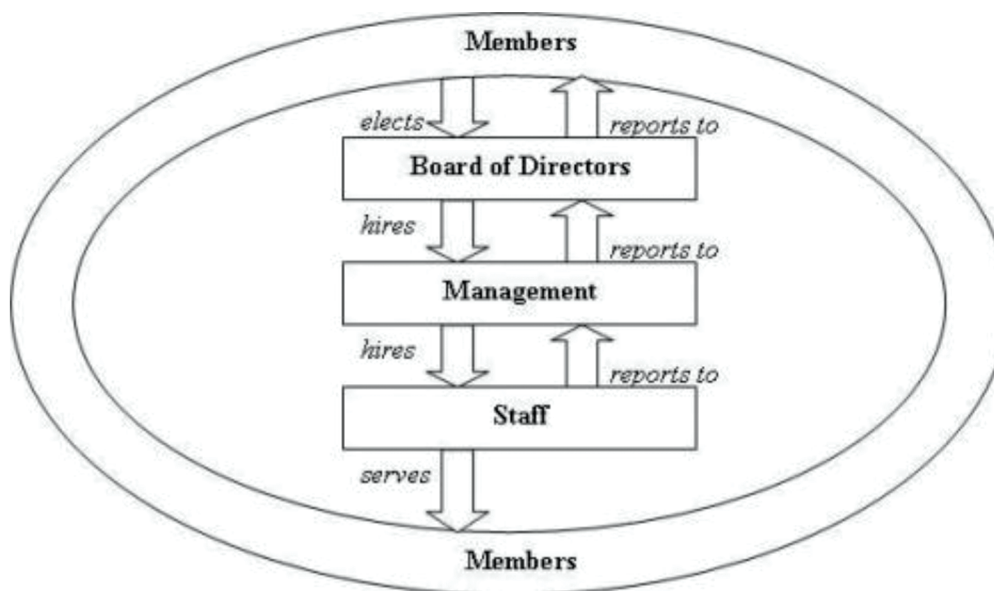
Appendix B

Co-op Organizational Structure

The basic structure of a co-operative is what fundamentally distinguishes it most from other forms of business and societies, and is why they are so much more responsive to the needs of communities.

A co-operative has members, and those members have a direct say in how their co-operative develops, the products and services the co-op sells, and the prices that are charged. They do this by way of their voting power and control over the co-op's Board of Directors.

Below is the basic structure of a co-operative, however variations on this model are common. For instance, a co-op may be so small that all of its members are on the Board of Directors or, in the case of a small workers' co-op, there may be no need for a management level. Another aspect of worker co-ops is that members occupy all levels of the structure, whereas that may not be the case with other types of co-ops.



The structure shown on page 24 works like this:

Step 1

Members collectively elect the Board of Directors, and may individually stand for election themselves.

Step 2

The Board of Directors is responsible for governing the co-op, which includes setting its direction and hiring senior management (for instance, the Executive Director, CEO, etc.).

The Board is accountable to the membership, and reports to them on an annual basis at a minimum.

Step 3

Senior management is responsible for operating the co-op, which includes hiring staff, program/business development, administration, etc.

Senior management is accountable to the Board, and reports to the Directors at board meetings.

The language of “membership” has become commonplace in the business world, but membership in a co-operative should not be confused with “membership” in some sort of price club.

A membership sold by a company is just a product that profits a company owned by other people. It may grant you access to lower prices or promotional deals but, ultimately, your business profits someone else.

Membership in a co-op means **you** own the company together with other people in your community. With co-op membership you may gain access to lower prices and promotional deals as well, but you also have a say in how the co-op is run including the values that guide its operation, and your business profits you and your community.

Also, the membership you pay for when you join a co-op is refundable to you when you leave. Depending on the co-op, a refund of your share purchase may include interest, in addition to the amount you originally paid.

Source: British Columbia Co-operative Association, Building a Co-operative Economy.

Appendix C

International Co-operative Alliance

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 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.
2nd Principle: 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 organized 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 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.

4th Principle: 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.
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.

Source: ICA News, No. 5/6, 1995.

Appendix D

Steps in the Co-op Development Process

Community engagement is critical to the co-op development process. Establishing a co-op usually begins with a small group of individuals who identify a common problem or need for services and see a co-op enterprise as a potential solution. The development process often requires the involvement and support of social organizations, community development agencies or industry associations. These organizations can play an important role in working with the individuals involved in exploring the co-op idea and pursuing its potential development. This coming together of people with a common need and purpose is fundamental to the co-op development process. The steps involved are as follows:

1. Opportunity Identification

A co-op is most often considered when people in a community are knowledgeable about the co-op model and understand the benefits of community ownership and democratic control. It is these individuals who initially lead the co-op development process in its early stages. They may be members of existing co-ops or community development workers who have an understanding of the co-op business model. Community development agencies can play a supportive role by assisting the proponents of the co-op enterprise with the steps in the development process.

2. Initiating the Development Process

One of the first steps in initiating the co-op development process is the formation of a steering committee made up of a core group of people interested in working together to establish the proposed co-op enterprise. The first job of the steering committee is the development of a “concept paper” which describes the rationale for the formation of the co-operative, the services it will provide, how it will operate and what needs to be done to facilitate its development. This paper is also used to recruit potential co-op members and as a guide for the development of the co-op’s business plan.

3. Building the Co-op’s Structure

Once the steering committee has developed the concept paper it continues the co-op development process by assigning various tasks that need to be undertaken to facilitate the development of the enterprise. These include activities such as recruitment of members, identifying potential sources of financing and development of the co-op’s by-laws and operational policies. The committee also develops time lines and target dates for completion of these tasks.

4. Developing the Business Plan

A business plan is required for the incorporation of all co-ops in Newfoundland and Labrador. The business plan may be fairly simple or more complex depending on the size of the co-op and the scope of its intended operations. The plan should provide financial projections regarding start-up/operational costs and the member equity requirements. Assistance with development of the business plan is available from local community development and government agencies.

5. Incorporating the Co-operative

Once these activities are completed, the steering committee may submit an application for incorporation of the co-op to the Co-op Registrar's office at Service NL. Before applying for incorporation, the steering committee should be satisfied that the proposed co-op has a strong potential for viability as a self-sustaining enterprise. Indicators of this include a successful member recruitment campaign; a viable business plan; identification of potential sources of financing (if required); and a strategy for business start-up and service delivery.

6. Organizing and Launching the Business

In many ways, establishing and operating a new co-op requires many of the same activities as other types of businesses. For example, the new co-op's place of business must be readied for operations; financial administration and bookkeeping procedures need to be in place; operational policies may need to be developed; and employees (if any) need to be hired. The provisional board oversees startup and initial operations until the co-op's first annual general meeting, when the first elected Board of Directors takes office.

7. Ongoing Operations

The co-op's Board of Directors oversees the operation of the business on an ongoing basis. The Board meets regularly, often as much as once a month, to address ongoing administrative and operational requirements. Committees are often established to address issues needing particular attention such as co-op financing, member relations, and broader industry issues that may impact a co-op's operations. The Board also ensures that there is good communication with the co-op members and the community.

