SOLIDARITY
as a Business Model

A Multi-Stakeholder Cooperatives Manual

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INTRODUCTION

Co-ops reflect the triumph and struggle of democracy. . . . Disagreement and conflict are as much a part of democracy as the power of collective action. Managing disagreement and resolving conflict in a productive fashion are part of crafting an effective democracy.

While everyone knows the consequences of destructive conflict, the advantages of constructively managed conflict include greater understanding, enlightenment, and consensus.

—Bob Greene and Heather Berthoud, Berthoud/Greene Consultants

PURPOSE OF THIS MANUAL

Multi-stakeholder cooperatives (MSCs) are co-ops that formally allow for governance by representatives of two or more “stakeholder” groups within the same organization, including consumers, producers, workers, volunteers or general community supporters. Rather than being organized around a single class of members the way that most cooperatives are, multi-stakeholder cooperatives enjoy a heterogeneous membership base. The common mission that is the central organizing principle of a multi-stakeholder cooperative is also often more broad than the kind of mission statement needed to capture the interests of only a single stakeholder group, and will generally reflect the interdependence of interests of the multiple partners.

Multi-stakeholder cooperatives are the fastest growing type of co-op in Quebec, which itself is home to one of the most productive and vibrant cooperative development sectors in the world. There is also evidence of the increased use of this model in many European countries and growing interest in this form of co-op in the United States as well. While it is only in the last 20 years that this model has had formal legal recognition in various national or regional laws, the idea of involving a broader community in a cooperative venture is of course much older than that. Italy
INTRODUCTION

was the first country to adopt a multi-stakeholder statute in 1991 after two decades of experimentation on a local level.

In Europe and Canada, multi-stakeholder co-ops are typically formed to pursue primarily social objectives and are particularly (although by no means exclusively) strong in the areas of healthcare and social services. In the U.S., sustainable food systems has been a particular area of interest for multi-stakeholder cooperative activity. This kind of multi-member cooperative venture can also be found in childcare, healthcare and brewing. Most multi-stakeholder cooperatives that have been formed in the U.S. are quite small, but in Quebec some are larger enterprises and in the U.S. one nonprofit corporation governed by multi-stakeholder model has revenues of several billion dollars.

The simplicity of the definition—members of two or more parties joining together to travel a common path—belies the complexity of the practice. Consciously choosing to focus on commonalities rather than differences does not necessarily come naturally to people, and there are few accessible role models for this approach in the business sector. Replacing animosity or indifference with understanding and common purpose requires a set of communication and interpersonal skills that many of us may be unsure we possess. Because of this, some co-op observers have fretted about the potential for high transaction costs in a multi-stakeholder approach and have predicted failure. Interestingly, however, recent research from Canada suggests that such conclusions are not supported by empirical evidence, and in many diverse situations, multi-stakeholder cooperatives are thriving.¹

What we do know is that despite a considerable lack of information and support, interest in this model is unabated and the number of multi-stakeholder co-ops actually formed continues to grow. The purpose of this guide is to provide some basic information about a range of issues for those considering a multi-stakeholder approach to their enterprise, while welcoming the development of additional resources in the future as the practice of multi-stakeholder cooperatives becomes more widespread.

THE BASICS

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.

—International Cooperative Alliance

What Is a Cooperative?

Throughout this guide, we assume a basic knowledge of the cooperative business structure. For those who are new to this kind of enterprise, the cooperative principles are included as Appendix A to this manual, while a basic primer on “What is a Cooperative?” is included as Appendix B.

The Unique Place of Multi-Stakeholder Cooperatives

The standard way to differentiate a cooperative from alternate forms of business enterprises is to ask the fundamental questions of: “who owns it, who controls it, who benefits from it?” With a

cooperative, the answer to all three of these questions is the same—the cooperative is owned and controlled by the members who benefit from its services. Typically, cooperatives have drawn their membership from a single class of stakeholders—producer cooperatives are owned by producers, worker cooperatives by workers, consumer cooperatives by consumers etc. In fact, in the U.S. some state statutes even limit the ability of cooperatives to be structured in any way but to the benefit of a single class of constituents. Even in the absence of legal constraints, some observers have questioned whether it is ever possible to reconcile the inherent conflict of interest between actors representing different ends of the supply and demand continuum—to unite producers, for example, who it could be assumed would want the highest prices to be paid for their product and consumers who would want the lowest price.

Such a simplistic analysis forgets, however, that even a single constituency cooperative model masks what may well be a lively set of differences between members of a common class. Large and small producers, for example, often have very different needs of their cooperative, and the services demanded by one set of members may be useless at best for another. And credit unions, one of the largest and strongest of cooperative sectors worldwide, necessarily embrace on a daily basis the conflicting interests of borrower-members who desire low interest rates and depositor-members who favor high interest rates.

A multi-stakeholder cooperative is one where such differences of perspective and experience are not only tolerated, but embraced. Multi-stakeholder or multi-membership cooperatives consciously chose to draw membership from two or more classes of constituents, be they producers, consumers, workers, or simply community supporters who may have little or no direct role in daily operations of the enterprise. Such cooperatives represent a diversity of interests, but a commonality of need or aspiration on the part of the stakeholders, capturing a range of types of interests and impacts that an organization has, while recognizing the interdependency between them. In Quebec, such cooperatives are called “Solidarity” cooperatives specifically to recognize their organizational basis to bolster commonalities rather than solidify differences. In fact, all multi-stakeholder cooperatives everywhere could be said to be practicing “Solidarity as a business model.”

And indeed, choosing to focus on common interests rather than divergent ones is as rational a choice as any. While it may be easier to characterize each stakeholder class as a single interest group, “Solidarity (multi-stakeholder) cooperatives represent a rearticulation of the linkages between economic and social spheres in an environment where the global economy and new technologies call for a potentially unlimited mobility of capital, labour and knowledge. The local roots of solidarity cooperatives, which are owned and operated by local actors for the benefit of their members, represent an obstacle to this de-localization and maintain the balance between local socio-economic needs and the challenges and opportunities presented by the local economic system.”

Jean-Pierre Girard, Canadian expert on multi-stakeholder cooperatives
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reality is much more complex. In most situations, members or their families can claim allegiance to more than one stakeholder category—they are workers, but also consumers or they are producers but also community members. Different groups also may share important objectives, even if it seems their direct interests seem to be opposed. Parents may have an immediate interest in the lowest cost daycare possible for example, while daycare workers may want the highest wages possible, but there is no denying that both groups have a much larger common interest and stake in the effective and nurturing care of children. And in fact, if one looks beyond the simple transactional level, the evidence is quite clear from a systemic point of view that good wages draw better quality caregivers for children and results in less turnover. This benefits parents both in their social objective of the nurturing of children and in their economic objective of pursuing employment with stable and dependable child care in place, so the economic interests of the two parties may not in reality be as much opposed as first seems.

While such talk may sound like so much “kumbaya,” it has a sound basis in economic practice. Producers and consumers, for example, may be assumed to have completely different economic needs in terms of price, but they have a very compelling common interest in a rational and sustainable overall system of supply and demand. After all, if there is no reliable supply of the product you want in the marketplace, it doesn’t very much matter what the price point is.

Similarly, it may seem like the town librarian has no particularly compelling interest in whether the local sawmill shuts down—the librarian has no direct role in the that particular economic micro-system and no apparent basis for interest. Yet in fact in a small community with few employers, it may make a tremendous difference to every community member whether a major employer in town stays or goes. No jobs, no tax basis, no library, no librarian. In such an instance, everyone in town is a “stakeholder,” whether that role is formally recognized or not.

The Boisaco case study on page 27 provides a compelling example of such a situation with a successful cooperative solution. In this case, the people of the town of Sacré-Coeur, Quebec joined together with foresters and millworkers to save a failing lumber mill which had already gone through bankruptcy three times. Ownership of the new co-op was divided equally amongst the three groups. Now, 25 years later, what has happened is that the community was not only able to save this single production facility, but the co-op has since gone on to create several more successful subsidiaries, securing over 600 new jobs for this remote village of 2,100 people. Even in the worst of economic times, there is full employment in the town of Sacré-Coeur because of the direct and indirect jobs created by the cooperative and the full-employment philosophy under which it operates.

The Boisaco co-op not only reversed the decline and secured the future of an existing economic enterprise, it actually helped to create new business opportunities and new markets that had not been envisioned before. What a multi-stakeholder co-op did in this case was to give outside supporters a formal way to contribute to the success of an important enterprise, and thus to the economic health and vitality of their community. What it also did is provide a means to bring together all the best thinking from a wide range of interested parties, in this case with amazingly positive results.

“Society as a whole benefits enormously from the social ties forged by those who chose connective strategies in pursuit of their particular goals”

Solidarity as a Business Model
“Transaction” vs. “Transformation”

Another way to understand the multi-stakeholder cooperative model is to consider the different time horizon inherent in the solidarity approach. While a traditional price-driven business model (whether cooperative or not) may be seen as primarily transactional, the multi-stakeholder cooperative enterprise is often focused on being more transformational. Early cooperatives focused on correcting blatant market failures—bringing electricity to rural America in the 1930’s is one primary example in this country. Even bringing to market something as basic as safe, unadulterated food—the need that spurred the formation of the original Rochdale Pioneers cooperative in 1849 and birthed the modern cooperative movement—can essentially being seen as correcting market failure. Multi-stakeholder cooperatives represent a more nuanced development. They have emerged recently not so much in response to the complete lack of availability of a particular good or service in the marketplace, but rather a rejection of the quality of an important good or service as it is presented in a conventional investor-driven or government-controlled marketplace. When the perception of the absence of certain desirable qualities is coupled with the confidence that it is possible for constituents to build a better way themselves, a fruitful ground for multi-stakeholder cooperatives is born.

Multi-stakeholder cooperators are not interested in single transaction or even season of transactions, but rather in building a long term relationship based upon on a stable foundation of fair pricing, fair wages and fair treatment for all parties. It requires all members to look beyond their immediate short-term interests and join with their business partners to envision a system where everyone’s interests will be met in different ways over the short-term and the long.

The difficulties inherent in creating such a new system should not be underestimated. Broader, systems-based thinking is challenging in and of itself. Particularly in the face of a dominant economic system which values short-term results and elevates the importance of price and profit at the expense of all other variables, it takes courage and stamina to “buck the system” in favor of a different, more holistic set of principles and approach. When the original Group Health doctors first aligned with consumers in the 1950’s to create a new kind of “patient-centered” healthcare system that would eventually become HealthPartners (see profile on page 37) they were ostracized by their peers for challenging the fee-for-service medical model and called the “Commies on Como” for the street that housed their original clinic. While Gandhi was undoubtedly wise when he said “you must be the change you wish to see in the world” he did not say it would be easy. For that reason, it is vital that organizers of multi-stakeholder cooperatives are cognizant of the financial and/or social pressures that operate on their members, and do their best to minimize these.

Sympathy or abstract ideas of a more cooperative economy may be enough to incent community stakeholders, but it is rarely sufficient to engage constituents such as workers or producers whose livelihood depends on the success of the co-op. Like any other successful co-op, the multi-stakeholder cooperative must be able to provide tangible, meaningful benefits to members in the short-term to be effective, even as it is trying to change overall market structures in the long term.
DIFFERENT CLASSES OF MEMBERSHIP

Multi-stakeholder cooperatives can allow for as many different classifications of membership as seems necessary, in practice as few as two or as many as eight. Different classes of members will certainly have some similar interests, but likely not exclusively so. Yet they will all share the same overall mission of the cooperative, which itself should be an articulation of the benefit that the co-op intends to provide to members. Unlike in many traditional cooperatives, differences will not only be tolerated but expected in the area of member contribution, with different classes of members bringing their own unique set of knowledge, perspectives and resources to the table. Members may also have a varying stake in the outcome of the enterprise and so governance rights and/or economic returns may be parcelled out in a manner that—while equitable in the context of the cooperative and its objectives—may not be equal to one another.

The varying membership classes possible in a multi-stakeholder cooperative may be grouped into three major categories—that of Cooperative User, Cooperative Worker, and Cooperative Supporter:

User Membership Classes

Consumers: Consumer cooperatives are perhaps the most common kind of cooperative in the world, reaching millions of members worldwide. Cooperatives that are typically organized along consumer lines include grocery stores, credit unions, healthcare and housing cooperatives. Consumer-focused cooperatives have the advantage of a potentially very broad reach (all of us are consumers to one degree or another) but the attendant disadvantage of an interest level or knowledge base among members that is potentially quite shallow (we can all belong to lots of different consumer co-ops operating in lots of different industries without actually knowing very much about how any of these businesses are run). Since the role of consumer is inherent in any supply chain, from a market perspective consumers bring a vital piece of knowledge and commitment to the cooperative, that of the eventual purchaser of goods and services.

Clients: Clients represent an important sub-set of consumers, that of recipients of vital services such as daycare, home health care or other (primarily) health or social services. Clients’ relationship to the cooperative is generally much more intense than that of ordinary consumers and their reliance on its services more marked. A shopper can buy carrots anywhere, but the person who comes into a home to provide home health care services is going to have a profound effect on the clients’ quality of life. The PACE cooperative profiled on page 35, provides jobs for clients of its mental health services and representatives of this client class have a majority voice on the board.

Families of Clients: Given their need for social services, some direct clients are not able because of age (daycare) or ability to take on a direct governance role in a cooperative. In these cases, the viewpoint of the client is often represented by their family members. While families have an important perspective to bring to the table, it is important to understand that the point of view of clients and families of clients are not necessarily identical. In certain instances, for example youth cooperatives or social service cooperatives benefiting adults living with disabilities, it may be important to structure specific governance roles—however limited—for the cooperative beneficiaries themselves that are separate from their families, as a means to gain insights and build capacity.
**Institutional Purchasers:** Another important sub-set of consumers is that of institutional purchasers. In some cases, such as hospitals, nursing homes, or even restaurants, the purchaser of food products is different from the person who will be ultimately consuming it. In these instances, it may be important to craft a membership category to represent the interests and perspective of institutional buyers because of the profound effect they may have on the chain of supply and demand. In the Producers & Buyers Co-op profiled on page 32, for example, a local hospital played a pivotal role in helping to rebuild the local food system by putting its substantial buying power to work through a cooperative organized with local producers. Not only were the hospital’s purchasing dollars important, but the clout of having such a well-regarded local institution as a founding member of the cooperative helped to raise their profile in the local community and convince other healthcare and educational institutions to get involved—something that producers on their own would have had a much more difficult time achieving.

**Producers:** Another major class of traditional cooperative user-members is producers. Most often, producers’ cooperatives have referred to agricultural producers, who band together to process and/or market their goods. Producer cooperatives can also be formed by groups of artisans, however, or anyone else for that matter bringing a particular good to market. Similarly to the way consumers bring the perspective of the “demand” side of the market equation to the table, producers bring the “supply” perspective, including their intimate knowledge of sub-markets, supply channels, production parameters and the actual cost of taking something from idea to reality. Producers’ commitment and investment in the cooperative can vary from intensive to fairly superficial, depending upon the number and ease of their alternative distribution and sales channels.

**Groups of Producers:** Depending on the industry, some multi-stakeholder cooperatives create a different membership classification for groups of producers or aggregators of product as opposed to individual producers themselves. Picuretank, for example, a French multi-stakeholder photography cooperative profiled on page 30, has membership classifications both for individual photographers, and for collectives of photographers who work together.

**Intermediaries: Processors, Distributors etc.:** Another group of players that may warrant a seat at the cooperative table are those individuals and businesses which help bring consumers and producers together by processing, distributing, or otherwise handling product in important intermediary stages. Some cooperatives would simply hire such functions out, as they would many other tasks in their production process. In other cooperatives however, these intermediary functions are viewed as vital elements of local infrastructure necessary to build producer capacity and enhance the entire supply chain. In such cases, having representatives from each element of the supply chain at the same table would be deemed critical to the cooperatives success. Fifth Season Cooperative profiled on page 40 is an example of a co-op where processors and distributors are each a separate membership class.

**Worker Membership Classes**

**Workers:** In places like Quebec which has specific enabling legislation for multi-stakeholder cooperatives, workers are singled out as a special class of Stakeholder because of the central role they play in the execution of the co-op’s vision and implementation of its strategy. Some practitioners find that having workers (particularly non-management workers) serve on the board is difficult because it
"In a multi-stakeholder model the decision is more informed because it is all encompassing. Worker members can bring their experiences from the sales floor and a retail store, so having multiple members brings more perspectives to the board room . . . it gives me connection to Weaver Street as a whole. Not just a job or a place of employment, but more connected to what we do for the community, consumers and workers.”

*Curt Brinkmeyer, worker-owner and board member, Weaver Street Market*

puts them in a potentially conflictual role when it comes time to evaluate the chief executive. Other cooperatives find that it is quite possible to structure around these potential difficulties by, for example, having an employee-director recuse him or herself from sensitive personnel discussions. Many find that the industry information and perspective that can be provided by a director who spends 40 plus hours a week in pursuit of the cooperative’s mission as opposed to a few hours a month is invaluable. Some CEOs would be very uncomfortable having an employee serve as a cooperative director, and certainly it would take a special kind of CEO to see the value of this arrangement and put it to use to the benefit of the co-op. Many would argue, however, that it takes a special kind of CEO to manage a multi-stakeholder cooperative overall, and that a leader with the communication and interpersonal skills to manage an organization with many competing perspectives at the table would also be the kind of leader who could productively handle having employees as directors as well. Eroski, the distribution arm of the famous Mondragon cooperatives in Spain (page 35) is probably the largest multi-stakeholder cooperatives in the world with half a million members and a board evenly divided between workers and consumers. Weaver Street Market (page 29), one of the oldest multi-stakeholder cooperatives in the U.S., has made use of a joint worker-consumer model for over 20 years.

**Professional Employees:** Certainly many conventional corporations have the CEO serve on the board of directors, and some companies, particularly smaller, privately held ones, might also have other executive employees like the CFO or COO serve as well. This arrangement is not generally practiced by cooperatives, however, which do not tend to favor such a concentration of power even if it were permissible in the bylaws. Some multi-stakeholder cooperatives, however, were founded by a class of professional employees such as doctors or social workers, and may well have representatives of that professional class of worker serve in a governance role in addition to other stakeholders. HealthPartners, for example, a nonprofit healthcare organization was first founded in the 1950’s as a collaboration between local doctors and consumers to find a better way to organize and pay for healthcare. It is still governed under a multi-stakeholder model which includes both doctors and consumers. Their story is on page 37.

**Supporter Member Classes**

**Community Members:** Many multi-stakeholder cooperatives make a place in their structure for supportive community members to participate. While these individuals do not play a specific role in the day-to-day life of the cooperative the way that employees, consumers or producers do, they are often willing and able to invest money, volunteer time and/or specific expertise to help the co-op succeed. The ability to attract additional start-up funds is the main reason that many multi-stakeholder
cooperatives chose to add a community supporter category to their membership classification. Another oft-cited reason for including community members is the “political capital” they can bring. Well-regarded local players can bring their existing networks and relationships to bear for the benefit of the cooperative, helping to raise the co-op’s profile in a positive way and giving immediate credibility to the enterprise. Bringing business or industry expertise to a new or struggling co-op is another advantage of a community membership class. Particularly if the other members of the co-op have limited business or governance experience, the addition to the board of one or two local community members with business acumen and discipline can add a dose of perspective, balance and reflection to a board that would otherwise be made up of a single class of members. Solidarity multi-stakeholder cooperatives in Quebec are the fastest growing kind of new cooperatives and many organizers specifically chose this structure in order to take advantage of the supporter membership classification.

Supporter members, as the name implies, are involved in the cooperative in order to support the primary membership base. As such, they often take a back seat to the other member classes in terms of governance seats and surplus distribution rights etc. At the same time, members of the supporter class are seen to be an important element in the success of the co-op, vital enough not to be treated as silent partners, but given a real role in the business. The PACE cooperative profiled on page 35 uses its supporter member category to provide a role for individuals who have graduated from its employment services to keep an active connection to the co-op. Black Star Co-op Pub and Brewery in Austin, Texas (p. 44) added this category to both raise capital and solidify its relationship to the local community.

**Investor Members:** In the last 10 years, several U.S. states have adopted special “limited cooperative association” (LCA) statutes that allow for the creation of an investor class of cooperative member in addition to the primary class of producers or consumers. However, these statutes differ substantially from the multi-stakeholder cooperative statutes that exist in other countries in several key respects. While they do allow for one or perhaps more additional membership classes, LCA statutes have a very different orientation from the European or Quebecois solidarity co-op statutes in that the sole purpose for the addition of membership classes under LCAs is to attract investment capital. Thus the acknowledged “stake” of additional classes of members in the LCA-type co-op is limited to a financial one. In addition, most multi-stakeholder cooperatives elsewhere severely limit the ability of outside “supporter” members to participate in the economic gains from the co-op, and some even forbid it entirely. LCA cooperatives on the other hand, specifically allow for the distribution of net earnings based upon investment contribution as well as patronage and place no limits on investor returns. LCA statutes continue to be controversial in the U.S. co-op community because of their apparent legitimization of a speculative investment motivation within the cooperative structure and for whatever the reason, they have not

“Joining workers and user in the same organization allows mutual balance of supply and demand. This structure is also a new way to use volunteer and activist resources, which reinforce the values of altruism and reciprocity... solidarity cooperatives are an original means of reconstructing the link between the economic and the social spheres”

*Jean-Pierre Girard, Canadian expert on cooperative development*
been widely used.

It is possible, however, to make use of these special U.S. statutes to introduce a kind of “investor” member which is, in fact, at heart a supporter member. Affordable housing cooperatives, for example, often have difficulty attracting public subsidies in the U.S. because they are not structured as charitable nonprofits. A nonprofit housing organization could use a multi-stakeholder approach to this problem by using their nonprofit status to be the recipient of subsidy funds from a grantor, and then use the limited cooperative association model to join a housing cooperative as an investor member. The housing nonprofit would invest the subsidy funds as an investor member, and then use its governance powers within the cooperative to assure the grantor that the subsidy funds would be used for their intended purpose. More information about Limited Cooperative Association statutes can be found in Appendix C.

### TABLE 1
Variations in Potential Multi-Stakeholder Membership Classes

<table>
<thead>
<tr>
<th><strong>Consumers</strong></th>
<th><strong>Short Term Need</strong></th>
<th><strong>Long Term Objective</strong></th>
<th><strong>Non-financial Contribution</strong></th>
<th><strong>Equity Contribution</strong></th>
<th><strong>Stake in Outcome</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accessible location and price</td>
<td>Access to specialized good or services; predictable pricing, supply</td>
<td>Purchasing power</td>
<td>Generally low</td>
<td>Low–high, depending on alternative supply sources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Producers</strong></th>
<th><strong>Short Term Need</strong></th>
<th><strong>Long Term Objective</strong></th>
<th><strong>Non-financial Contribution</strong></th>
<th><strong>Equity Contribution</strong></th>
<th><strong>Stake in Outcome</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production costs covered</td>
<td>Reduced risk; sustainable source of income; market development</td>
<td>Industry knowledge; specialized product</td>
<td>Medium–high</td>
<td>Low–high, depending on alternate distribution channels</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Workers</strong></th>
<th><strong>Short Term Need</strong></th>
<th><strong>Long Term Objective</strong></th>
<th><strong>Non-financial Contribution</strong></th>
<th><strong>Equity Contribution</strong></th>
<th><strong>Stake in Outcome</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reliable work; fair wage</td>
<td>Safe, respectful, gainful employment</td>
<td>Industry knowledge; firm-specific knowledge</td>
<td>Low–medium</td>
<td>High</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Community Members</strong></th>
<th><strong>Short Term Need</strong></th>
<th><strong>Long Term Objective</strong></th>
<th><strong>Non-financial Contribution</strong></th>
<th><strong>Equity Contribution</strong></th>
<th><strong>Stake in Outcome</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existence of resource in community</td>
<td>Healthy and vibrant local economy</td>
<td>Possible special expertise</td>
<td>Low–sometimes quite high</td>
<td>Low–medium</td>
</tr>
</tbody>
</table>
One of the most fundamental decisions that members of a multi-stakeholder cooperative will make in writing their bylaws is the allocation of governance rights between different classes of members. Traditional cooperatives abide by the “one member, one vote” rule, and with the exception of some secondary cooperatives (co-ops of co-ops) which may use proportional voting, generally all board seats are elected based upon the individual votes of all of the co-op members.

Multi-stakeholder cooperatives also follow the “one member, one vote” rule, but they often do so within the confines of the number of board seats allocated to each class of members. So, for example, all producers will vote for the producer board seats and all consumers will vote for the consumer board seats, but the number of board seats allocated between those two classes of members will not necessarily be proportional to the number of members in each.

This structuring of voting rights can be a delicate question, but it is an important one and centers around the issue of what, exactly is the “stake” of each stakeholder in the cooperative. While it is important that all classes of members in the co-op be represented in some way, it is also necessary to acknowledge that the some classes of members may have more to contribute and/or may have a more compelling interest in the success of the cooperative, and should therefore perhaps have a proportionately larger number of board seats. For example, community supporter members may be happy to be represented by a small number of board seats even if they represent a relatively large number of members because their stake in the success of the cooperative is less direct than, say, the stake of workers or producers. In Quebec, supporter members are limited to a maximum of one-third of board seats, no matter their number. Individual consumer members may also be content to be

A successful multi-stakeholder cooperative has inherent in its board structure the “checks and balances” that characterize any successful democracy.
represented by a smaller number of board seats than their numbers might dictate because they understand that while consumers play a vital role in the food system, their stake in any one retail outlet is perhaps less than that of the workers who make a full-time job of pursuing the success of that single enterprise.

On the other hand, it may benefit a multi-stakeholder food production cooperative to allocate a board seat for institutional buyers such as hospitals or schools even if there are relatively few of those members because the buy-in of this class of members may be so important to the success of the overall co-op. Allocating board seats by virtue of funds invested as traditional corporations do is generally seen to be antithetical to the cooperative ideal, but allocating seats based upon conducting significant business with the cooperative may not be. As in all such things, there is no single correct answer; it is all a question of contribution and balance.

Allocating a set number of board seats for each class of members is the typical way that a multi-stakeholder cooperative works to achieve a balance of interests. It might also be wise, however, to inject a little flexibility in the process. Having an overly rigid classification of board seats might have the unintended consequence of inhibiting rather than encouraging participation by key local leaders whose numbers may not fit neatly into specific categories at all times. Some co-ops have instilled this flexibility for themselves by allowing one or two board seats to come from any class of members, to be elected by the rest of the board. That way, the board can decide if a certain perspective would be useful at one point in its history, but a different perspective at a different time.

As the case studies starting on page 27 as well as the sections describing practice in other countries demonstrate, the procedures in this area varies widely, and there is no single formula for success. A successful multi-stakeholder cooperative has inherent in its board structure the “checks and balances” that characterize any successful democracy. Balancing the interests of different members while encouraging understanding and making sure no one voice is allowed to dominate is the job of the co-op board.

“A cooperative should not be totalitarian ... what the co-op members understand is if they work together they are stronger, so the legal framework can adapt to the activity and the vision.”

—Philippe Deblauwe, founder and Managing Director, Picturetank

The multi-stakeholder cooperative model has been accused of being too complex, but it is also true that life is often complex. Keeping the notion of a single unifying mission of the cooperative at the forefront may help co-op organizers keep from getting bogged down in structural complexities. One multi-stakeholder organization we studied ends each board and committee meeting with the query “have we forwarded our mission through our work today?” a practice that helps to keep disparate parties focusing on a single strategic aim.

Shaping an equitable board structure is thus only the first step in the process of effective multi-stakeholder governing. Just as it is often true when bringing groups with disparate interests together that “good fences make good neighbors”—clear rules and boundaries help people feel secure—these are really only a proxy for a trusting relationship that has not yet been established. Devising a balanced suite of board seats is just the first step in building a trusting relationship between different parties—it cannot be the only one. The balance and trust will be enhanced by the daily actions of the cooperative
The balance and trust will be enhanced by the daily actions of the cooperative board in sharing information, treating each other with respect, and working diligently to craft solutions that defy a “zero sum game” mentality, and instead meet the interests of all stakeholders.

Building trust between the members and the board and between different members of the board will be enhanced by sound overall governance practice including adherence to a written board code of conduct. A discussion of cooperative governance is beyond the scope of this text, but a brief guide to effective board members, effective meetings and a sample code of conduct are included in appendices D, E and F.

**DISTRIBUTION OF SURPLUS**

A related question to the allocation of governance rights is the distribution of surplus. In traditional cooperatives, distribution of any surplus is generally a function of patronage. Consumers who buy more from the cooperative or producers who sell more to the cooperatives will be allocated proportionate shares of any surplus. For multi-stakeholder cooperatives, this issue again is more complex. Participation and patronage happen differently for different classes of members, and rights to the distribution of any surplus in a multi-stakeholder cooperative may or may not correspond to the allocation of governance rights. A co-op may decide, for example, to pay community members who make a large financial contribution something akin to a preferred dividend (thus paying their share of surplus before everyone else’s) but give them only limited governance rights. Alternately, a cooperative may decide that the bulk of any available surplus belongs first and foremost to those whose livelihood depends on the financial success of the cooperative, a class that would generally include the workers in an industrial or service enterprise and producers in a marketing or value-added production cooperative. The co-op also must decide what portion of surplus is paid to members in stock and what in cash, and also whether some portion will be kept within the organization as surplus that belongs to the co-op itself and is not allocated to any membership class.

As with governance rights, there are many possibilities with no single practice being “right.” What is important is that distribution of surplus happens fairly and equitably between participants within each class of membership, and that the interests of different membership classes are balanced in a way that promotes the overall health of the cooperative. Distribution of surplus is a key decision made by the cooperative board at the end of every fiscal year, and it is not an automatic process—each year the board must analyze annual financial performance and weight the financial desires of the members vs.
the needs of the co-op itself, and make an appropriate decision. The results of this decision may differ from year to year, depending upon circumstances.

DISSOLUTION AND TRANSFER RIGHTS

While no founding board member wants to talk about the dissolution of their cooperative, it is a fact that not every cooperative succeeds. One of the most important decisions that a founding board will make is to decide under what conditions membership shares may be transferred during the life of the co-op, and how assets will be distributed in the event of dissolution. This is particularly important in the case of multi-stakeholder cooperatives that embrace different classes of members whose financial interests—like consumers’ interest in lower prices and producers’ interest in higher ones—do not always coincide in the short term. Limiting the ability of members to transfer their membership rights without the explicit approval of the board will help the co-op ensure that all stock holders are also all stakeholders.

Co-op founders might also consider incorporating a specific commitment to community solidarity within their co-op’s organizing documents by mandating that in the event of a sale or dissolution, the bulk of any surplus value beyond member’s capital contributions and perhaps a reasonable return be donated to an appropriate organization with a similar mission rather than being distributed to the members individually. In a multi-stakeholder cooperative, this could be done by providing a special membership classification for an appropriate designated nonprofit or cooperative development entity at the outset, with the provision that while this nonprofit member could never be allowed to force dissolution on the other membership classes, it would receive the bulk of assets in the event the co-op were broken up or sold. Such a structure would remove any incentive that one class of members may have to sell a financially successful cooperative for the divided value of the assets rather than keeping it intact and working to provide jobs and services for the other membership classes in perpetuity.

This notion of “indivisible reserves,” that is, reserves that remain forever intact and directed toward community benefit rather than divided for individual return, is one of the hallmarks of the immensely successful Italian cooperative movement, and one of the major reasons that cooperatives in that country continue to grow and prosper year and after year. It is also an element of the equally impressive cooperative movement in Quebec (see page 20). In both these cases, the cooperative movements in those countries have managed to acquire important tax breaks to incent such community-minded behavior. Similar tax provisions are significantly lacking in the U.S. where the tax code actually does the opposite and provides an incentive for the distribution of surplus to individual co-op members rather than keeping it working for the co-op as a whole. It is important to note, however, that in all three of the most successful cooperative development systems in the world—Northern Italy, Mondragon, Spain and Quebec—the practice of foregoing the distribution of some portion of surplus to individual members in favor of retaining it within the co-op to foster long term job creation notably predates any tax incentives to do so. That is, the co-ops in these regions proved that their system of balancing the economic needs of current and future generations created better results for members, the co-op and the surrounding community, and only later did the government recognize this and create tax provisions to encourage more such behavior.
Multi-stakeholder cooperatives are an area of considerable and creative experimentation in the U.S. with a number of new co-ops emerging with the specific aim of reformulating economic relations in ways that are more supportive of a more stable and healthy local economy. Providing a living example of a more considered and rational method for the long-term application and distribution of assets may be another way that these co-ops could lead the rest of the cooperative movement in fruitful new directions.

THE SOLIDARITY DIFFERENCE

Comparing the Multi-stakeholder Model to others common business structures, the multi-stakeholder cooperative model differs in a number of important respects from other commonly used business forms:

**Conventional Corporations**

Conventional stock corporations allocate both governance rights and profits based upon the amount of capital invested in the business—the more capital, the more control. While any stakeholder group including workers, consumers or community members may become stock holders by purchasing shares of stock in a publicly traded enterprise, their standing in the corporation in that case stems solely from their financial participation and not from their standing as members of any other group. Conventional corporations do not have a structural commitment to the well-being of any particular geographic community or group of people and in fact will often cite their commitment to “maximize shareholder return” as the reason for disinvestment in a particular plant or locality, transferring capital to other operations or ventures deemed more profitable.

A small but growing minority of conventional corporations today however, are re-evaluating the Profit At All Costs stance and embracing some kind of commitment to ethical business behavior, however that is defined. While this generally does not involve any change to conventional governance or distribution rights which are still capital-based, it does begin to acknowledge the potential importance of maintaining good relationships with other stakeholder groups. In the aftermath of the global financial crisis of 2008 sparked in large part by the overly aggressive pursuit of profits by large financial corporations, a group of students at Harvard Business School proposed that newly minted MBAs adopt a new “MBA Oath” committing themselves to ethical actions in business. Interestingly, the first version of this oath penned in 2009 contained a multi-stakeholder commitment to “safeguard the interests of my shareholders, co-workers, customers and the society in which we operate.” By the following year however, a new version of the oath had dropped the commitment

“For systems that are as precious and complex as local foods, the metaphor of the invisible hand of the market has too many flaws. When rebuilding local food systems, you need to have diverse interests at the table and in an ongoing relationship of equals (as fellow members). This is an ongoing learning relationship, and what better way to foster that then to have a co-equal ownership stake.”

—Margaret Bau,
USDA Cooperative Development Specialist
to both co-workers and society at large\(^2\) suggesting that the idea of taking a multi-stakeholder perspective and making an affirmative commitment to the welfare of employees and the community is still a stretch for many conventional business practitioners.

**Nonprofit Organizations**

Charitable nonprofit organizations may share many of the values and objectives of an emerging multi-stakeholder cooperative, including job creation, community development, environmental stewardship, and improved care and facilities for children, the elderly, and those living with disabilities. While the mission of some nonprofits and cooperatives may be similar, however, their activities and the way they carry out that mission will likely differ significantly.

One of the most important differences between cooperatives and nonprofits is that a cooperative board is bound to pursue the interests of the general welfare with its activities, while a cooperative board is bound to pursue the interests if its own particular membership. Nonprofit organizations do not have mandated voting rights for different classes of stakeholders, and in fact, in the U.S. it is relatively rare for a nonprofit to be controlled by a board made up of service beneficiaries. Many nonprofits involve no beneficiaries in governance at all. Cooperatives, on the other hand, will always have cooperative beneficiaries or patrons not only on their board, but with a controlling interest. Nonprofits are also not permitted to distribute surplus or profits to beneficiaries directly, and in the event of dissolution, all remaining assets go to another nonprofit corporation. Cooperatives may choose to retain certain assets collectively, but that is a choice they make, and most cooperatives distribute at least some annual surplus to members directly. Finally, cooperatives are generally seen by their members as economic engines, business ventures that work for the economic benefit of their membership. Nonprofits generally rely on charitable contributions and grants from outside organizations and individuals rather than market-based business revenue to sustain their activities.

While these differences in governance and market orientation between a nonprofit organization and a social service cooperative may not be apparent to a casual observer, they are often very important to cooperative members as the PACE case study on page 35 illustrates. That said, nonprofits that do embrace a multi-stakeholder governance approach have more similarities than differences compared with true multi-stakeholder cooperatives. Group Health, the founding organization cited in the example on page 37, was originally started by a group of credit union, cooperative and labor leaders who had the cooperative model in mind for their new venture. When state law changed to mandate that all healthcare plans operating in the state must be nonprofits however, Group Health changed its legal status to comply. It retained its consumer-doctor governance model however, and functions very effectively in a multi-stakeholder manner.

A good portion of the growing number of solidarity cooperatives in Quebec (see page 20) are the result of the conversion of nonprofit organizations to solidarity cooperatives.\(^3\) And in Italy, a large number of social service cooperatives involved groups of volunteers and other stakeholders in various


ways even before the introduction of special enabling legislation\textsuperscript{4} formally creating a multi-stakeholder cooperative status.

Other Kinds of Cooperatives

Much has already been said about the differences between a single-perspective or single-purpose cooperative and one that embraces two or more competing or complimentary groups of members. An additional point might be made however about the differences between a multi-stakeholder co-op model with a community membership category and one organized under one of the new state Limited Cooperative Associations (LCAs) statutes which allow newly formed cooperatives to add a category of “investor members” to the traditional category of patron members. The primary difference to keep in mind here is that under LCA statutes, the relationship that investors members have with the cooperative is purely financial and the benefit that they are seen to be able to bring is limited to investment capital. The poverty of this view is apparent when compared to the multi-stakeholder perspective of community membership where these supporter members are expected to bring a wealth of resources including their good will, expertise, information and relationships to bear for the benefit of the cooperative in addition to any capital investment, however large or small.\textsuperscript{5} While other members of a multi-stakeholder cooperative, particularly those with a direct stake in the day-to-day operations of the business (producers in a marketing cooperative or workers in a manufacturing enterprise for example) may have financial return as a motivating factor for joining up with others in the co-op, community supporter members in a multi-stakeholder co-op will rarely, if ever, cite financial return as a primary motivating factor for their involvement.

LCA’s also do not embody the idea of systemic change that is so important to many multi-stakeholder cooperatives. LCA statutes, in fact, have the stated objective of allowing cooperatives to behave more like conventional corporations at least in terms of their capital structure, rather than less. Multi-stakeholder cooperatives, in contrast, are often formed to create a viable alternative to the way that economic transactions are structured in an investor-dominant or government-driven model.

Limited Liability Companies (LLCs)

Since the advent of limited liability company statutes (LLC), many producer groups in the United States that might previously have organized as cooperatives have formed instead as LLCs. LLC statutes differ by state, but in general they allow for the same beneficial taxation status as cooperatives (avoidance of the “double taxation” on dividends taxed at the corporate level and then once again at the individual investor level) while offering a great deal of flexibility in terms of the allocation of governance rights and distribution of surplus. What the LLC does not allow for, however, is the retention of any capital for the ongoing use of the enterprise as opposed to its members. In an LLC, all profits are fully distributed to members every year. While this works effectively for a group of


\textsuperscript{5} For a scathing review of LCAs, see Lushin, L. (2010) “A Trojan Horse in our Midst,” \textit{Cooperative Grocer} (November-December 2010).
individuals or organizations whose motivation to band together is essentially transactional, it does not work as well for a group with a more overarching long term aim, such as the retention of community jobs, transformation of patient care practices or re-building of the local food system. These kinds of objectives take patient capital, which is not something the LLC model is designed to accommodate.

**OTHER WAYS TO SHARE INFORMATION, INVITE PARTICIPATION**

Formally sharing governance rights in a multi-stakeholder cooperative is not the only way to engage a broader community in the pursuit of a common goal. Sometimes, after fruitful initial discussions, members of different stakeholder groups find that while there is some common ground between them, there is not sufficient common interest to contemplate going into business together. One group of stakeholders, for example, may be afraid of the risks involved in sharing enterprise control with members outside of their own group; others may have a benign interest in the success of the co-op, but not enough to interest them in the responsibilities of being part of the governance structure. In these situations it is not necessary to give up on the idea of a shared vision just because a common enterprise seems unworkable. Some other ways of involving a variety of willing constituents include:

**Preferred Stock**

Many U.S. cooperatives already involve outside community members in the success of their co-op by offering the sale of preferred shares. These shares offer no voting rights and pay below-market rates of interest, but offer a way for the co-op to raise flexible capital while giving community members a tangible way to literally “buy into” the co-op’s articulated vision of fair trade, a sustainable local economy or whatever other community-minded mission they have chosen to pursue. Offering preferred shares is not a simple process. Offerings are usually limited to residents of a particular state, are more restricted for non-producer as opposed to producer cooperatives, and should never be attempted without the advice of sound local legal counsel with expertise in securities issues. That said, for a single-class cooperative just looking for a way to raise more funds from a sympathetic local community, preferred stock may be the easiest way to go.

**Advisory Boards**

Even if they are not allotted any formal governance rights, many organizations find it fruitful to convene regular meetings of key stakeholders to share information, gather input and build support for their activities. Many nonprofits in healthcare or social services for example, make use of an advisory board made up of patients, clients, and/or the family members of such to advise them on care issues. The benefit of an advisory board is, of course, that it allows for a relatively wide variety of input with very little risk. The downsides are the same—advisory board agendas are general limited to only certain issues so members never get a full understanding of the business, nor does the organization’s board gain the advantage of hearing the perspective of patients or clients on a wider variety of issues. Participation on an advisory board may also be anemic since members have no real power to effect change.
Labor-Management Committees/Works Councils

Companies that are reluctant for whatever reason to grant employees full ownership or governance rights might make use of a special internal committee which is given responsibility for dealing with certain shop floor issues. This is sometimes seen in unionized settings, but could be successfully implemented anywhere.

Partnerships

Sometimes two or more groups of stakeholders find they have some common interests, but that those interests are limited to a certain set of activities. In such cases, it may be wise for the parties to structure a way to come together in a partnership around a specific opportunity, but not to merge their business interests entirely.

At La Montanita consumer food cooperative in Albuquerque, New Mexico, for example, “buying local” was a key value of the consumer membership and an important differentiator for the co-op in their local marketplace. The Co-op’s commitment to buy more local produce, however, was stymied by frustrating bottlenecks in the existing distribution network of small producers. In answer to this problem, the Co-op set up a new distribution center where they now work in partnership with local producers to stimulate the production of regionally produced goods in general within a 300 mile radius of their store. The distribution center not only serves La Montanita’s needs, but also helps small growers to more effectively brand their wares and develop relationships with other retail outlets in addition to the food co-op. The distribution center was not formed as a multi-stakeholder cooperative, but has the affect of assisting players throughout the distribution chain.

Weaver Street Market (page 29) a multi-stakeholder cooperative itself, also played a key role in the creation of Eastern Carolina Organics (page 36), a multi-stakeholder co-op of organic farmers and co-op employees. In some cases, a key customer like La Montanita or Weaver Street may become a member of a new multi-stakeholder cooperative, in other cases they may be just an important outside supporter and guide.

Limited Use of LLCs

If the membership of a cooperative is interested in a more formal partnership with an outside party, but only under a limited set of circumstances or for a limited set of activities, an LLC can also be useful. Rather than converting or forming the entire venture as a multi-member LLC however, in this case the single-member stakeholder group might opt instead to only form an LLC with other parties for that certain limited purpose. This strategy has been used by single-membership cooperatives, for example, when the members have wanted to bring an investor into partial ownership of a building or other expensive facility, yet not allow that investor influence over the members’ core business. Other co-ops have also used this model to gain critical expertise in sophisticated business activities such as the marketing of a lucrative brand, while preserving the ultimate control of that brand for the producer-members alone. One limitation of this strategy for a co-op is that the LLC would not be permitted to market itself as a cooperative, although the original LLC member cooperative of course could continue to do so for its core activities.
In a world with many exemplary cooperative stories, the Canadian province of Quebec deserves special mention as a place where provincial government, local citizens, and the established cooperative movement have worked together in a most effective way to build a true cooperative economy. The soil of Quebec is truly fertile ground for cooperative development. Not surprisingly, Quebec is also a place where multi-stakeholder cooperatives have flourished, especially those that actively involve community members as stakeholders.\(^6\)

Quebec boasts some 3,300 cooperatives and mutual with a total of 8.8 million members, which is more than the total population of the province for of course many people belong to more than one co-op. Co-ops in Quebec employ nearly 90,000 people and the Desjardin credit union and the Coopérative fédérée de Québec respectively are the first and fifth largest employers in the province. Cooperatives have a strong presence in rural Quebec, where nearly 70% of jobs with non-financial (that is, all cooperatives except for credit unions and insurance) are located outside the large urban centers of Montréal, Laval and Quebec City. Many of these jobs are in food processing or forestry.

Cooperative entrepreneurship has been a targeted economic development strategy in Quebec for more than a century, and the provincial government has actively sought to encourage cooperative development in a variety of ways. The government and co-op movement cooperate to provide “one stop” help for technical assistance and financing, and since 1985 co-op members in certain sectors can receive special tax deductions or investing

“Cooperative entrepreneurship rests on the involvement and commitment of people in the community. Cooperatives are created by and for the community, and are also very rooted in the community, which helps maximize local economic benefits”

—Quebec Ministry of Economic Development, Innovation and Exportation

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in their cooperatives. In 2009-2010 this provision channeled over $31.5 million (Canadian) in new shareholder equity into eligible cooperatives. Co-op members are also allowed to defer tax on their patronage dividends if the dividends are reinvested in the cooperative. Both of these provisions have resulted in significant member investment into cooperative ventures.

Beginning in 2003, government assistance to the cooperative movement was further strengthened and refocused and the results have been impressive. Since 2006 over 50% of new cooperatives in Canada have been founded in Quebec, even though the province represents less than 24% of the population. Over the period of 1997 to 2007 the number of jobs in non-financial cooperatives in in Quebec rose by an average annual rate of 5.4% per year. During this same period, job growth in the overall economy in Quebec was less than half that rate, at an average of 2.1% per year. A 2008 study by the Quebec Ministry of Economic Development, Innovation and Exportation also found that the business survival rate for cooperatives was also approximately double that for other businesses. The ten year survival rate for co-ops was over 44% compared with only 19.5% for other kinds of businesses. Local experts attribute this high rate of survival to high level of support in the areas of both planning and operations that new co-ops receive during the critical start-up phase.

The Quebecois Cooperative Act allows for the formation of five different kinds of non-financial cooperatives including:

- Consumer cooperatives
- Producer cooperatives
- Worker cooperatives
- Worker shareholder cooperatives
- Solidarity, or multi-stakeholder cooperatives

Solidarity co-ops can include three basic classifications of membership: users of the service provided by the co-op; co-op employees, and increasingly individuals and organizations that share the cooperative’s economic and social objectives who join as supporting members. Each of these categories of members can have sub-categories within it. Solidarity co-ops in Quebec are particularly active in the fields of home care, social services, arts and culture, and recreation as well as other services. Today, close to 95% of healthcare co-ops in Quebec are organized as solidarity cooperatives. Over 70% of solidarity co-ops in Quebec in general are in enterprises related to providing direct services of some

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**TABLE 2**

**Number of Solidarity Cooperatives in Quebec by Sector**  
(July 2007)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure</td>
<td>45</td>
</tr>
<tr>
<td>Personal Services</td>
<td>37</td>
</tr>
<tr>
<td>Social Services</td>
<td>37</td>
</tr>
<tr>
<td>Other Services</td>
<td>24</td>
</tr>
<tr>
<td>Business Services</td>
<td>22</td>
</tr>
<tr>
<td>Arts and Entertainment</td>
<td>21</td>
</tr>
<tr>
<td>Accommodations/Food Services</td>
<td>18</td>
</tr>
<tr>
<td>Commerce</td>
<td>16</td>
</tr>
<tr>
<td>Housing</td>
<td>13</td>
</tr>
<tr>
<td>Food Stores</td>
<td>13</td>
</tr>
<tr>
<td>Farming</td>
<td>10</td>
</tr>
<tr>
<td>Recycling</td>
<td>9</td>
</tr>
<tr>
<td>Printing/Editing</td>
<td>8</td>
</tr>
<tr>
<td>Consulting</td>
<td>7</td>
</tr>
<tr>
<td>Education</td>
<td>7</td>
</tr>
<tr>
<td>Computing</td>
<td>6</td>
</tr>
<tr>
<td>Forestry</td>
<td>6</td>
</tr>
<tr>
<td>Economic Development</td>
<td>6</td>
</tr>
<tr>
<td>Daycare Centers</td>
<td>5</td>
</tr>
<tr>
<td>Arts and Crafts</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3</td>
</tr>
<tr>
<td>Utilities</td>
<td>3</td>
</tr>
<tr>
<td>All Other</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>327</td>
</tr>
</tbody>
</table>

kind to people, bringing together users (or their families) and providers together in the interest of providing a sustainable, high quality benefit to members.

Solidarity co-ops have become particularly prominent in rural Quebec. In addition to rural healthcare where solidarity co-ops have a very strong presence, interest in using the solidarity cooperative model for providing “proximity services” (that is, gas stations, grocery stores, cafes and other necessary services everyone wants to have in close proximity) is also growing as residents see the need to draw upon community members broadly in the interest of maintaining a minimum basic level of services.

Originally the 1997 enabling legislation for solidarity co-ops required that they involve all three groups of users, workers and supporters. Many potential cooperators found this requirement cumbersome however and in 2005 the law was changed to allow for solidarity co-ops to be made up of only two of the three groups. Since then, solidarity co-ops have become the fastest growing kind of cooperative in Quebec.

Board seats are elected from within the membership of each group where each class elects the number of board seats allocated to it in the co-op’s bylaws. Supporter members are not permitted to hold more than one-third of board seats however, no matter how large their numbers. Outside board members are permitted as well, but their numbers are counted against the supporter class one-third limitation, so two-thirds of the board must always be made up of either user or worker members or a combination of the two. Surpluses are distributed among user members according to patronage (sales to or purchases from the co-op) and worker members according to hours worked or salary. Supporter members in Quebec do not get a distribution of surplus, but they are permitted to purchase preferred shares which pay a dividend rate. Until recently, Quebec law required that the entire membership of a cooperative vote to approve the board’s recommended plan for distribution of annual surplus; now the board is permitted to make that decision on their own, but in practice many solidarity cooperatives continue the practice of presenting the plan for surplus distribution to the entire membership for approval.

While the experience with solidarity co-ops in Quebec has been impressive, they are not without their difficulties. One experienced developer observed that the mission or “raison d’etre” of the solidarity co-op is absolutely critical for the maintenance of the cooperative—otherwise, the interests of a single class of membership can become too strong. In fact, the difficulty of balancing the interests of three different interest groups was one of the things that led to the 2005 change in provincial law allowing solidarity cooperatives to be formed by representatives of only two rather than all three categories of membership groups.

Co-op practitioners in Quebec also noted that solidarity co-ops require both senior management and boards of directors to be particularly adept at managing diverse interests and perspectives, something that many of them have not had the training to do. Early data indicate, however, that solidarity cooperatives in Quebec seem to be handling these challenges. They do not, for example, appear to be accessing mediation services any more often than board members of other kinds of cooperatives. Thus it may well be that, whatever the additional responsibilities intrinsic in a multi-

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stakeholder board, members of these boards have been able to rise to meet them, at least to the same
degree as their peers in other kinds of co-ops.\textsuperscript{8} There is still, however, very little data on this topic.

Despite the apparent challenges, more and more people in Quebec are choosing the flexibility of a
solidarity or multi-stakeholder approach when organizing a new cooperative venture. And while
solidarity co-ops are most prominent in the Quebec economy as a vehicle for providing healthcare and
other social services, the table on page 21 demonstrates the wide variety of industries in which these co-
ops currently operate, from recycling to food stores to farming, while the case study on page 27 of
Boisaco also illustrates that the model can work very successfully for forestry and manufacturing as well
as social services.

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**SCICs—the French Multi-Stakeholder Option**

Across the Atlantic, the French cooperative movement is venturing into the multi-stakeholder model
as well. While France has long had a robust cooperative infrastructure of their own, in 2001 they looked
across the border to the success of their Italian neighbors and their new “social co-ops” and created a
French version of this innovation called Société coopérative d’intérêt collectif or SCICs. French
entrepreneurs with a social agenda are exploring this new structure as a way to embrace the interest of all
members in a given community.

Like the social cooperatives in Italy, the mission of SCIC’s are aimed at serving the community at large
rather than one classified group or membership. Their activities to date range from social services to
tourism to the arts. Examples include a company called Websourd, which creates software that provides
online translation in sign language for the deaf, to a PictureTank, photo agency in Paris profiled on page 30.
SCICs have the option of bringing together users, workers, investors, supporters and volunteers into local
initiatives, or only some of the above. All SCICs however, must incorporate at least worker and user
membership classifications at a minimum. By law, all SCICs are required to abide by the common
cooperative rule of one member, one vote. There is flexibility, however, in the distribution of votes among
the groups of members, referred to in France as member “colleges.” No college can have more than 50% of
the vote nor less than 10% in any given co-op.

In order to maintain the social mission of these cooperatives, return on investment is capped to parallel
the average interest paid on private bonds. Financial contributors also receive handsome tax breaks
designed to encourage such local investment. France’s cooperative law requires that SCICs reinvest at
least 57.7% of their surplus back into their indivisible reserves in order to safeguard the longevity of the
enterprise. Similar to Italian law, there is protection from demutualization for these particular kinds of
social enterprises by requiring that all liquidated assets be distributed among organizations or businesses
with comparable social objectives.

Since 2001, there have only been a handful of SCIC incorporations, so the idea is still being tested.
Supporters are hopeful that as the idea becomes better known, SCICs will become a more widely-used tool
for community development and social entrepreneurship, giving people a tool for nurturing local
enterprises and, as one SCIC member put it, “making milk for their communities.”

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\textsuperscript{8} See Girard (2004): 8.
Italian “Social Cooperatives”

The Italian cooperative movement has prospered since the 1940s, but it was not until the 1970s that Italian cooperators began to explore the idea of multi-member cooperatives, particularly for the provision of social services. The first law governing such co-ops was proposed in 1981, but the final version was not passed until ten years later, following a great deal of debate and experimentation.

Like the governments of many other Western European nations, the late 20th century saw the Italian government in retreat from its past practice of providing a broad degree of social services directly, and looking anxiously for alternatives to stem the growing cost of its social welfare system. Italians were understandably nervous about turning over such vital services to a purely profit-based private market. Volunteers emerged to fill some of the gap, but a long term solution only arose with the formal development of a third way, a cooperative approach through their new social solidarity or “social co-op” model. The 1991 law outlines specific rights and benefits that accrued to the cooperative and its different membership classes, formalizes its connection to the local community and creates a framework for positive government support.

Social co-ops in Italy come in two varieties—Type A and Type B. Type A social co-ops are those co-ops which provide services in the health sector, social and cultural industries, as well as education. Type A co-ops are the majority of social cooperatives, representing about 59% of the total. Type B cooperatives’ objectives are employing segments in society that are often marginalized or difficult to integrate into traditional job markets. These co-ops must have at least 30% of their workforce coming from disadvantaged groups, including the handicapped, ex-offenders, troubled youth, recovering addicts and the elderly. About a third of social co-ops are Type B, while the remainder are a combination of the two types.

In all social cooperatives, membership can consist of classes of workers, users, investors, supporters such as public institutions, and volunteers. All cooperatives abide by the one member, one vote rule. Cooperatives that include volunteers are restricted from having that class exceed 50% of the total membership, and volunteers’ work can only be complementary to paid employees. While volunteer members played a crucial role in the launch of the social cooperative sector, lately their numbers have been dwindling. However, the role of non-volunteer, non-worker community “supporter” members has remained strong, and are a consistent source of both capital and important links to the local community.

Like other types of cooperatives born from the Italy experience, social cooperatives are supported by various sector federations and consortia, operating as second tier cooperatives at the provincial, regional and national levels. These apex organizations provide everything from technical assistance and training to shared resources. For social co-ops, which are generally small, averaging less than 50 workers each, they also provide a means for these co-ops to achieve economies of scale through joint bidding. Since the majority of projects undertaken by these enterprises are contracts with local municipalities, if a cooperative wants to bid on a larger contract, they can do so by joining with their peers through the aggregated support structure.

In addition to the enjoying the advantage of a sophisticated cooperative support network, social cooperatives in Italy also benefit from various tax advantages. Type B social cooperatives, for example, do not pay payroll taxes if they hire certain percentage of disadvantaged groups. In addition, all social
cooperatives receive a 25% reduction on land and mortgage taxes.

A perceived weakness of the model as practiced thus far is the reliance of social co-ops on the state, as the majority of them have government contracts as their major, although not only, source of revenue. On the other hand, the existence of such a reliable and supportive customer base has spurred the growth of social cooperatives which now number several thousand. The shift in focus from the pure “member benefit” orientation of traditional cooperatives to one with a broader community focus was also not without its critics in the Italian cooperative community. Others, however, see Italy’s social co-ops not as a deviation from historical cooperative practice, but rather a return to its roots in the postwar period when cooperatives were seen as a vital tool of economic growth and self-determination for war-weary and impoverished communities across Northern Italy.

Whatever its strengths and limitations, other countries across the world are taking notice of the Italian model, as the social coops continue to pioneer a new frame work for effective multi-stake holder engagement.

SPECIAL POPULATIONS, NEW MARKETS

One of the inescapable conclusions one comes to when researching the multi-stakeholder model is that there really is no one multi-stakeholder model. If there were ever a development within the cooperative movement characterized by the diversity of its application, this would be it. Multi-stakeholder cooperatives can be found in a wide range of countries and settings, in large markets and small, in manufacturing, retail, tourism and social services, and boasting stakeholder groups representing anywhere from two constituency groups, to eight or ten or more.

That said, there are some interesting commonalities that appear to be shared by many, although by no means all multi-stakeholder co-ops. Multi-stakeholder co-ops in North America, for example, are far more common in rural areas than urban ones, underscoring their potential as an important new tool in rural cooperative development. Multi-stakeholder co-ops are most common in the social and health service sectors in Quebec, but in the U.S. the model has generated the most amount of experimentation in the area of local and organic food systems, demonstrating a clear applicability in any area where local control and high quality are of principal concern.

Lots of multi-stakeholder co-ops have actively embraced the “supporter” class of membership (as these supporters have actively embraced their cooperatives), indicative of what is perhaps a more widespread willingness among the general population than previously thought to become involved in some way in the creation or perpetuation of certain important economic institutions in their communities, rather than leaving that role exclusively to “the market.” Finally, multi-stakeholder cooperatives may have a special applicability for involving youth, social service clients, low income workers, or other marginalized populations in the oversight and governance of institutions that have an
Being able to combine the perspective and experience of marginalized populations with the complementary perspective and experience of other community members is a strategy for the development of a uniquely responsive and empowering local enterprise.

Multi-stakeholder cooperatives also appear to be surprisingly good at defining and establishing new markets. The members of the Boisaco cooperative profiled on page 27 not only saved their own local lumber mill, but have subsequently organized several more enterprises besides. Some personal and home services co-ops in Quebec have now started to own and run residential care centers so that aging members who can no longer live at home can still remain in the community.⁹ And the direct linking of local supply with local demand as seen in the Producers & Buyers Co-op, page 32, has opened up market opportunities for producers that simply did not exist before the advent of the co-op. Perhaps it should not be so surprising that new market development is a strength of the multi-stakeholder approach. Giving up the comfortable confines of your own perspective is often the key to being able to envision something completely new and different.

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Following are a series of case studies of existing multi-stakeholder cooperatives in practice. Examples come from both English-speaking and French-speaking Canada, as well as France and several regions of the United States. Industries represented include healthcare, social services, forestry, local food production and sales, beer making and photography:

**BOISACO, Quebec, Canada**

Quebec’s forestry industry has seen regular, predictable slumps (recent downturns happened in 1974, 1982-3, and 1991-4), each accompanied by a round of layoffs in the province’s mill towns and forestry sector. Between the softwood lumber crisis in 2000 and the U.S. housing collapse of 2006, 26,000 millworkers and loggers have lost their livelihoods.

In one corner of Quebec, communities have used a cooperative business model to defy the boom-bust cycles and short-term thinking that characterize much of the forestry sector.

For tourists, as well as for many urban Quebeckers, the province’s effective eastern boundary lies at Tadoussac. Beyond here, on the north side of the St. Lawrence, extends a rugged territory where snow squalls in October are frequent, communities are sparse, and the expense of transport can make commerce difficult. Returns on investment are often modest, and in the days before the provincial government re-ordered and centralized the economy in the 1960s, locally owned cooperatives brought electricity as well as grocery stores to many a North Shore town where private entrepreneurs did not see enough of a profit opportunity to attract their interest.

Sacre-Coeur, with a population of 2000, located fifteen kilometers from Tadoussac, is in most ways a typical North Shore community. The town depended on forestry for several generations, but by 1984, in the wake of one of the cyclical slumps, the local sawmill had undergone its third consecutive bankruptcy in ten years under three separate managements, and seemed set to close for good.

*This case study has been reprinted with kind permission from an article by writer Chris Scott which appeared in the Dominion newspaper, August 6, 2010.*
“We had a reputation as the [forestry] plant that had lost the most money in Quebec,” recalls Marc Gilbert, who was an employee at the sawmill at the time. “Nobody wanted to touch us.” Ultimately the facility, which constituted the town’s main industry, was to remain shuttered for two and a half years.

The town’s residents might have given in to fatalism; but instead, after the bank that held the mill’s mortgage was unable to find a buyer and offered to sell the plant at liquidation prices, locals decided to undertake a ground-breaking initiative. Banding together to form the Sacre-Coeur Development Corporation [Societe d’Exploitation de Sacre-Coeur], they secured the support of a credit union as well as a provincial government subsidy, and bought the mill for $1.2 million.

According to those who know the local history, the motive in doing this was to forestall the flight of young people to the city and the slow death which is the bane of so many single-resource communities in unfavourable times.

After studying various models, the interested parties decided to constitute themselves as a single company called Boisaco Inc, owned in three equal parts by a loggers’ cooperative, (Cofor) a millworkers’ cooperative (Unisaco), and a consortium of local businesses.

An advantage of this structure, according to Marc Gilbert, who was one of the project’s founders and until recently served as company president, is that it allows the workers, as majority shareholders, to benefit from the management experience of the members of the business consortium.

Gilbert says that decision-making is rarely adversarial. “We adopted a shareholder’s charter that gave everyone [all three parties] a veto right on all big decisions,” says Gilbert. “This forced us [to seek] a working consensus.” The model is superior to what typically prevails on shop floors, says Gilbert, where management squares off with unions and the need to explain (or debate) procedures slows down productivity.

Three months after its reopening in 1985, the combined advantages of a market recovery and the new management allowed the Boisaco sawmill to generate enough revenue to pay off all its debts. Since then, the company has divided profit according to a formula that would seem out of place in the corporate world. Twenty-seven per cent is shared equally as dividends among the three shareholders; eighteen per cent goes to workers’ bonuses, while fifty-five per cent (an unusually high proportion, according to Gilbert) is targeted—once taxes have been paid—to research and development. Part of this fifty-five per cent is also allocated to a rainy-day fund.

Sarah Toulouse, a recent Masters graduate in cooperative management from the University of Sherbrooke, has studied Boisaco. I asked her why the consortium of business shareholders would agree to finance Boisaco when they could have obtained a higher return on their investment elsewhere.

“In Sacre-Coeur the [business] shareholders are mostly...folks from the region,” she says. “Their priority is to keep the region alive.”

Today, Boisaco provides employment to about two hundred workers as members of one of the two founding co-ops. Moreover, over the last twenty-five years as Boisaco has thrived, it has used part of its profits to acquire shares in diverse companies in the region with which it has then signed supply contracts.

In one such case, Boisaco provides lumber to Sacopan, a one-hundred-worker company founded in 1999 that operates out of the same lot as Boisaco in Sacré-Coeur. Sacopan sells fibrewood doorskins within Canada and to the USA. In the wake of the American subprime crisis, Sacpan’s sales have
helped keep Boisaco afloat. “Historically, whenever [home] construction flags, [home] renovation takes up the slack,” says Gilbert, explaining a strong American niche market for the product. Once the affiliated companies like Sacopan are factored in, Boisaco can be said to secure employment for six hundred forestry sector workers throughout the Upper North Shore.

It is source of pride to the company that it has come through the forestry crisis, now seen to be ending, without a high level of debt, and that it accepted a deficit situation rather than shut temporarily or resort to lay-offs. And from conversation it is clear that the management sees this decision as rooted both in sound business sense as well as in Boisaco’s original social mandate. “If we had stopped, we would have lost our best workers,” says Marc Gilbert, in response to my unstated question. “All those folks couldn’t have waited four years. They would have lost their equipment. And when we wanted to start up again, how much would it have cost us to recreate all of it, and all that expertise?”

WEAVER STREET MARKET, North Carolina, U.S.

Weaver Street Market was founded in Carrboro, North Carolina in 1988, and has since become the largest retail multi-stake holder cooperative in the United States, expanding to include three grocery stores, a restaurant and a food production facility. This successful collaborative involves more than just the traditional food co-op consumer membership category, but also invites workers to be part of the ownership and governance structure.

Workers are eligible to join the Co-op after six months and pay $500 to join which they can pay through payroll deduction. Patronage is based upon hours worked and in the most profitable years, has added $1 an hour to a worker’s effective wage. Typically 20% of worker patronage is paid in cash, the rest in stock which is redeemed at the time of departure. About half of Weaver Street workers chose to join the cooperative.

Weaver Street’s successful model includes an integrated board structure with seven board seats: Each of the two membership class is allowed to vote for two positions. Two other seats are appointed by the board and the last seat is reserved for the general manager. The decision to divide the board evenly between the worker and consumers was not based on any fancy philosophy according to general manager and founder, Ruffin Slater, “It was the easiest thing to do because it was half and half.” Weaver Street has found there are many advantages to including both kinds of members on the board. Slater argues not only do workers provide more knowledge, since they are directly involved with day to day operations, but they are often more rational, “ground[ing] the board in reality.” “The worker members take it really seriously. They are reluctant to do something that would really mess things up… those kinds of things that occasionally consumer board members want to do,” Slater explains.

Another representative on the board, Curt Brinkmeyer, who is also a worker owner, agrees with
Slater, adding, “Worker members can bring their experiences from the sales floor and retail stores, so having multiple members brings more perspectives to the board room.” Yet what he values most about the model, as a worker owner, is it allows employees to feel a deeper tie to the business, a connection Brinkmeyer would have missed out on if only consumers served on the board. Brinkmeyer says, “It gives me connection to Weaver Street as a whole. Not just a job or a place of employment but more connected to what we do for the community, consumers and workers.”

Including two appointed seats as well as the general manager has provided key stability for the board and the board and the cooperative. Consumer and worker director seats change regularly, as is healthy in a democratic structure, but the general manager and appointed seats tend to be more stable. Since the selected positions and Slater have been on the board for so long, the cooperative continues to have “strong institutional memory.” While having the CEO on the board is more of a, “traditional management structure,” he added “there are a million pro’s and con’s if you wanted to make a long list …I think it works well for us… I think anything that provides stability for the board is probably a good thing.” The other benefit to having a more traditional management structure is it addresses the importance of expertise and specialization: “You need to focus, you need to have people that are looking towards the future and are responsible for the decisions that are going to make the coop better.”

Rigorous adherence to proper role definition (bringing only board-related issues at the board meeting, etc.) has been part of the Weaver Street formula for success, as has strong communication, which they have found to be just as important as structure. The Co-op has relied upon a trusted outside facilitator to help build board consensus, and have used this same skilled individual for years, which has also helped to lend stability to a board where representatives of some classes of members change frequently.

PICTURETANK, Paris, France

In the Parisian neighborhood of Belleville is an imaginative photo agency called Picturetank. If you venture onto http://picturetank.com, the cooperative’s website, you will find documentary photographs from across the world, both politically charged and alluring contemporary images. Yet this dynamic collection of pictures is not the only aspect that makes Picturetank interesting; their complex multi-stake holder model proves to be equally as innovative.

Originally founded as a non-profit, Picturetank decided that reincorporating as a Société Coopérative d’Intérêt Collectif (SCIC) would be a better fit for their endeavor (see profile of SCICs on page 22). Initially, the partnership involved 15 photographers and a single web designer, who provided web tools that enabled the photographers to host, manage and publish their work through their website, Picturetank.com. As the organization rapidly grew to 100 photographers, Picturetank’s clients began requesting commercial services such as marketing and management of sales, so Picturetank began to expand its staff and services and adopt a more organized, business-like approach. Yet as they grew, Picturetank’s founders were reluctant to give up the democracy and inclusiveness that had
characterized the organization from its early days.

Picturetank follows in the pioneering footsteps of Magnum, one of the most famous photo agencies of all time founded by such luminaries as Henri Cartier-Bresson and Robert Capa. Magnum was formed at the close of the Second World War as a photographers’ cooperative, with the then radical idea that the staff should support rather than direct the photographer’s work and that the photographers rather than publications should hold copyright control of the images. Picturetank took the model one step further and created a multi-stakeholder model, inviting the involvement of all workers as well as photographers and a new category of members, outside supporters.

Picturetank’s Cooperative includes seven membership classes divided into four groups or “colleges” which include photographers, other collectives or cooperatives, employees, various supporters. All members are allowed one vote, but each college has a different distribution of voting weight. The complex arrangement of balancing of interests is codified in the co-op’s bylaws, but Managing Director Philippe Deblauwe advises against taking too rigid of a stance in relation to governance structure. “A cooperative should not be totalitarian,” he explains. “What the co-op members understand is if they work together they are stronger, so the legal framework can adapt to the activity and the vision.”

One of the main balancing acts that Picturetank must perform every day is between the needs of the individual member photographers and the needs of the agency as a whole. Picturetank’s founders wanted to provide a platform for affiliation, but stop short of full integration—they did not want to be in the position of imposing the requirements or standards of the group on the artistic work of any one individual photographer. Therefore Picturetank acts not only as an agency, but it also provides the tools that allow its member photographers to manage their individual websites and transactions outside of the co-op if they chose. One might think these two syndication channels would lead to various conflicts of interests, but Deblauwe insist this is not a problem because “if a photographer is unable to see the common interest, they usually find that Picturetank is not for them.” For those who understand and appreciate the power of collaborative action however, Picturetank members assert “In our opinion the cooperative is the only legal framework that is able to guarantee the independence and structural stability essential for the syndication of works on a durable basis.”
Not Just Jell-O Anymore:
Local Food Now Served
on the Hospital Tray

HOSPITAL FOOD: THE VERY term conjures up the most bland and unappetizing images. But that’s changing in Eau Claire, Wisconsin, population 65,000. Sacred Heart, the smaller of Eau Claire’s two hospitals, has committed to spending 10 percent of its food budget on tasty local produce and meat. By big-city standards, this does not amount to much—about $200,000 a year. But cracking the institutional market is one of the trickier challenges facing food system reformers, and this 334-bed hospital in western Wisconsin is showing the way.

By its nature, institutional food service is cost conscious and lends itself to the efficient, standardized approach of mass production. If you have hundreds, if not thousands, to feed daily, purveyors like Sysco, Aramark, and Sodexo are experts at delivering food product in the perfect portion size.

“We were used to placing an order and having everything come in the door exactly how we wanted it,” says Rick Beckler, Sacred Heart’s director of hospitality services. “We didn’t have a clue where it was produced or who grew it. We didn’t know even what continent it came from.”

Sacred Heart’s kitchen now serves greens from Pam Herdrich’s Flower Farm south of Eau Claire, meatloaf made of hamburger from Vic and Mary Price’s Out to Pasture Beef in Fall Creek, chicken from Eileen McCutchen’s Angel Acres in Mason, pork from Jim and Alison Deutsch’s Family Farm near Osseo, and lots of other locally sourced items.

That menu has been a struggle to build but a success

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for the small farmers who fill it.

Take Jim and Alison Deutsch. Both thirty-two, they are emblematic of the new wave of sustainable-minded Midwestern farmers. Their products are from the reformist Land Stewardship Project in Lewiston, Minnesota, where they took a year-long "farm beginnings" course. After apprenticing and crop-sharing at several Minnesota and Wisconsin farms for four years, the Deutsches bought their own spread in early 2010: a biodiverse 160-acre quarter-section farm that dates to the nineteenth century and includes woodlots and wetlands.

Firmly rejecting the dominant mono-crop model of conventional farming, the Deutsches hope to be full circle farmers who grow everything they eat, from blueberries to vegetables to meat. With two young children, Alison says she shuns the pesticide-dosed foods available in local groceries. The specialty of the Deutsch Family Farm is pasture-raised chickens and old-breed Duroc pigs that are animal-welfare certified and bred for flavor. Much of their produce is already stamped as USDA organic.

Conventional farming, with its seesaw market prices and heavy federal subsidies, leaves both of them aghast. "It's asinine," says Alison. "Farmers are paid to grow crops that are not profitable."

The Deutsches are home-grown independents. Jim says the two-party political system has completely failed; Alison has no use for the big farm groups. They talk about homeschooling their kids. Family is huge for them.

"Jim and I work together, and we like to be with our children," says Alison. "We live and learn together every day.

Jim says, "Farming balances our needs physically, mentally, and spiritually."

Like most small farmers who reject the agribusiness paradigm, the Deutsches bank on multiple income streams. They direct-market their pork and chicken to consumers, raise winter squash for the Organic Valley farmers co-op, and also sell to the newly created co-op that serves Sacred Heart.

That new venture—the Producers & Buyers Co-op—has been crucial in procuring the farm products sold to the hospital. Alison serves on the marketing and product committees.

The co-op requires that producers treat their animals humanely and follow organic standards. Prices are based on farmer profitability.

"The only reason this has been possible has been because of Sacred Heart's commitment. They've really stood behind us," says Jim.

For that, St. Francis of Assisi, the patron saint of ecology, deserves some credit.

Sacred Heart was founded in 1889 by the Hospital Sisters of St. Francis. Their mission sounds downright progressive to modern ears that "every human person requires the holistic care of body, mind, and spirit regardless of race, creed, or ability to pay." In 2006, the last of the sisters retired to the order's "Motherhouse" in Springfield, Illinois.

Their legacy weighs heavily on the thinking of Stephen Ronstrom, the solid, plain-talking, Duluth-born CEO of Sacred Heart. He is not a standard-issue health care executive. Ronstrom subscribes to the radical Catholic Worker, founded by social justice icon Dorothy Day, and long ago was an Alaskan tugboat captain who delivered supplies to poor Eskimo villages. He cites it as one of the formative experiences of his life.

Franciscan care, in an era of technological medicine, "is really countercultural," he says. The order believes in the solidarity of healers to the sick, as well as in the divinity of human life, the importance of community, and the dignity of work.

"I've always felt that if we can really hold up that holistic body-mind-spirit view of human life and community, that's how we will endure," he says. "That's where the sisters wanted us to go."

Ronstrom places a high value on community. "When you live in a place, you try to pick what's best about it and you try to affirm it," he says. "What's best about living in western Wisconsin? Well, the diversity of food and the heritage of farming."

Medical excellence can take Sacred Heart only so far, Ronstrom says. "How could we extend our health system into prevention and wellness? And how could we do it in a way that was part of our geography?"

His answer: by the food the hospital served its patients and staff. "It's not New Age to say food is medicine, and what we eat impacts our health and longevity," he says.

In July 2008, Ronstrom announced the hospital was choosing fundamental change. Sacred Heart would embrace local food as part of its hospital mission.

Sounding like Michael Pollan, Ronstrom insists that America will not solve its health care crisis until its food-delivery system is transformed.

Beckler remembers a more prosaic message from his boss: "I'm tired of buying chickens that have road rash from California. I'm tired of buying cantaloupe that have more frequent flyer miles than I do."

Sacred Heart isn't alone in seeking reform. Kaiser Permanente, one of the nation's largest nonprofit health groups, sponsors more than thirty-five farmers' markets and has partnered with a farm group to provide local produce at twenty-two of its northern California facilities. The Cleveland Clinic hosts a Wednesday farmers' market that includes health screenings and buys the unsold perishable goods for its cafeteria.

Other hospitals have cracked down on junk-food vending machines, started their own on-site gardens, or followed Sacred Heart's lead by committing themselves to locally sourced foods. Activist research groups like...
the Institute for Agriculture and Trade Policy in Minneapolis and the Urban & Environmental Policy Institute in Los Angeles have done the spadework to define the problems in institutional food.

The findings have been sobering. Some 38 percent of the nation's top hospitals host fast-food franchises—the proverbial McDonald's, Panda Express, and Pizza Hut. Surprisingly, this includes children's hospitals, where such calorie-rich processed offerings are justified as "comfort food" for sick kids.

A food service trade magazine even advised: "If you fry it, they will come." In health care cafeterias, it added, "deep fat is the route to achieving customer satisfaction more often than not."

Yikes!

But greening up the hospital cafeteria—or the school lunchroom, for that matter—is no easy job. Advocates admit, Farmers and food service managers live in different worlds and don't understand one another's needs and limits. The infrastructure simply doesn't exist to connect the two.

This is where the Eau Claire experiment had its breakthrough.

By early 2008, Beckler was frustrated. He and Ronstrom had agreed that local food was a perfect fit for the hospital's Franciscan mission. "But my timeline was waning. My CEO wanted local food now." For a year, Beckler had been spinning his wheels trying to contract for it. Sure, he had gotten a big order of bison burger that had proved a huge hit in the cafeteria, but then he never heard from the rancher again. What was that all about?

At the closing session of an Eau Claire agriculture conference in early 2008, he vented to a room full of farmers: "I have more than $200,000 to spend on local food. Do any of you want a piece of that action?" Then he stalked out of the hall.

One of the people hurrying after him was farmer Pam Herdrich, whose day job is as coordinator of the River Country Resource Conservation and Development Council. Talk about frustrated: The council had failed three times in the previous ten years to launch a local food program in its twelve-county region.

As Herdrich recounts it, the farmers couldn't provide goods in the sizes and volume the institutions wanted, and when the buyers backed away from further involvement, the farmers found themselves stuck with no market for their ramped-up production. "The institutions weren't committed to working things out," Herdrich says. "That caused a lot of the distrust that Rick faced."

As for that bison rancher, Herdrich says Beckler hadn't realized he had probably purchased her entire year's production in one fell swoop. And the rancher was probably nervously waiting for Beckler to call her. Small farmers, Herdrich says, often don't understand the concept of standing orders "or how Sysco serves customers."

The Producers & Buyers Co-op changed the dynamic. It brought the two sides together, as well as the food processors who are indispensable to a functioning local food system.

Rather than buying from individual producers, Beckler now buys from the co-op he helps run. Patience helps in riding out the rough spots. "You come to realize there is no model out there. You're going to have screw-ups," he says.

"I'm amazed at how much we've learned by trial and error," agrees Erica Zerr, a consultant with the co-op.

Like the time Beckler ordered 250 chickens that averaged 4.8 pounds. When quartered they were too big to fit on the hospital plates. Now he orders (and the co-op's chicken growers provide) three-pound chickens.

And his cooks are astonished, says Beckler. "The look, the smell, the texture—even the cookability—of the local chicken is far superior to the product that comes off the big-box truck."

What's most heartening about the Eau Claire experiment is its grassroots nature. Out of necessity, activists are rebuilding a local food system that all but disappeared after World War II. Their challenge is daunting: Kitchen staff in large institutions may no longer have cooking skills or even rudimentary kitchen tools.

For example, Zerr says school kitchens may not have chef knives. "Everything comes pre-chopped, bagged, and frozen," she says. "It becomes a royal nightmare to chop butternut squash or slice watermelon for the kids." Zerr dreams of establishing a local kitchen to prepare vegetables and fruit for school cafeterias.

But there is progress on other fronts. New buyer-members include Sacred Heart's sister facility, St. Joseph's Hospital in Chippewa Falls, and its Eau Claire competitor, the Mayo Clinic-owned Luther Middelfort. The producer-members include twenty farmers and processors. A newly secured $55,000 federal grant will fund outreach efforts to potential new members.

The fact that the co-op pegs its prices to farmer profitability is a powerful draw for producers who otherwise live or die according to the swings of the Chicago Board of Trade.

For Sacred Heart, the higher cost translates to a 15-to-20 percent premium for locally sourced food, according to Beckler. No one seems to be complaining. A PR consultant reported that the national coverage the little hospital has gained in Forbes, The Wall Street Journal, and in trade outlets translates to a publicity value of $1.5 million. Indeed, Ronstrom and Beckler have become go-to sources nationally on local food.

Ronstrom mentions none of this in an interview. With quiet intensity he emphasizes how local food bolsters family farms, keeps money in the community, creates jobs, and fulfills the sisters' vision of holistic health. "Local food is good medicine for everyone," he says.
EROSKI, Mondragon, Spain

Likely the largest multi-stakeholder cooperative in the world, Eroski is the distribution division of the Mondragon Cooperative Corporation, the famous network of worker-owned cooperatives in the Basque region of Spain. Eroski began modestly enough in 1969 when 10 consumer cooperatives joined together and form one large cooperative supermarket. Eroski is now the second largest retail distribution group in Spain, just behind the French titan, Carrefour. As of 2001, it owned and franchises more than 1,400 supermarkets, including 55 hypermarkets. The Eroski brand also includes gas stations, perfume shops, travel agencies and cash and carry shops in both Spain and France and is still expanding.

Although it began as a consortium of consumer cooperatives, Eroski now includes a worker member class. Both classes have equal representation on the board and are allowed to elect 250 delegates to the general assembly, which then elects six workers and six consumers to the board of directors. In deference to its origins as a consumer organization, Eroski bylaws provide that the president of the board must always be elected from the consumer member group.

Eroski’s half a million consumer members pay a fee of $75 a year to join, for which they receive a 5% discount on purchases. Worker members are required to provide a much more substantial equity stake of approximately $6,500, which can be financed through payroll deduction over a three year period. Worker members also receive a regular distribution of company surplus. The vast majority of Eroski’s 30,000 employees opt to join the cooperative as they become eligible.

Despite its great size, the co-op remains committed to its roots as a members-owned enterprise and to its identify as a community-governed cooperative. Since the very beginning, like other cooperatives in the Mondragon family, Eroski donates 10% of profits to various community education and training programs, its success making it one of Spain’s largest contributors to charity. Eroski is also a market leader in the sale of fair trade goods as well as organic and locally grown products.

THE PENTICTON AND AREA COOPERATIVE ENTERPRISE (PACE), British Columbia, Canada

In Okanagan, Canada, a multi-stakeholder cooperative is providing a new, innovative approach not only to cooperative development, but also to the mental health and recovery services. The Penticton and Area Cooperative Enterprise (PACE) is an organization dedicated to providing transition to employment, skill training and paid work to those who are mentally ill.

PACE was incorporated in 2005 as a worker-owned cooperative, although in their case the workers in their businesses are also technically the consumers or clients of the co-op’s employment services. PACE’s structure also includes a supporter class of members. The consumer class controls 70% of the board seats and consists of individuals who are mentally ill and are utilizing PACE’s services, which includes counseling and transitional employment services. PACE operates a total of 11 businesses, including a cleaning service, café, and web design firm, which average eight employees each.

All 11 businesses originated from ideas developed and presented to the co-op board by PACE clients. The members of each business decide for themselves how their enterprise will be managed, but the majority opt for some style of collective management. Although these businesses have a high degree
of autonomy, they do receive technical support from PACE, and must submit a financial report to the board once a year.

The supporter class of members, with 30% representation on the board, includes former members of the consumer group. For those who have successfully transitioned and recovered, being part of the supporter class keeps them connected to PACE’s services in case of a relapse. In addition, having this second type of membership allows individuals in the community at large to be part of the mission. Supporter membership is also available to employees of PACE who are not themselves clients, such as the counselors and trainers who work with the consumer-members. PACE also employs a general manager who provides business and management expertise but is not eligible for a board seat and is not a coop member. Like other multi-stakeholder co-ops, PACE is still experimenting with the best formula for board governance, and is currently considering the option of appointing some board positions.

PACE opted not to incorporate as a charitable non-profit because, as one of the organizers explained, “we wanted to make money; we want operate like a business.” Part of the goal of PACE is to ensure that their ventures earn enough of a return to provide consumer members with a living wage. A cooperative structure helps PACE reach that goal. Another part of their mission is to confront stigmas that exist about the mentally ill. By providing a means for clients to operate a profitable and viable business, PACE helps the surrounding community see the economic contributions that can be made by those who might be seen to be “hard to employ” in other settings, hopefully challenging some existing attitudes in the process.

**EAST CAROLINA ORGANICS (ECO), North Carolina, USA**

Who’s your Famer?” queries the ECO website in big bold letters. All of ECO’s consumers know the answer to this question, and think that everyone else should know too. That’s because ECO’s mission is to establishing a local food supply chain for their North Carolina Community through a local, farmer owned business. This grower and manager owned LLC was formed in 2005 and cooperatively distributes and markets wholesale organic food to local retailers. Originally, it was a project of the Carolina Farm Stewardship Association with 13 producers and two staff owners. Now ECO has 30 grower members and 11 staff members who are all eligible for membership once they have met certain time requirements. East Carolina Organics’ motto is they are “farmer owned and they act like it.” Not only do the majority of the profits go back to the farmers, but the cooperative is able to provide year around growing opportunities for farmer-members.

ECO’s decision to establish itself as a limited liability company was the result of a North Carolina Cooperative law that forbids agricultural cooperatives from having more than one membership class. While disappointed that they could not incorporate formally as a multi-stakeholder cooperative, ECOs organizers thought that the benefit of adding their management employees as members was worth the concession. The major advantage they find is the communication flow of information between the two groups. Through regular interaction with their producer board member peers, the employees managing the business have a better understanding of the product and of the production and distribution process. As James Matson, ECO’s cooperative development advisor explains” In a normal business, the agenda is to charge the highest price you can, but the farmers need to make money selling these goods and
others need to be able to afford them.” In his opinion, this is when the multi-stake holder model works best.

ECO has a somewhat unusual division of governance and surplus rights, developed by its members for very specific reasons and codified in the bylaws. The manager class has a higher equity stake, owning 60% of the shares, yet the producer class receives 60% of the board sits, leaving the manager class with 40% board representation. The reason for this is that since the Eastern Carolina Organic philosophy is “acting farmer owned,” the members thought that the growers should hold a controlling number of board seats. Yet the original managers (currently the only employee members) deferred their salaries during the star-up of ECO and contributed substantial sweat equity to the business. They also don’t have the advantage of the economic benefit that producer members do from selling the produce at higher prices through the co-op, so the organizers felt that given these employees a slightly higher share of equity ownership in the business seemed like fair compensation.

James Matson advises all interested in multi-stake cooperatives to define fairness from the start. The difference in ECO’s equity distribution and voting weight was clearly decided by the members before they even began to write their bylaws “If It’s not fair for everyone it doesn’t work!” Matson insists. The success of ECO is evidence of the importance of asking the right questions from the get-go.

HEALTHPARTNERS, Minnesota, USA

Group Health, the predecessor to HealthPartners, was a mutual health insurance plan founded in Minneapolis in 1938 by four visionary men. It was an unusual beginning, as none of the four had any real experience in either health insurance or medicine. A credit union treasurer, a labor leader, a progressive lawyer and the assistant manager of a large agricultural cooperative—what they lacked in industry-specific experience they more than made up for in their deep feeling for the needs of ordinary people, and their understanding of the power of collective action. After seeing family after family going into great debt because of medical expenses, while others fell into poverty when family members became ill and could not afford to pay for medical treatment, these four figured there must be a better way.

The idea of prepaid health insurance—where consumers pay a set price and in turn receive complete coverage no matter what—was new at that time. The idea of a consumer-owned healthcare delivery system was unheard of. Existing state law prevented Group Health from implementing their vision of a consumer-directed prepaid medical plan right away, and instead they had to be content with forming a conventional mutual insurance company at first. Local medical societies and the American Medical Association vigorously fought the idea of anything but fee-for-service medicine as “socialist.” But after a somewhat rocky start, the new insurance company prospered and by the 1950’s it was the fourth leading seller of health insurance in the state, counting the governor, lieutenant governor and state treasurer among its membership. In 1955 the state attorney general overturned earlier opinions and declared that a prepaid health plan could operate.

Group Health opened its first clinic in 1957. Signing up members to this new untested idea of prepaid medical treatment was challenging. Convincing doctors to defy their peers and agree to work for a salary was even more daunting, especially when that salary would be paid by a consumer-run board.
As time went on, Group Health added some benefits to cover visits to physicians outside of their own medical group to give members a wider choice. But they kept the emphasis on consistent preventive care that had been their hallmark from the beginning. The company was an innovator in many other consumer-focused practices that are common today, such as employing nurses to answer phone calls from worried members after hours. As the company grew from one clinic to over a dozen, physicians chaffed at the centralized control and negotiated more of a leadership role at the clinic level, initiating their own programs to improve quality and care outcomes for their patients. The 1990’s brought significant growth, as Group Health merged with another provider to become HealthPartners, greatly expanding their network of outside “contract” physicians to supplement their existing network of staff physicians. The next year, they also acquired a hospital.

Today, HealthPartners is the third largest health insurance plan Minnesota, with over one million members and revenues of over $3 billion. About 30% of members still use the core group of HealthPartner physicians for their care. Medical costs in Minnesota are about 30% below the national average, while the costs of HealthPartners medical group are about 38% lower, a difference company leaders attribute to more effective clinical practices rather than lower costs paid to providers. US New and World Report has placed HealthPartners among the top 50 best health plans in the nation for four years in a row, and this past year Modern Healthcare also rated it one of the best places to work in healthcare.

While Minnesota law requires that health plans operate as not-for-profits, HealthPartners governance structure clearly reflect its roots in the cooperative movement. Thirteen of its fifteen board members are elected directly by consumer members while two are physicians. One physician board member is elected by the outside contract doctors, while the second is the head of HealthPartners own medical group. In contrast to the fears of some early observers from the medical community, having a majority of consumers governing a healthcare organization has not led to disarray and chaos. On the contrary, “it’s a great learning experience for clinicians to serve on a board in partnership with consumers,” said HealthPartners medical director and board member Brian Rank, “because of the focus on what patients need, and on improving outcomes and experience for our patients and members. In the past,” he observed, “there has been an asymmetric power relationship in health care. It was very difficult for patients to effectively partner with their care systems and clinicians, without ready independent access to knowledge and information. Health Partners flips that relationship around and has the people who actually received the care setting the direction and objectives for the organization.” So far, it seems to be working exceptionally well for everyone.
We do not sell any mystery food” is a motto of the Oklahoma Food Cooperative. In this cooperative, which operates on a pre-order basis, consumers don’t simply place an order with an anonymous source; instead, they know exactly which Oklahoma producers are providing their goods.

Best of all, it’s easy. The co-op provides an online forum for the farmers to list their produce and merchandise, and the customers can order directly online from any of the co-op’s farmers.

With its first order in 2003, the cooperative had a vision of creating a local food system for the community at large. Realizing that this local system involved many participants, the cooperative decided to establish multiple membership classes.

The co-op has two sets of decision makers: consumers and producers. Although both membership classes have the same voting power, the board has designated a minimum of one seat each to producers and consumers so each class has at least one representative.

Some friction is inevitable with the two classes involved with the Cooperative at various levels. One board member puts it this way: “The producer class is in a better position to become the squeaky wheel because they are more visible; you are dealing with their livelihood. The stakes are not as high for consumer members.” Reserving a vice-president seat on the board of equal power for each class, the board member says, ensures continued education, communication and understanding between the two groups.

The Oklahoma Food Cooperative hopes one day to have enough profit to pay out patronage to members. More immediately, however, the cooperative is hoping to set up a management system that moves away from having board members function as managers.

Oklahoma Food Cooperative’s goal is not to get the best deal for one party but rather to run a business that serves the community’s food economy. One cooperative member explains, “We want the famers to live off of the food they sell and the consumers to be able to afford it.”
A CASE STUDY OF THE FIFTH SEASON COOPERATIVE:
From Conception to Incorporation, Now What?

By Courtney Berner, University of Wisconsin Center for Cooperatives
September 2010

Introduction
The Fifth Season Cooperative is a newly launched, multi-stakeholder cooperative in Viroqua, Wisconsin, that provides the infrastructure and coordination needed to help rebuild the region’s food system. This case study follows the Co-op’s development from the initial idea to the signing of the articles of incorporation in August 2010.

Background on the region
The Fifth Season Cooperative is headquartered in Viroqua, Wisconsin, considered by many to be the center of Wisconsin’s Driftless Area. The Driftless Area, which includes parts of Wisconsin, Iowa, Minnesota, and Illinois, was never glaciated and thus has striking topography consisting of forested hills, steep valleys, and clear streams as well as a variety of ecosystems including grassland, forest, prairie, and wetlands. This striking topography, however, makes agriculture in this region particularly challenging. “The hills make for a breathtaking landscape, but they also limit the amount of productive land on farms. Farms in the Kickapoo Watershed are smaller than farms in the rest of the state. In Vernon County, for instance, the average farm size is 177 acres compared to the state average of 228 acres.”

Despite these challenges, agriculture has long been the dominant industry in the region, which has enjoyed a rich variety of farmers and agricultural traditions over the years, from the Norwegian immigrants in the 1800’s to the Amish families who settled more recently.

Despite the region’s wealth of agricultural resources (Vernon County alone has more than 200 organic farms), concerns have grown in recent years regarding its community food security. The Food Security Learning Center defines community food security as “a food system in which all community residents are able to obtain a safe, culturally appropriate, nutritionally sound diet through an economically and environmentally sustainable food system that promotes community self-reliance and social justice.” While SW Wisconsin produces large quantities of high quality food, much of that food leaves the region for larger cities like Madison, Chicago, and the Twin Cities.

In 2007, the Valley Stewardship Network (VSN) launched a Food and Farm Initiative (FFI) in response to these concerns regarding local food security in SW Wisconsin. The mission of FFI is to encourage the development of a sustainable, equitable local food system by:

- Engaging and educating a broad network of county residents;
5TH SEASON COOPERATIVE, Wisconsin, USA continued

- Improving access to healthy, local foods for all members of the community, especially the low-income population;
- Strengthening the economic viability of regional agriculture; and
- Addressing market barriers for local producers.

As part of the FFI, VSN conducted an 18-month community food assessment of Vernon County to better understand the county’s food assets, opportunities, and needs and to identify the best strategies for improving food security. In Vernon County, the community food assessment served as a foundation for stakeholders to identify projects, policies, and partnerships to meet the aforementioned goals of a sustainable food system.iii

Farmland in the Driftless Region

Following the completion of the Vernon County Community Food Assessment, economist Ken Meter of the Crossroads Resource Center completed a rural economic assessment of SW Wisconsin based on the results of the food assessment and reported it to the communities in the region. Meter’s data coupled with the findings of the FFI Community Food Assessment revealed several important food system facts:iv

- SW Wisconsin is home to a great number of small to medium-scale farms that have the capacity to produce high-quality foods.
- There is a multi-million dollar local food market waiting to be further developed as consumers spend $208 million annually buying food from outside the region.
- Producers in SW Wisconsin lack access to the structured coordination and processing, marketing, and distribution infrastructure necessary to increase producer capacity.
- SW Wisconsin boasts strong non-profit, producer, business, and institutional partners who are committed to improving the local food system.

The findings of these studies led the Vernon Economic Development Association (VEDA) to apply for a 2009 Buy Local Buy Wisconsin Grant (BLBW) that would support the infrastructure, coordination, and education necessary to strengthen producer capacity and increase consumption of local food in SW Wisconsin. They decided that a multi-stakeholder cooperative is the best business model to meet the region’s needs for four key reasons:

- They could model the cooperative after the Producers & Buyers Co-op in Chippewa Valley, which had already proven to be a viable model.
- VEDA began discussions months before that included buyers and producers. Having laid the groundwork for a model that brought everyone to the same table, they had confidence that a cooperative would work.
- Organic Valley offered to donate $10,000 as a cash match to the BLBW grant.
- Cooperative experts from the region encouraged VEDA to use a cooperative model and offered their advice and support.

The start-up story

VEDA was awarded the BLBW grant in 2010 and immediately dove into making their vision a reality. Executive Director Sue Noble formed two committees to begin the formal planning
process: a slush group and a steering committee.

The Slush Group was comprised of key players who were highly invested in the project and had relevant expertise. The group included Margaret Bau, USDA Cooperative Development Specialist; Sue Noble, VEDA Executive Director; Nicole Penick, Buy Local Coordinator; Jan Rasikas, General Manager of the Viroqua Food Co-op; Marilyn Volden, Director of Food and Nutrition Programs for Viroqua Public Schools; Brian Wickert, Owner of EZ Farms; and Cecil Wright, Director of Sustainable Giving at Organic Valley. This group met often and dealt with the minute details of putting together a cooperative organization. One of the most difficult tasks this group undertook was articulating and building consensus around the various documents that defined the cooperative: the mission statement, vision statement, and bylaws.

Sue also formed a larger steering committee that met approximately once a month. The purpose of these meetings was to inform the larger group of the progress being made and to make decisions regarding the actions and proposals of the Slush Group. Most of the attendees of these meetings were either potential Co-op members or were somehow invested in rebuilding the regional food system.

Once the key organizational and legal documents were in order, the next major task was recruiting members for the interim board of directors. An organization’s first board is vital to its success, so Sue spent a lot of time making sure the first board included key stakeholders from each member class. An advisory council was also formed to help the board navigate the process of starting a new cooperative. Sue emphasized that keeping Jan Rasikas and Cecil Wright as key advisers in this process was essential. Jan, Cecil, and Margaret Bau have offered invaluable guidance on budgeting, vision development, and cooperative governance.

Sue noted that the most difficult challenge throughout the process was keeping the vision alive. “It was critical that people continued to be excited and feel ownership over the project even though they didn’t attend every meeting. Facilitation of the process was key.”

The Co-op Structure
The Fifth Season Cooperative’s multi-stakeholder organization is a unique business structure in the United States. The cooperative has six member classes that span the entire supply chain. The list includes producers, producer groups, processors, distributors, buyers, and workers.

Producers are growers in the region who sell produce, meat, or dairy. Processors are businesses from the region that make value-added products. Producer Groups are agricultural businesses in the region that aggregate and sell produce, meat, or dairy. Distributors are businesses from the region that transport agricultural products. Buyers may include institutions and retail operations in the region that purchase product from the Co-op. Workers may become members and contribute to the success of the cooperative through their labor. There is currently one employee, Nicole...
Penick, who is serving as the project coordinator. The membership classes represent the key players in the food system at the local level—thereby putting the entire supply chain at one table. The motivations behind this organizational structure are to keep local dollars circulating in the community and to develop long-term relationships between growers and buyers that lead to fair pricing and fair treatment of all members of the supply chain.

**Moving forward**

The Fifth Season Cooperative is at an important junction. The Co-op has filed its articles of incorporation and is now an official entity. There is an interim board of directors in place who are leading the way until the formal board is elected at the first annual meeting. This interim board has a lot of decisions to make that greatly influence Fifth Seasons’ operations, objectives, and success. There are four questions that the interim board will have to resolve:

**Membership**

In order to be successful and fulfill its mission, Fifth Season needs to recruit diverse classes of members. What is the motivation for someone to join Fifth Season? How does Fifth Season make the case that joining the Co-op is a good investment?

**Pricing**

Determining prices that each member considers fair will be a critical challenge for the interim board. As a multi-stakeholder cooperative that includes every level of the supply chain, how will Fifth Season set prices with which all members are satisfied?

**Raising Capital**

The Vernon Economic Development Association was awarded $40,000 over two years to start a cooperative, however the grant does not cover all of Fifth Season’s expenses for the first two years. As the Co-op is in the start-up phase and working toward building membership and revenue, it needs additional capital to fund operations and capital expenditures. How will this cooperative be financed? How does the Co-op build equity?

**Organic vs. Conventional**

There are more than 220 organic farms in Vernon County alone as well as many conventional growers in the region. Should the cooperative be exclusively organic or should it sell both conventional and organic products? The answer to these related questions have ripple effects as they affect pricing, membership, marketing, and the overall functioning of the organization.

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5. Phone interview. Sue Noble. 9 September 2010.
Black Star Co-op Pub and Brewery incorporated in 2006 as a worker-consumer hybrid co-op, opening up for business in September 2010. The Brewery strives to pair its objective—to educate peers about cooperative ownership and values—with the ideal of enjoying quality food and drinks while doing so.

The brewery co-op has one membership class with three subsets of decision makers: consumers; the workers assembly; and supporters, including other cooperatives and nonprofits.

There are nine seats on the co-op’s board. The worker assembly may hold as many as three seats but those must be elected by the membership at large, not only by the worker sub-class.

Consumers and workers each have one share and one vote, while cooperative and nonprofit members each get two shares and two votes because of the greater number of people they represent. Organizational members cannot themselves be elected as delegates to the board but instead vote for individual members of the brewery.

At first some of the workers were skeptical of the idea of inviting consumers and supporters onto the board of a co-op with a strong worker cooperative orientation, but over time this problem has been diffused through dialogue between the board and workers. The board recognizes the brewery cannot exist without the workers, and the entire membership understands the need for healthy conversation between the various stakeholders groups.

Consumer and supporter members played an important role in start-up of the co-op by proving the majority financing to launch the business so the co-op did not have to rely on capital from the workforce alone. The consumer member option has proved popular with local residents, and this group is now approaching 2,000 members. In addition to the start-up capital they lend, another important advantage, which fits well with the Co-op’s philosophy, is its diverse membership fosters stronger connections with the Austin, Texas community where they reside.
Traditional economic theory would largely predict the downfall of something as unwieldy as a multi-stakeholder cooperative. Challenged with the high transaction costs necessitated by the involvement of so many parties, these theories would predict that multi-stakeholder organizations would soon revert to one dominated by a single stakeholder group, or else fall apart entirely under the weight of their own competing objectives. As Catherine Leviten-Reid deftly notes in a forthcoming paper, however, this just doesn’t seem to be the case, at least not yet. She posits an alternate theory, whereby instead of thinking of the high transaction costs of involving multiple parties, it may instead be more appropriate to think of multi-stakeholder enterprises as more highly evolved coordinating mechanisms for the collection and coordination of disparate information in the pursuit of common needs.

Other researchers agree, pointing out the reduced transaction costs that will ultimately emerge through the increased levels of information, trust and involvement resulting from the multi-stakeholder approach:

“The supposed inefficiency (of involving multiple stakeholders) actually is essential for creating the virtuous circles of human connectivity that are basic to the organizations’ effectiveness and that have valuable spillover effects beyond the group itself”

—Robert Putnam, Better Together, p. 270-271

the disadvantage of increased costs cause by interest harmonization and decision-making is balanced by a number of advantages of this specific organizational typology, namely better quality of services (services correspond to the users’ needs) and the reduced transaction costs (due to trust relations, resulting from knowledge of local conditions and stakeholders’ involvement.10

Due to the emerging nature of the sector there is little empirical research on multi-stakeholder cooperatives specifically. A 2004 survey of 79 multi-stakeholder cooperatives in Quebec revealed a very high level of satisfaction among members with their cooperative’s governance process, with co-ops reporting both a high level of engagement on the part of different members, and a clear ability to reach consensus in decision-making. When asked to identify future challenges, most members cited economic issues rather than problem with board governance\(^\text{11}\), indicating that the multi-stakeholder governance model did not present them with the insurmountable challenges that some theorists fear.

Indeed, contrary to what cynics might suppose, there does not seem to be any evidence that multi-stakeholder cooperatives are any less efficient or more argumentative than single-constituency cooperatives, and even a bit of evidence to the contrary. What little empirical evidence there is suggests that the well-being of different constituencies within a multi-stakeholder cooperative is not a zero-sum game—one set of members does not need to win at the expense of the others. In the largest comparative study to date for example, which involved over 300 cooperatives, Borzaga and Depedri found that on both social and financial measures, workers fared equally well in cooperatives organized as multi-stakeholder co-ops and worker-only cooperatives—the addition of other stakeholder groups in the co-op did not take away at all from the ability of co-op workers to achieve their aim of meaningful and remunerative employment.\(^\text{12}\)

Researchers in both Quebec and Italy stress the evolving nature of the sector, however, with a vigorous level of current interest and experimentation going on in both those countries.

Bridging and Bonding

A summary of relevant research would not be complete without a mention of the important work of Robert Putnam on the topic of social capital and the tangible value of social networks. In his seminal work on the topic, Putnam makes an important distinction between the complementary notions of “bonding” and “bridging” social capital. Bonding social capital is what happens when networks link people who share crucial similarities; these tend to be inward-looking. Bridging social capital describes the power of the networks and relationships that happen when people with essential differences join together; these types of networks are more outward-looking. Putnam describes bonding as a kind of sociological Super Glue—when we are sick, it’s our bonding social capital partners who bring the chicken soup. Bridging social capital is akin to sociological WD-40—it’s what keeps a diverse democracy vigorous and inclusive.

Healthy societies need both, but bridging social capital—the kind that brings diverse groups together—is, Putnam points out, much harder to create than bonding. Bonding can be a precedent to bridging, but in some instances it can also preclude it. Both kinds take time to create, and are of necessity a local phenomenon. While overall Putnam sees from his research that the level of sociability

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and civic participation in the United States appears to be declining, he also concludes that that this larger trend masks a tremendous amount of variability on the local level.

Working together fosters the bridging kind of social capital, as does civic engagement. In his 2003 book of case studies, *Better Together*, Putnam points out that social capital is most often the byproduct of the pursuit of some particular shared goal, rather than a goal pursued in and of itself. Taken together, these observations support the conclusion that multi-stakeholder cooperatives could indeed be important vehicles for the building of that elusive bridging variety of social capital that make pluralistic democracies prosper.

*For more on building social capital see Appendix G. See also the list of frequently asked questions about social capital on the Saguaro Seminar website, www.hks.harvard.edu/saguaro/faqs.htm.*
Information, dialogue and sunshine are three concepts that come up frequently in the discussion of successful multi-stakeholder cooperatives. Like the proverbial blind men and the elephant who each examined a different part of the elephant (ears, tail, trunk, limbs) and described the animal completely differently (and incorrectly) as a fan, rope, snake or tree, if each party to a transaction can only describe and understand their own situation the probability for anyone having a comprehensive understanding of the entire system of supply and demand is slim. Multi-stakeholder cooperatives by their nature seek out different information and new perspectives. But to be successful they also need to know how to share this information in ways that make it meaningful to members of the other groups. Information is important, but dialogue is just as key. Dialogue has a crucial role to play in building trust as well, as does sunshine or transparency around all transactions. Different constituencies who don’t have natural networks of trust can build these over time through common objectives supported by clear, comprehensive and predictable information.

Several observers of this sector have pointed to the particular need for training and support for multi-stakeholder boards and management in the area of facilitation, consensus-building and deliberative democracy. Parties to these enterprises are expected to do a lot of bridging to groups outside of their own, which is a challenging assignment. The more skills and support they have in doing this, the better it will be for the entire co-op. Having regular outside facilitators at meetings or adopting practices such as informally rotating the chairmanship between representatives of
different groups are some things that co-ops in our case studies have done to build both skills and trust.

Reinforcing social cohesion and common mission at every appropriate opportunity is another best practice. Multi-stakeholder cooperatives by their nature seek a broad range of participants. This makes it all the more important that those who do participate remain true to the shared mission. Reminding each other at every meeting of the common purpose for coming together as well as planning for small, tangible wins and then linking those wins to the overarching common mission will help members feel included and on-track. Building social cohesion is incremental and cumulative—pacing yourself for the long haul is vital to avoid disappointment and burnout.

Robert Putnam in his work also makes some interesting observations about the efficacy of storytelling in building social capital and cohesion, and about the importance of shared space, whether physical or virtual. These are points that multi-stakeholders could certainly take into consideration.

“Multi-stakeholder boards can be difficult because of the different interests that people bring to the table but the approach brings with it real strength of the recognition that ‘we are all in this together’ . . . if you really believe in diversity then it becomes our responsibility to develop the ability to listen to each other and come to common ground . . .”

—Dr. Brian Rank, Board Member, HealthPartners

“A FAVORABLE ÉLAN OF COMPROMISES”

A prominent expert on multi-stakeholder cooperatives once prosaically used the phrase “a favorable élan of compromises” when describing the emergence of multi-stakeholder cooperatives in Quebec.

élan: é.lan (noun): vigor and enthusiasm, often combined with self-confidence and style

Think about pursuing compromise not as a strategy imbued with cynicism or defeat but rather one characterized by enthusiasm, self-confidence and style, and you have the best of what multi-stakeholder cooperatives can bring.

Another colleague in Quebec characterized their cooperative development system as a “learning voyage.” For multi-stakeholder cooperatives, building new structures and breaking new ground every day, it is important to keep this positive perspective in mind. Mistakes will be undoubtedly be made. The key question in contemplating a multi-stakeholder approach is not “will it be perfect?” but rather “Can we do better than what we have right now? And if so “Can we do it alone?” If your answer to these questions is “yes,” we can do better, but “no,” we can’t do it alone, then you might want to consider a multi-stakeholder approach.
APPENDICES

Appendices B, D, E and F are excerpted with permission from In Good Company: The Worker Cooperative Toolbox published by the Northcountry Cooperative Foundation.

Appendix C is an article by Lynn Pitman of the University of Wisconsin Center for Cooperatives reprinted from the November-December 2010 issue of Cooperative Grocer.

Appendix G comes from the website www.bettertogether.org/150ways.htm

APPENDIX A: THE COOPERATIVE PRINCIPLES

The current articulation of these seven principles, approved by the International Cooperative Alliance (ICA) at a 1995 meeting that celebrated the 150th anniversary of the modern cooperative movement, is as follows:

1. Voluntary and Open Membership
   Cooperatives 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.

2. Democratic Member Control
   Cooperatives 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 cooperatives, members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner.
3. **Member Economic Participation**
   Members contribute equitably to, and control democratically, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members allocate surpluses to any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. **Autonomy and Independence**
   Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. **Education, Training, and Information**
   Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

6. **Cooperation among Cooperatives**
   Cooperatives provide the most effective service to their members and strengthen the cooperative movement by working together through local, national, and international structures.

7. **Concern for Community**
   Cooperatives work for the sustainable development of their communities through policies approved by their members.
APPENDIX B: WHAT IS A COOPERATIVE?

The International Cooperative Alliance defines a cooperative as “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.” It is, essentially, an enterprise formed by a group of people who join forces and work together to solve a problem or reach a goal that they all share. In a cooperative, only members are permitted to own common shares of equity. All cooperatives are owned and governed democratically, applying the principle of “one member, one vote.”

Cooperative members come from all walks of life, and they are all ages and belong to all income groups. People form and join cooperatives to meet all sorts of needs, and they buy and sell all kinds of products and services, ranging from child care to groceries to agricultural products to financial services. There are cooperative day-care centers and cooperative burial societies. There is probably a cooperative somewhere in the country to meet every kind of need imaginable.

Cooperatives are differentiated from other business entities in three ways: member ownership, member control, and member benefit. A cooperative is an enterprise where ownership, control, and benefit are all held by the same group of people: the cooperative members.

**Joint Ownership**

Co-op members are not just customers, employees, or users of the business—they are also the business owners. In an investor-owned business, owners are concerned mainly with making money. In a cooperative enterprise, by contrast, member-owners are concerned not only about whether the enterprise is making money, but whether the business is meeting the needs of its member-owners. These needs may be economic (making a fair wage), non-economic (contributing to a healthy environment, or setting an example of worker participation in business management), or some combination.

**Democratic Control**

Participation in the decision-making process is one of the primary ways business owners exercise their rights as owners. In a typical investor-owned company, each investor casts votes in direct proportion to the number of shares the investor owns—that is, more shares equals more votes equals more control. In a cooperative ownership structure, by contrast, control is vested with each member, not each share of stock. This means that each member casts one vote in any business decision that is put before the membership, regardless of the number of shares owned. Cooperatives are operated according to the democratic principle of “one member, one vote.”

Co-ops are led by member-elected boards of directors. The co-op’s manager or other top staff report directly to the board. Since the board members are the ones who will be leading the organization and making key decisions on behalf of the membership, the most important vote that any co-op member makes is for the board of directors. In a worker co-op, all members engage in electing their top leadership. In an investor-owned business, by contrast, the board of directors is typically composed of top company management, plus some outsiders.
Member Benefit

Cooperatives are operated for the benefit of their members. Like any business, a cooperative must make at least as much money as it spends, but spending decisions are also based on delivering the greatest value to members. In an investor-owned business, profits are distributed based on the number of shares owned. In a cooperative, net income (income over and above expenses) is redistributed back to the members based on some equitable system. This system is called “patronage” and the redistributed profits are called “patronage rebates,” “patronage refunds,” or sometimes “patronage dividends.” Members are “patrons” of the co-ops, and profits are redistributed back to members based on how much business they do with the co-op (that is, how much they “patronize” it). In a producer co-op, this might be how much grain, milk, or other product the farmer-member markets through the cooperative. In a consumer co-op, patronage is measured based on an equitable formula of labor input, either according to hours worked, pay level, seniority, or some combination of all three.

Thus, while a conventional investor-owned business provides returns based on capital input, a worker cooperative provides returns based on labor input.

Because cooperatives are operated for the benefits of members and not as speculative investment vehicles, they function essentially at cost. This fact means that cooperatives enjoy the attractive tax benefit of single taxation. In an investor-owned corporation, profit is taxed at the corporate level before it is distributed to members as dividends. Individual stock owners must then pay tax a second time on this income at their individual level. In a co-op, by contrast, only profits that are kept by the company as retained earnings are taxed at the corporate level. Earnings that are passed through to members are only taxed once, at the individual level.

Cooperative Principles

Equity. Equality. Self-help. Self-responsibility. Democracy. Solidarity. These are the values on which the modern cooperative movement was founded and the basis for the organization of every cooperative enterprise in the world today.

The origins of the modern cooperative movement can be traced to the city of Rochdale, England, at the beginning of the Industrial Revolution. In 1844, a group of industrial trade unionists, tired of the poor quality and high prices of goods sold through the company store, set out to make things right. The Rochdale Society of Equitable Pioneers opened its first cooperative store on Toad Lane.

From the outset, the group’s purpose was more noble than simply selling quality, affordable provisions and clothing. It also proposed the building of houses “in which those members desiring to assist each other [in] improving their domestic and social conditions, may reside.” The group also recommended “the formation of worker cooperatives to help the unemployed; the purchase of land for common cultivation; and the promotion of education and sobriety.” While some of these early efforts were more successful than others, the clarity, consistency, and breadth of these cooperative principles are striking. From the beginning, these co-op pioneers envisioned cooperatives as a way to give ordinary people greater control over their lives, to improve their economic conditions, and to protect them during hard times. These principles, developed more than 150 years ago, live on today in the thousands of cooperative institutions that exist throughout the United States and the world.
Co-ops Today

Any type of business can be a cooperative. In the United States the largest co-ops are often agricultural co-ops and credit unions. Indeed, since the beginning of our nation, farmers and ranchers have joined together to pool the funds and manpower necessary to process or harvest their goods. Credit unions are often developed by employees of large organizations to provide financial services to their members.

Co-ops also abound internationally. In Quebec (Canada), Northern Italy, India, and Japan, for example, cooperatives play a significant role in the national and regional economies. The most famous worker co-ops in the world are the Mondragon cooperatives in the Basque region of Spain, an association of over one hundred cooperative enterprises, forming an entire cooperative economy in which factories, schools, banks, retail stores, and services operate on a cooperative basis.
Understanding the ULCAA:
A report from the University of Wisconsin Center for Cooperatives

By Lynn Pitman

Since 2001, new cooperative laws have been adopted in five states—Wyoming, Tennessee, Iowa, Minnesota, and Wisconsin—and introduced in the Nebraska state legislature. These laws do not replace existing cooperative statutes. They provide for the establishment of a new type of business entity, the limited cooperative association (LCA), which has characteristics of both the traditional cooperative and the limited liability company (LLC). Because the LCA can be structured in ways that contradict fundamental principles under which cooperatives traditionally have operated, there is concern that these new laws will subvert or dilute the cooperative business model.

Traditionally, a business organized on a cooperative basis subordinates the interests of the capital investor to those of the business user, or patron. Cooperative control is in the hands of its member-patrons, and returns on investment capital are limited. Member-patrons are the primary source of equity capital, and net earnings are allocated on the basis of patronage instead of investment.

The new statutes have been presented as one approach to the problems of modern-day capital formation within the traditional cooperative structure. In contrast to past cooperative laws, the new statutes all specifically allow the distribution of net earnings on the basis of investment contributions, as well as on patronage, and do not set limits on investor returns. Investors may have voting rights and may be eligible for election to the board of directors. The statutes provide varying levels of protection for patron-member interests by setting minimums for patronage-based earnings distributions and by making special provisions for patron-member voting and patron majority representation on the board of directors.

Besides limited liability for its members, both the LLC and the LCA also offer a choice in tax treatment. The organization may elect to be taxed as either a partnership or as a corporation, although this flexibility may affect the organization’s status as a cooperative for federal tax purposes.

Most cooperatives are incorporated under state cooperative statutes. These statutes are not uniform and describe cooperative structure and operations with varying levels of specificity. All states have at least one cooperative statute, and many are specific to agricultural producers. To protect the interests of the cooperative patron, some state statutes require the cooperative to operate on a nonprofit basis, so that goods or services are provided at cost. Other statutes protect patron interests by requiring that net earnings...be distributed on the basis of patronage.

Furthermore, many state statutes, as well as federal cooperative tax laws, set limits on dividends or interest paid on a cooperative’s capital stock. As a result, cooperatives have limited access to outside sources of capital, and cooperative members must provide significant portions of the equity needed for startup ventures or expansions.

The challenges posed by equity capital formation have been especially visible in the agricultural sector, where cooperative businesses play a significant role...
Dividend rate, opportunities for asset appreciation, and voting rights tied to level of investment are criteria that are used by a nonpatron investor to evaluate an investment opportunity but are limited or prohibited by cooperative statutes. Cooperatives have attempted to address these issues in a variety of ways, including conversions, joint ventures and the use of the limited-liability company business structure.

The exploration of alternative business forms set the stage for the development of the LCA. The first state statute governing this type of business structure was passed in Wyoming in 2001 and was specific to agricultural operations. Since that time, the applicability of this new type of cooperative to other business development situations has been recognized. Later statutes have a broader scope and encompass many business sectors. The specifics in the state statutes vary, but all provide some guidelines on patron voting collectively, voting power of patron-elected board of directors, and allocation of profits to patrons.

The concurrent drafting of a proposed uniform cooperative statute by the National Conference of Commissioners for Uniform State Law (NCCUSL) mirrors these developments. NCCUSL began working on a draft cooperative statute in 2004. As was the case with state LCA statutes, it was not meant to be a replacement for state traditional cooperative laws, but rather to “provide a flexible cooperative act to aid agricultural producers associated for economic development.”

As the draft statute evolved, so did its scope. The October 2005 working draft is entitled “Uniform Limited Cooperative Association Act” (ULCAA). The draft’s prefatory note drops reference to agricultural producers and describes its purpose as “...another statutory option for organizing cooperatives as a way to encourage economic development.” This and subsequent prefatory notes and memos explore the need for an organizational structure which reflects the legal, historic, and functional differences of the cooperative business form but allows increased equity investment incentives for outside investors.

Existing LLC statutes are flexible enough to be used to establish a cooperative business structure that includes investor members with control and voting rights. However, the ULCAA was developed for use as an “efficient template” for creating this type of business organization, incorporating cooperative principles and practices drawn from a review of existing cooperative statutes. To balance patron and investor member interests, the ULCAA also includes provisions for collective patron voting, voting power of patron-elected board of directors, and sets a minimum allocation of profits to patrons.

Of the 22 limited cooperative associations described in 2005...only 36 percent were agriculture-related ventures. The 26 LCAs formed since May 2005 continued this trend, with 31 percent related to agriculture. Because the newer Iowa and Wisconsin statutes are both multisectoral, they are being used for a broad range of new cooperative businesses, including both consumer and purchasing cooperatives.

...[M]any of the associations formed under the LCA statutes were likely to operate as traditional cooperatives, and information gathered on several of the newer cooperatives indicate similar operational plans.
Many of these new LCAs do not appear to be the type of capital-intensive agricultural ventures that originally spurred the development of LCA business statutes. Because the statutes are relatively new, familiarity with them may still be developing within the business law community, affecting the frequency of their use in the formation of new cooperative businesses. In addition, the requirements built into the LCA structure to protect patron-member interests may not provide the level of control and the options for exit that would contribute to the attractiveness of an investment opportunity. Whether the LCA structure is sufficiently flexible to accommodate the needs of outside investor-members, while protecting patron-member interests in larger-scale projects, is unclear at this time.

However, a commonality of interests beyond the financial also may exist between investor- and patron-members. Cooperatives are seen as effective tools for addressing local community economic development issues and for promoting local ownership. Investor-member support and participation in these types of projects may be motivated by community development as well as financial considerations. The LCA structure allows for investor-members to participate in and support community development projects that otherwise might not be able to attract sufficient capital for start up.

Excerpts from “Limited Cooperative Association Statutes: An Update.” University of Wisconsin Center for Cooperatives 2008 staff report. The full report may be viewed on the UWCC website: http://s.coop.3qk.
Selecting the Board

The greatest threat to the survival of a cooperative is a poorly performing board of directors.

Being a positive participant in effective cooperative governance is the most important job a co-op member has. All cooperatives, whatever the kind, share the basic premise of one member, one vote. All cooperative members share equally in voting for the board of directors, and also by law must be allowed to vote on major decisions affecting the cooperative’s future, such as a sale, merger, or dissolution of the business, as well as any changes to the bylaws. Beyond that, however, cooperatives enjoy wide latitude in structuring how other decisions affecting the business will be made.

Six Traditional Major Areas of Responsibility of the Board of Directors

1. Mission: Determine the organization’s mission and set policies to ensure the fulfillment of the mission.
2. Fiscal: Establish fiscal policy and ensure the ongoing financial integrity and viability of the organization.
3. Leadership: Hire, evaluate, and if necessary, fire, the Executive Director.
4. Supervision: Provide ongoing supervision, direction and support for the Executive Director.
5. Strategic Planning: Provide the long term vision and plans for the organization, and develop priorities and policies to pursue and implement these plans.
6. Public Image: Represent the organization to the public and advocate for the organization.

The Board of Directors should not:

• Become involved in day to day operations;
• Hire or supervise staff other then Executive Director; or
• Micro-manage the Executive Director or the staff.

Directors of a cooperative business have the same legal responsibilities as directors of any other corporation or business. The exact legal obligations of boards of directors vary from state to state, but most state statutes encompass the basic duties of care, loyalty, and obedience. Because of the unique nature of cooperative businesses, however, board members must attend to some additional duties. Unlike investor-owned businesses, which are often focused solely on making a profit, co-ops operate profitably to meet the needs of their members. Co-op directors must know what those needs are. They also must ensure that the members are educated about cooperatives and about their rights as members. The board has an official responsibility to communicate with member-owners about the financial health of the organization and about the plans and vision of the board.

When a new cooperative is formed, the corporate bylaws will reserve certain decision-making rights for the membership as a whole. Any other decisions, by definition, may be made by the board of directors. In practice, certain other issues might be taken to the membership at large for input. When setting up a co-op, it is important to outline how decisions will be made: When will the group as a whole make decisions? What kinds of decisions can board officers or committees make? How will such decisions be made? Will approved decisions require collective agreement or a simple majority?
Learning to Promote Sound, Fair Governance: Qualities of an Effective Board Member

Good boards don’t just happen, they are made. An active, thoughtful, and directed nominations process is a key element that differentiates effective boards from ineffective ones.

Before recruiting individuals for your board, think about what the board as a team is charged with doing, and what will make the board as a team most able to fulfill its leadership responsibilities in ways that will benefit the entire co-op. The board members must be able to work together to fulfill the board’s responsibilities while representing the diverse interests of the co-op. It is important to consider how leadership roles can be shared among people so that the skills and experiences of each person complement those of the others.

First decide what skills and qualities you want this group to have, and then determine what skills and qualities are lacking in the group. Target your recruitment so you can fill in these gaps.

Some members will stand out immediately as good candidates for the board. Others will have more subtle qualities that make them potentially good candidates. Individual board members must provide the pieces that fit together to form an effective group, but no individual board member is required to have every skill or leadership quality necessary to the group as a whole. One board may need a person with particular skills and experience, while another may need someone very different. The goal is to build an effective group; each individual is only one piece of this equation.

The following types of people may be good board candidates:

- People who have participated actively at co-op meetings or events.
- People who have shown initiative, diplomacy, knowledge, and judgment in addressing issues facing the co-op or another group.
- People who are demanding change and will take on responsibility for initiating it.
- People who help a meeting simply by being there—through their people skills, organizational skills, sense of humor, or positive spirit.
- People who inspire trust or are seen as team builders.
- People who are good listeners.

People enjoy having their strengths recognized by their peers.

Keep in mind that all boards will need training to carry out their duties effectively—training in financial management, group process, cooperative legal issues, and so forth—and that adults learn differently than young people do.

Below is an outline of some of the personal characteristics of an effective board president, but the ideas listed are true for all board members. Striving to create something really special for and with your fellow members is what can make serving on the board of a cooperative a uniquely rewarding experience.

Personal Characteristics of an Effective Board President

Commitment to Service—Above all, the president must be committed to his or her role as a servant of members. An effective servant does not always do the leading, but implements the will of members.
**Vision**—The co-op looks to the president for inspiration. Members want to hear how good the cooperative can be. A good president looks for the positives and talks about them. The president must visualize how the board, committees, and volunteers function separately, and also how they work together to achieve the co-op’s goals.

**Perspective**—The president needs to be able to step back from the day-to-day activities and assess what is happening, as if for the first time. That includes having a sense of humor.

**Impartiality**—An effective president is able to remain objective and open-minded in all discussions. He or she must be willing to listen to intensely different points of view.

**Caring**—The president must care for the conduct of the co-op and for the well-being of its members. A strong president has the ability to affect others positively and to generate enthusiasm in others.
APPENDIX E: BOARD MEMBER CODE OF CONDUCT

Board of Directors Code of Conduct

As a co-op director, I pledge to do my best for the co-op and will:

• Devote the time needed to fulfill the responsibilities of the position.
• Attend all regular and special board and committee meetings.
• Be prompt, attentive, and prepared for all board and committee meetings.
• Contribute to and encourage open, respectful, and thorough discussions by the board.
• To enhance board understanding and cohesiveness, attend and actively participate in the board’s training sessions and annual planning retreat.
• Consider the business of the co-op and its members to be confidential in nature.
• Disclose any personal or organizational conflict of interest in which I may be involved, and refrain from discussing or voting on any issues related to that conflict.
• Be honest, helpful, diligent, and respectful in my dealings with the co-op, other directors, and the co-op’s management, staff, and members.
• Refrain from becoming financially involved or associated with any business or agency that has interests that are, or could be perceived to be, in conflict with the co-op’s interests.
• Work for continued and increased effectiveness in the co-op’s ability to serve its member-owners.
• Be a team player and agree to abide by the majority action of the board, even if it is not my own personal opinion.
• Present the agreed-upon view of the board of directors, rather than my own, when I speak on behalf of the co-op to employees, members, shoppers, and the general public.
• Refrain from asking for special privileges as a board member.
• Work to ensure that the co-op is controlled in a democratic fashion and that all elections are public, fair, and open to the participation of all members.
• Strive at all times to keep members informed of the co-op’s status and plans and of the board’s work.
• Continually seek opportunities to learn more about the co-op and its operations and about my responsibilities as a board member.

As a co-op director, I agree to abide by this Statement of Agreement in both letter and spirit.

______________________________________       ______________________________
Signature                                                            Date
Characteristics of Effective Meetings

- The atmosphere is informal, relaxed, and comfortable. People are involved and interested. There are no signs of boredom or tension.
- There is a great deal of discussion in which everyone participates. The discussion stays relevant to the topic(s) at hand. If the discussion gets off the subject, someone quickly brings it back.
- The task or objective of the team is well understood and accepted by participants. Participants are committed to achieving it.
- Participants really listen to each other.
- Disagreement is expressed openly and without fear of conflict. Differences of opinion are honored and thoroughly explored before decisions are made. If differences cannot be resolved, participants agree to live with them and move on.
- Decisions are reached by consensus. Formal majority voting is not used.
- Criticism of ideas is frequent, frank, and phrased constructively. Participants avoid personal attacks.
- People are encouraged to express their feelings as well as their thoughts. There are no hidden agendas and few surprises, since participants are open about sharing their feelings.
- When action is agreed upon, clear assignments are made and participants accept individual accountability.
- The facilitator does not dominate interaction. Participants do not defer unduly to the facilitator. All participants exercise leadership responsibilities.
- The group is highly conscious of its own internal processes. Frequently, it will stop to examine how well it is doing and take a look at things that may be interfering with its functioning.

Problems are discussed openly until a solution is found.

Key Meeting Roles

**Meeting Facilitator**

Responsibilities: To begin and end the meeting on time; to keep the meeting focused on results; to keep the meeting moving; to model and use facilitative behaviors; to keep discussion on track; to keep the discussion balanced; to summarize; to encourage all participants to contribute; and to listen, look for, and point out areas of agreement. See “Role of Meeting Facilitator,” below, for more details.

**Recorder/Minute Taker**

Responsibilities: To record ideas and suggestions made by participants, to record agreements and decisions reached, to seek out clarification when necessary.

**Timekeeper**

Responsibilities: To keep track of time spent on agenda items, to warn leader or facilitator when time is running out.
**Participant**

Responsibilities: To contribute to the meeting in a constructive way; to share information that is useful; to listen carefully to other points of view; and to pay attention to both task and process functions.

**Role of Meeting Facilitator**

Co-op meetings don’t have “someone in charge”; they have facilitators. The board president is usually the meeting facilitator, but the board can assign the facilitator role to anyone. A facilitator is a member who steps out of the decision making to focus on the meeting process, how the discussion runs. Skilled facilitating keeps a meeting focused, moving, and productive.

Small meetings are generally easy to facilitate; large meetings are tougher. Start small and gain experience. With practice and attention, anyone can become a great facilitator.

Here’s a quick checklist of the facilitator’s role:

- Make the meeting space comfortable.
- Provide meeting supplies (extra handouts, newsprint, tape, etc.)
- Start and keep the meeting on time.
- Move the group from one agenda item to the next.
- Recognize people and give them their opportunity to speak.
- Keep issues clear and manageable.
- Make sure that people stick to the issue.
- Encourage positive attitudes.
- Make sure that everyone participates.
- Sum up discussion points.
- End discussion if a decision cannot be made.

The following outlines a facilitator’s job in detail. All of the listed goals are necessary, but the tools are suggestions. Experiment and learn as you go.

**Focus**

It’s the facilitator’s job to stay out of the debate and keep discussions on track. An unfocused meeting quickly becomes inefficient and frustrating.

1. Separate yourself (as facilitator) from the discussion. Try not to add content to the discussion. As facilitator, your role is to focus on the process.
   - If you know that you have a strong personal stake in a proposal, ask someone else to facilitate the meeting.
   - If you give any personal input, start by saying, “Stepping out of my facilitator role. . . . “ It is important that people do not give your opinion more weight because you are acting as facilitator.

2. Keep the issue clear and manageable.
   - Start the discussion with a time for “clarifying questions.” This is a time for people to make sure they understand the issues or proposals, not to discuss them.
   - Break large, complicated issues or proposals into smaller parts.
   - Post the agenda or steps needed to reach a decision where everyone can see them.
3. Make sure people stick to the issue.
   - Keep a “parallel agenda” or “parking lot” if unrelated issues come up. Jot down notes of concern. Later, you can address these issues quickly, or pass them to a committee, or table them for a future meeting.
4. Keep speakers from repeating points that have already been made.
   - Write points on a large pad of newsprint or a whiteboard.
5. Keep the meeting moving. Be aware of time.
   - Set time limits for each agenda item.
   - Choose a timekeeper.
   - Remind people how much time remains. If you run out of time, have members either extend the time limit or set another time to continue the discussion. If you extend the time, have the members decide if the meeting will go longer or what will be tabled for another time.

Participation

It’s the facilitator’s job to recognize speakers and get everyone involved. The more points of view that are expressed and then addressed, the stronger final decisions can be. Everyone has valid opinions. Everyone can have creative solutions.

1. Recognize speakers; call on people to speak in turn.
   - Keep a “stack.” Write down people’s names as they raise their hands and use that list to call on people in turn. People may not get to speak at the exact moment they want, but they will understand that the system is fair.
2. Make sure everyone gets a chance to speak.
   - Go around the circle, giving each person a brief, uninterrupted chance to speak.
   - Ask questions to prompt quiet members to speak.
   - Break the discussion group into smaller groups so it’s less intimidating.
   - Try to have everyone speak once before anyone speaks a second time.
   - Clarify the issue under discussion as needed.
3. Encourage everyone to speak his or her mind.
   - If someone seems to be holding back, try to engage them in the discussion.
   - Give people easy ways to participate. Ask the group a question and have people show thumbs: thumbs up means agree, in favor, and thumbs down means disagree, against. Thumbs to the side means unsure, neutral.
4. Encourage creativity, especially when discussions get stuck.
   - Hold brainstorms where everyone adds to a list of ideas without any evaluation. The group can discuss specific ideas after the brainstorm.

Positive Attitudes

It’s the facilitator’s role to set the tone of the meeting. Good meetings are relaxed, organized, friendly, and fun.

   - Keep discussions from getting too heated by scheduling breaks.
   - Give positive feedback.
   - Discourage nonconstructive feedback and criticism.
• Refer to points and proposals by titles, not the names of the person who presented them.
• Make the space comfortable.

Pull It All Together

It’s the facilitator’s role to achieve clarity before the group makes a decision. This is one of the most important parts of facilitating—and often the hardest.

1. Sum up what’s been said; in voting, review points of opposing proposals; in consensus, repeat points to be addressed and solutions.
   • Use a whiteboard or flipchart to list points of the proposal(s).
   • Review important points of the discussion (on paper or orally). This way the group can see how the decision has been reached.
   • Know if or when a decision cannot be made. The people may need more facts, opinions from others, or time to think.
   • Ask members what they need or want to feel comfortable making a decision.

2. Make sure everyone understands the decision.
   • Restate the decision. Ask for group approval. Make sure the recorder writes it down exactly.

Board Meeting Facilitation Tips

Good facilitation makes all the difference between feeling energized or drained by a meeting. Strong facilitation helps all members participate equally. Although leading a board discussion is usually the president’s job, facilitation may be assigned to any person who has a knack for watching the clock and the agenda, and for encouraging everyone to participate in discussions.

Running meetings and managing them well is not something that anyone is born knowing how to do; it is an acquired skill that takes talent and experience. With time, each facilitator discovers his or her own strengths and style. Don’t be hesitant to secure (and be willing to pay for) outside help if you need it.

The basic job of the facilitator is threefold: Begin the meeting on time, keep the meeting moving, and end the meeting on time.

Begin the meeting on time.
• Allow some time for small talk and settling in.
• Create an impromptu agenda, if necessary.
• Walk through the agenda, emphasizing desired outcomes (decision, review, or discussion) for each item.
• If agenda topics have appeared in prior meetings, establish continuity by giving a brief review of actions taken since their last consideration.

Keep the meeting moving.
• Don’t move too fast or push too hard.
• Stick to the allotted times for agenda items.
• Summarize frequently to avoid confusion or misunderstanding, and bridge from one topic to the next.
• If a discussion becomes complicated or lengthy, propose a way of addressing the topic in another
way or at another time.

• Keep the discussion balanced.

• Encourage all participants to contribute. The facilitator should be sensitive to everyone’s needs to digest or articulate information, especially when discussing complex topics or making difficult decisions, while keeping the discussion moving and tactfully cutting short repetitive arguments.

• Listen, look for, and point out areas of agreement.

Bring the meeting to a conclusion.

• Be committed to ending meetings on time.

• Get clear agreement on action items, including who will be responsible, time frames, how progress will be checked, and how progress will be evaluated.

• Some boards routinely set aside a block of time at the end of each meeting to give members a chance to air questions or concerns. To prevent the meeting from becoming a gripe session, it helps to have ground rules for this sort of exchange.

• Time should be allowed at the end of each meeting for a meeting evaluation process. Encouraging board members to give feedback can improve teamwork and make the job of being a board member fun. All board members are responsible for helping make meetings effective.

• Set the tentative date and time of the next meeting, if appropriate.

Using the Consensus Model for Decision Making

Making decisions as a group can be difficult. Voting sometimes leaves a group deadlocked, frustrated, or resentful. Often, an answer is not a simple “yes” or “no.” One way a group can reach a decision that unites participants instead of dividing them is through consensus. Consensus is defined as reaching general agreement. An effective meeting facilitator will attempt to guide the group to consensus on decisions using the following techniques:

• Encourage the presentation of viewpoints, especially when they are conflicting. Real consensus comes only after open discussion and acknowledging differences.

• Listen carefully for agreements and hesitations within the group. When a decision can’t be made, state points of agreement and hesitation. Stating points of agreement helps group morale, may lead to agreement “in principle” on the issue, and may make it possible to agree on new ideas. Stating points of hesitation can make them clearer and allow for resolution. Many times, hesitations are based on misunderstanding and restating can end those misunderstandings.

• Test for agreement as soon as a decision seems to be emerging. State the tentative consensus in a question and be specific. For example: “Do we all agree that we’ll meet on Tuesday nights for the next two months, and that a facilitator will be chosen at each meeting for the next one?” rather than “Do we all agree to do this the way it was just suggested?” If you are unclear about how to phrase the decision, ask for help.

• Insist on a response from the group. Don’t accept silence or grunting for consent. Participants need to be conscious of making a contract with each other.

• Sometimes stating the perceived agreement in the negative helps to clarify the group feeling: “Is there anyone who does not agree that…” This method is especially helpful for groups under time pressure or with a tendency for nit-picking, but it is also important for group members to be fully
supportive of the decision. If you have doubts about their commitment, ask them.

- Be suspicious of agreements reached too easily. Test to make sure members really do agree on essential points.
- Offer alternatives when there is no agreement.
- Ask those who disagree to offer alternative proposals for discussion and decision.
- If an agreement still cannot be reached, people may need time to reflect on the feelings behind their opinions. Propose a break or a period of silence, or postpone the discussion.
- If postponing the decision, try to reach an agreement on a process for what will happen before an item is brought up again. It is often productive for representatives of opposing factions to draft a compromise proposal together.

There are many models of consensus-based decision making, and the one described below is just one of them. The idea behind this model is to avoid having anyone leave the table feeling disgruntled, excluded, or dismissed. This model isn’t appropriate for every decision you make, but it can be helpful for times where you’re dealing with potentially divisive issues.

When making a decision, instead of voting “yes” or “no,” have everyone express support for the decision in terms of a number between 1 and 5:

- 5 = I feel strongly about this and will take the lead to make sure it happens.
- 4 = I feel strongly about this, and will work to make sure it happens.
- 3 = I am okay with this.
- 2 = I am not okay with this, but will not stop it.
- 1 = I am opposed to this, and will work to prevent it from happening.

After everyone has voted, tally and share the responses with the group. Begin by asking the 1s and 2s to share their concerns. Ask them to relate their opinion directly to the values, goals, and objectives of the cooperative. Then ask the 4s and 5s to share their viewpoints and do the same thing. The goal is to share viewpoints until everyone in the group is comfortable with the decision. Even in a consensus decision-making process, the group may opt to overrule a single member or small group that stands in the way of where the others feel strongly the organization should go. Also, if there are no 5s, you may ask if the proposal is a good idea to begin with.

**Ground Rules for Meetings**

It’s a good idea to set some formal meeting ground rules that everyone agrees to abide by. Like the code of ethics, ground rules describe the highest level of behavior that meeting participants should practice at all times, but that may be forgotten in the heat of discussion.

- Arrive on time. Stay until the end.
- Begin all meetings on time.
- Start the meeting with introductions and an explanation of the meeting process.
- Come prepared, having read all relevant materials beforehand.
- Recognize and state when you have a conflict of interest. Do not vote on any motion in which you have a stated conflict of interest.
- Make no judgmental statements.
- Seek to understand before being understood.
• Speak respectfully. Never raise your voice above a normal speaking tone.
• Talk to the issue, not to the person.
• Don’t criticize those who are absent.
• Ask questions when you do not understand. There are no stupid questions.
• Take turns speaking. Try not to speak again until everyone else has had a chance to speak.
• Don’t speak at the same time. Don’t interrupt.
• State your motions positively. Try to pair a solution with every problem.
• People can disagree without being disrespectful. Everyone needs to be heard and respected, but that does not mean everyone gets his or her own way.
• Talk about meeting issues at the meeting, not in the parking lot after the meeting.
• End all meetings on time.
• Thank all attendees for their support and dedication.

Roberts Rules of Order

Robert’s Rules of Order is a time-proven tool for meeting process. You don’t have to be a parliamentary whiz to use basic concepts that help you stick to an agenda and finish the meeting in an hour or two. The table shown below summarizes the most commonly used parliamentary procedures. Adopting these, even informally, can often help at times when discussions stray from the business at hand, or when conflict becomes stressful.

<table>
<thead>
<tr>
<th>Process</th>
<th>Following parliamentary procedure, one says:</th>
<th>Need a second?</th>
<th>Is it debatable?</th>
<th>Can it be amended?</th>
<th>What vote is needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduce business</td>
<td>“I move that . . .”</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Majority</td>
</tr>
<tr>
<td>Motion by committee</td>
<td>“Finance committee moves . . . .”</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Majority</td>
</tr>
<tr>
<td>Suspend further consideration</td>
<td>“I move to table the motion.”</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Majority</td>
</tr>
<tr>
<td>of an issue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postpone discussion for a</td>
<td>“I move to postpone the discussion until . . .”</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Majority</td>
</tr>
<tr>
<td>certain time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amend a motion on the table</td>
<td>“I move to amend the motion by . . . .”</td>
<td>Yes</td>
<td>Only if motion is debatable</td>
<td>Yes</td>
<td>Majority</td>
</tr>
<tr>
<td>End a debate and amendments</td>
<td>“I call the question.”</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>2/3</td>
</tr>
<tr>
<td>Give closer study to something</td>
<td>“I move to refer the matter to the ________ committee.”</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Majority</td>
</tr>
<tr>
<td>Adjourn a meeting</td>
<td>“I move that we adjourn.”</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Majority</td>
</tr>
</tbody>
</table>

Motions that occur occasionally

<table>
<thead>
<tr>
<th>Process</th>
<th>Following parliamentary procedure, one says:</th>
<th>Need a second?</th>
<th>Is it debatable?</th>
<th>Can it be amended?</th>
<th>What vote is needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protest breach of conduct</td>
<td>“I rise to a point of order.”</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No vote</td>
</tr>
<tr>
<td>Vote on a ruling of the chair</td>
<td>“I appeal the chair’s decision.”</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Majority</td>
</tr>
</tbody>
</table>
Troubleshooting a problem meeting

<table>
<thead>
<tr>
<th>Problem</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of agenda</td>
<td>Send a written agenda in advance to all meeting participants, increasing the odds that people will come to the meeting prepared.</td>
</tr>
<tr>
<td>Poor attendance</td>
<td>Were you clear about the meeting date, time, and location? Did you invite the correct people to the meeting? Did you poll participants to choose a convenient time and location?</td>
</tr>
<tr>
<td>Distractions</td>
<td>Be sure to choose a meeting time and location that is free from distracting sights and sounds. Make sure the seating and the room temperature are comfortable.</td>
</tr>
<tr>
<td>Late arrivals</td>
<td>Start the meeting on time. If you don’t start the meeting on time, you’re penalizing the people who were on time and rewarding the latecomers.</td>
</tr>
<tr>
<td>Socializing</td>
<td>Get down to business at hand and follow the agenda. Do not try to talk over the people talking on the side, but be silent until the disruption ceases.</td>
</tr>
<tr>
<td>Wandering from agenda</td>
<td>Make sure discussion sticks to the agenda. Bring back the strays. Use parliamentary procedure.</td>
</tr>
<tr>
<td>Meetings run late</td>
<td>Follow the agenda. Table items to be discussed at the next meeting or assign the work to a committee. Interrupt lengthy speakers, if necessary, and ask them to summarize. End the meeting on time.</td>
</tr>
</tbody>
</table>

Handling a Meeting Monopolizer

A “monopolizer” is a person who attempts to take charge of a group, monopolizing its discussion and trying to determine its direction. Many cooperatives have a monopolizer or two. Left unchecked, a monopolizer can ruin a committee, split a board, or even destroy a co-op’s sense of community.

Handling a monopolizer is a delicate matter because the co-op does not want to arbitrarily silence a member. That would be a violation of the member’s right to voice a minority opinion within the
democratic organization. The solution for the co-op is twofold:

- Proper use of the majority-rule democratic process.
- Effective meeting management by the meeting facilitator.

Responsibility for ensuring the success of the democratic process falls to the board, which is elected and empowered to run the meetings of the cooperative. Committee chairs have the same power delegated to them from the board.

**Encourage the Democratic Process**

The democratic process is designed so that organizations can get business done fairly and effectively. This includes preventing one person from taking over the agenda or making decisions without a vote. Anyone in the group can move that time limits be imposed, or that each person gets to make their point succinctly and only once. The group can adopt the process by majority vote. This not only puts clear limits on the monopolizer, but shows him or her that the group has heard enough from them.

**Manage the Person and the Meeting**

If someone has previously demonstrated a tendency to monopolize, a board member could speak privately with the individual before the next meeting. Ask the monopolizer what he or she wants to accomplish. Tell them that speaking too much doesn’t help their case, but rather turns people off. Help them formulate a simple request they can make at the next meeting and suggest that they then stop talking unless the president calls on them again.

In a meeting, it is the facilitator’s responsibility to protect everyone’s right to be heard. Set the ground rules, then stick to them firmly and consistently. Make raising your hand essential. Only allow someone to speak after being properly recognized. If anyone speaks before being called on, interrupt him or her. A gavel is useful in these instances.

Even a positively inclined monopolizer can create a difficult situation. Such a person may volunteer lots of their time to the co-op and may be well liked by everyone, but feel a need to be in charge of everything. But if the situation continues, other people stop trying to get involved. Another danger is that if the monopolizer should disappear, there could be a sudden leadership vacuum. Consequently, even a positive monopolizer should be encouraged to move over a bit and let others assume important roles.
what to do: 150 THINGS YOU CAN DO TO BUILD SOCIAL CAPITAL

Social capital is built through hundreds of little and big actions we take every day. We've gotten you started with a list of nearly 150 ideas, drawn from suggestions made by many people and groups. Try some of these or try your own. We need to grow this list. If you have other ideas, post them at: http://www.bettertogether.org.

1. Organize a social gathering to welcome a new neighbor
2. Attend town meetings
3. Register to vote and vote
4. Support local merchants
5. Volunteer your special skills to an organization
6. Donate blood (with a friend!)
7. Start a community garden
8. Mentor someone of a different ethnic or religious group
9. Surprise a new neighbor by making a favorite dinner—and include the recipe
10. Tape record your parents’ earliest recollections and share them with your children
11. Plan a vacation with friends or family
12. Avoid gossip
13. Help fix someone’s flat tire
14. Organize/participate in a sports league
15. Join a gardening club
16. Go to home parties when invited
17. Become an organ donor or blood marrow donor.
18. Attend your children’s athletic contests, plays and recitals
19. Get to know your children’s teachers
20. Join the local Elks, Kiwanis, or Knights of Columbus
21. Get involved with Brownies or Cub/Boy/Girl Scouts
22. Start a monthly tea group
23. Speak at/host a monthly brown bag lunch series at your local library
24. Sing in a choir
25. Get to know the clerks and salespeople at your local stores
26. Attend PTA meetings
27. Audition for community theater or volunteer to usher
28. Give your park a weatherproof chess/checkers board
29. Play cards with friends or neighbors
30. Give to your local food bank
31. Walk or bike to support a cause and meet others
32. Employers: encourage volunteer/community groups to hold meetings on your site
33. Volunteer in your child’s classroom or chaperone a field trip
34. Join or start a babysitting cooperative
35. Attend school plays
36. Answer surveys when asked
37. Businesses: invite local government officials to speak at your workplace
38. Attend Memorial Day parades and express appreciation for others
39. Form a local outdoor activity group
40. Participate in political campaigns
41. Attend a local budget committee meeting
42. Form a computer group for local senior citizens
43. Help coach Little League or other youth sports – even if you don’t have a kid playing
44. Help run the snack bar at the Little League field
45. Form a tool lending library with neighbors and share ladders, snow blowers, etc.
46. Start a lunch gathering or a discussion group with coworkers
47. Offer to rake a neighbor’s yard or shovel his/her walk
48. Start or join a carpool
49. Employers: give employees time (e.g., 3 days per year to work on civic projects)
50. Plan a “Walking Tour” of a local historic area
51. Eat breakfast at a local gathering spot on Saturdays and mingle
52. Have family dinners and read to your children
53. Run for public office
54. Stop and make sure the person on the side of the highway is OK
55. Host a block party or a holiday open house
56. Start a fix-it group: friends willing to help each other clean, paint, garden, etc.
57. Offer to serve on a town committee
58. Join the volunteer fire department
59. Go to church...or temple...or walk outside with your children—talk to them about why it’s important
60. If you grow tomatoes, plant extra for an lonely elder neighbor – better yet, ask him/her to teach you and others how to can the extras
61. Ask a single diner to share your table for lunch
62. Stand at a major intersection holding a sign for your favorite candidate
63. Persuade a local restaurant to have a designated “meet people” table
64. Host a potluck supper before your Town Meeting
65. Take dance lessons with a friend
66. Say “thanks” to public servants – police, firefighters, town clerk...
67. Fight to keep essential local services in the downtown area – your post office, police station, school, etc.
68. Join a nonprofit board of directors
69. Gather a group to clean up a local park or cemetery
70. When somebody says “government stinks,” suggest they help fix it

Note: Expanded from original list of “100 Things You Can Do to Build Social Capital” (Sagaro Seminar: Civic Engagement in America project at Harvard’s John F. Kennedy School of Government at Harvard; additional contributions from the New Hampshire Charitable Foundation and Rochester Area Community Foundation, as well as ideas from the public.

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71. Turn off the TV and talk with friends or family about social capital and why it matters
72. Host a neighborhood barbecue
73. Bake cookies for new neighbors or work colleagues
74. Plant tree seedlings along your street with neighbors and rotate care for them
75. Volunteer at the library
76. Form or join a bowling team
77. Return a lost wallet or appointment book
78. Use public transportation and start talking with those you regularly see
79. Ask neighbors for help and reciprocate
80. Go to a local folk or crafts festival
81. Call an old friend
82. Enroll in a class and meet your classmates
83. Accept or extend an invitation
84. Talk to your kids/parents about their day
85. Say hello to strangers
86. Log off and go to the park
87. Ask a new person to join a group for a dinner or an evening
88. Host a pot luck meal or participate in them
89. Volunteer to drive someone
90. Say hello when you spot an acquaintance in a store
91. Host a movie night
92. Exercise together or take walks with friends or family
93. Assist with/create your town or neighborhood’s newsletter
94. Organize a neighborhood pick-up – with lawn games afterwards
95. Collect oral histories from older town residents
96. Join a book club discussion & get the group to discuss local issues
97. Volunteer to deliver Meals-on-Wheels in your neighborhood
98. Start a children’s story hour at your local library
100. Tell friends and family about social capital and why it matters
101. Greet people
102. Cut back on television
103. Join in to help carry something heavy
104. Plan a reunion of family, friends, or those with whom you had a special connection
105. Take in the programs at your local library
106. Read the local news faithfully
107. Buy a grill and invite others over for a meal
108. Fix it even if you didn’t break it
109. Pick it up even if you didn’t drop it
110. Attend a public meeting
111. Go with friends or colleagues to a ball game (and root, root, root for the home team!)
112. Help scrape ice off a neighbor’s car, put chains on the tires or shovel it out
113. Hire young people for odd jobs
114. Start a tradition
115. Share your snow blower
116. Help jump-start someone’s car
117. Join a project that includes people from all walks of life
118. Sit on your stoop
119. Be nice when you drive
120. Make gifts of time
121. Buy a big hot tub
122. Volunteer at your local neighborhood school
123. Offer to help out at your local recycling center
124. Send a “thank you” letter to the Editor about a person or event that helped build community
125. Raise funds for a new town clock or new town library
126. When inspired, write personal notes to friends and neighbors
127. Attend gallery openings
128. Organize a town-wide yard sale
129. Invite friends or colleagues to help with a home renovation or home building project
130. Join or start a local mall-walking group and have coffee together afterwards
131. Build a neighborhood playground
132. Become a story-reader or baby-rocker at a local childcare center or neighborhood pre-school
133. Contra dance or two-step
134. Help kids on your street construct a lemonade stand
135. Open the door for someone who has his or her hands full
136. Say hi to those in elevators
137. Invite friends to go snowshoeing, hiking, or cross-country skiing
138. Offer to watch your neighbor’s home or apartment while they are away
139. Organize a fitness/health group with your friends or co-workers
140. Hang out at the town dump and chat with your neighbors as you sort your trash at the Recycling Center
141. Take a pottery class with your children or parent(s)
142. See if your neighbor needs anything when you run to the store
143. Ask to see a friend’s family photos
144. Join groups (e.g., arts, sports, religion) likely to lead to making new friends that bridge across race/ethnicity, social class or other social cleavages
145. Attend or start a free summer music series at a local park

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