

# MANAGING THE DEMOCRATIC PROCESS *IN A CO-OPERATIVE*

(Abstracts)



**ORION's** Handbook

Collection

« **Managing a Co-operative** »

# 1

Author

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# Summary

## Introduction

### 1. Understanding the co-operative difference

#### 1.1 *Defining the co-operative*

- A. An enterprise controlled by an association of persons
- B. An association formed by a category of users of the enterprise
- C. An enterprise managed on the basis of its members' common socio-economic goals
- D. An organization governed in accordance with specific rules

#### 1.2 *Distinguishing the co-operative from other forms of organizations*

- A. Comparison between the co-operative and the company
- B. Comparison of co-operatives and mutual associations
- C. Comparison of co-operatives and non-profit organizations

#### 1.3 *Distinguishing between types of co-operatives*

- A. Distinguishing co-operatives in accordance with the economic sector
- B. Distinguishing co-operatives on the basis of economic relations between the members and their co-operative
- C. Distinguishing co-operatives on the basis of their administration and management methods

#### 1.4 *Division of powers and responsibilities*

- A. Dual structure : association and enterprise
- B. Co-operative Act and Regulations
- C. Powers and responsibilities of the general meeting, [the board of directors](#) and senior management

### 2. Organizing the democratic process of a co-operative

#### 2.1 *Planning and holding the annual general meeting*

- A. Importance and content of the general meeting
- B. General meeting rules of order
- C. Election of members' representatives

## **2.2 Planning and holding a meeting of the board of directors**

- A. Duties and obligations of president (chair) and secretary
- B. Planning the agenda
- C. Technical organization of a board or committee meeting
- D. Rules of order for board meetings
- E. Writing minutes

## **2.3 Mastering leadership techniques for the democratic process**

- A. Leader's role and functions
- B. Motivating techniques
- C. Facilitating techniques
- D. Coordinating techniques

## **3. Evaluating co-operative democracy**

### **3.1 Understanding the basis of a co-operative's democratic health**

- A. The three abilities of an effective work team
- B. The three conditions for democratic health in a co-operative

### **3.2 Understanding the influences on the democratic health of a co-operative**

- A. Extent of use
- B. Membership size
- C. Influence of the co-operative's environment

### **3.3 Drawing the co-operative balance sheet**

- A. A tool to evaluate co-operative democracy
- B. [Co-operative balance sheet for consumers' and producers' co-operatives](#)
- C. Co-operative balance sheet for workers' co-operative

## **Conclusion**

## Introduction

**«Co-operation, An Alternative Way to Succeed!»** This motto was the theme for Co-op Week 1996 in Quebec. But we still need to know **how to succeed in this alternative way, how to act to succeed in this alternative way.**

We know that a co-operative can perform better than any other business. But it can do so only if we have learned how to use it, become proficient in the use of this unique collective tool which is both a business and a democratic association.

This instruction is provided by a number of college and university programs. The major co-operative networks have developed their own internal system to teach the techniques of the co-operative formula. Thus, a number of appropriate instructional tools and guides have been developed for the specific needs of various parties. Many universities have published articles and academic works on the art of managing a co-operative. But we did not have any comprehensive, general and available handbooks presenting all the knowledge and skills essential to administer and manage a co-operative enterprise.

The present handbook focuses on what is still a weak point of co-operatives, of whatever kind: skill in democratic operations on the part of managers and elected officers. Not because they are lacking the capacity or the will to learn, quite the opposite! But because they have often not had the opportunity to learn or had available a handbook of this kind in order to appreciate the full significance of sitting on board or specialized committees of a co-operative enterprise. This handbook is for those tens of thousands of elected officers of the various co-operative movements. We trust that it will encourage them and provide them with the minimum necessary knowledge and skills to enable them to succeed in an alternative way.

The handbook consists of three parts :

- I. «*Understanding the co-operative difference*», explains the originality of the co-operative formula;
- II. «*Organizing the democratic process of a co-operative*», presents the methods, techniques and rules specific to managing co-operative democracy;
- III. «*Evaluating co-operative democracy*», suggests an analytical grid and appropriate tools.

## ◆ Duties and obligations of the board of directors

### I. *Administering the co-operative enterprise*

#### ➔ General administration

- Setting the co-operative's general policy and strategic goals;
- Determining the range of products and services available to members;
- Making decisions regarding acquisition, alterations and sales of the co-operative's fixed assets;
- Authorizing loans;
- Setting the co-operative's policy and goals to support sustainable community development;
- Administering the social dividend to the community (donations);
- Designating persons authorized to sign contractual agreements on behalf of the co-operative.

#### ➔ Managing human resources

- Hiring and replacing the general manager or coordinator;
- Setting wage policies;
- Changing methods of organizing and managing human resources;
- Adopting and monitoring implementation of policies on working conditions;
- Defining grievance settlement and arbitration procedures;
- Authorizing signature of collective agreements.

#### ➔ Monitoring

- Ensuring implementation of the wishes of the general meeting;
- Evaluating members' level of satisfaction;
- Adopting and monitoring the co-operative's annual budget;
- Adopting and monitoring implementation of administrative policies;
- Monitoring the co-operative's operations.

## II. Managing the co-operative association

### → Organizing and managing the democratic process

- Defining the operational methods of decision-making centers;
- Appointing the officers (president, vice-president, secretary, treasurer);
- Establishing and defining the mandate of special committees, as mandated by the general meeting;
- Calling and organizing the annual general meeting and special general meetings;
- Organizing co-operative and interco-operative activities during annual Co-op Week;
- Organizing cooperation education programs for executive officers, members and employees.

### → Representing the co-operative

- Defining the mandates and appointing the representatives of the co-operative to **regional community** development agencies (chamber of commerce, regional development board, regional social economy board, etc.);
- Defining the mandates and appointing the representatives of the co-operative to a **sectoral interco-operative organization** (federation, conference or group);
- Defining the mandates and appointing the representatives of the co-operative to an **intersectoral interco-operative organization** (regional development co-operative, national or provincial cooperation council).

### → Making recommendations to the general meeting

- On allocation of surpluses (indivisible general reserve, direct dividend to members, dividend on preferred shares, social dividend, etc.);
- On issuance of preferred shares;
- On amendments to the by-laws;
- On establishment of special committees;
- Preparing and submitting the annual report for approval.

## ◆ Co-operative balance sheet for co-operatives consumers' and producers' co-operative

Regardless of the scope or complexity of this balance sheet, it could contain up to seven individual sections :

- five for the *internal balance sheet*;
  - ☑ membership
  - ☑ functioning of democratic decision-making bodies
  - ☑ co-operative education
  - ☑ operating expenses of co-operative association
  - ☑ co-operative benefit
- two for the *external social balance sheet*
  - ☑ interco-operative relations
  - ☑ community involvement

### ❖ **Part One : internal co-operative balance sheet**

#### **I. Membership**

- a) *Changes in membership socio-demographic make-up (sex, age categories, socio-occupational categories, etc.)*
- b) *Numbers of resignations and new member admissions*
- c) *Extent of participation in general meetings and other group activities organized for members*

#### **II. Functioning of elected democratic decision-making bodies**

- a) *Changes in socio-demographic make-up of the various boards and committees forming the co-operative's community structure*
- b) *Departures and newly elected members*
- c) *Number of meeting hours of these community bodies, duration of meetings and extent of elected member participation in these bodies, etc.*

#### **III. Co-operative education offered to members and their elected representatives**

- a) *Type and number of hours spent*
- b) *Number and socio-demographic make up of participants*
- c) *Compilation of evaluations*
- d) *Cost of educational activities*

**IV. Operating expenses of the co-operative community**

- a) *Costs of general meetings and other community activities*
- b) *Financial compensation to elected officers for their participation in board or committee meetings (travel, daycare, etc.)*

**V. Members's co-operative benefit**

- a) *Comparison of members' purchase or selling prices of products and services offered by the co-operative and average market prices*
- b) *Dividend redistributed to members (total, average per member, impact on actual price of products and services)*
- c) *Other non-monetary components of co-operative benefits (business hours, range of products and services, information sessions, etc.)*

❖ **Part Two : external social balance sheet**

**VI. Interco-operatives relations**

- a) *Costs of annual memberships in sectoral interco-operative organizations (federation, conference, group, regional union, etc.)*
- b) *Costs of annual memberships in intersectoral interco-operative organizations (regional development co-operative, local, regional or national cooperation council, etc.)*
- c) *Participation by co-operative representatives (elected members and employees) in interco-operative organization activities (type, frequency, number of hours, associated costs, etc.)*

**VII. Community commitment**

- a) *Costs of annual or exceptional memberships in economic or social development organizations*
- b) *Participation in activities of economic or social development organizations (type, number of hours, associated costs, etc.)*
- c) *Social dividend (total contributions, recipients, types: donations, sponsorships, loans, etc.)*

## Conclusion

Democracy is the essence of the co-operative difference. It expresses the basic values of cooperation and provides the foundation for the extraordinary adaptive capacity of the co-operative formula. It is a formidable human instrument. But it is also a fragile instrument that is difficult to handle.

To handle it effectively there is a need, not only for specific human qualities a democratic «state of mind» or «attitude», but also a special skill, a human «dexterity», a proficiency that can never be really learned except through practice.

This guide will never replace learning through experience. Its only aspiration was to improve the proficiency of those already involved in the co-operative adventure and prepare those about to embark upon it.

We hope that you have found it useful, in accordance with that aspiration.

### **ORION's handbooks**

#### **In French :**

*Gérer la vie démocratique d'une coopérative*, Collection « Gestion d'une coopérative », # 1, édition révisée, mars 1998. (ISBN 2-922191-01-X).

*Gérer le développement d'une coopérative*, Collection « Gestion d'une coopérative », # 2, mars 1998. (ISBN 2-922191-02-8).

*Valoriser le potentiel humain d'une coopérative*, Collection « Gestion d'une coopérative », # 3, mars 1998. (ISBN 2-922191-03-6)

#### **In English :**

*Managing the Democratic Process in a Co-operative – The Canadian Way*, ORION's Handbook, Collection « Managing a Co-operative », # 1, March 1998. (ISBN 2-922191-04-4)

#### **In Spanish :**

*Manejar la vida democrática de una cooperativa*, Colección « Gestion de una cooperativa », #1, agosto 1999. (ISBN 2-922191-05-2)

*Manejar el desarrollo de una cooperativa*, Colección « Gestion de una cooperativa », #2, agosto 1999. (ISBN 2-922191-06-0)

The spanish translation will be made with the partnership of the *Société de coopération pour le développement international* ([SOCODEVI](#), Québec, Canada) et l'*Institut de recherche et d'éducation pour les co-opératives et les mutuelles de l'Université de Sherbrooke* ([IRECUS](#), Faculté d'administration, Sherbrooke, Québec, Canada).



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