

Instructor's manual

Chapter 3 – ...of the people, by the people, for the people: co-operative governance

This chapter introduces some of the key aspects to effective governance of co-operative enterprises. Co-operatives are member-owned and for this reason they need a system of governance that places members at the core of the business. Generation of a healthy surplus is crucial to co-operative governance because without economic viability there is nothing for the members to own or control. By the end of this chapter you will be able to:

- outline the core elements of co-operative governance;
- analyse the application of democratic theory of governance in co-operative enterprises;
- explain the relationship between the roles of members, management, and the board of directors in a co-operative.

The key arguments that will be developed in this chapter are:

Co-operative governance is based on a system of personal rights, rather than property rights as is the case in an investor-owned company.

Members can exercise their right to participate in governance by voting directly on long-term business decisions and policy, as well as electing a board of directors to represent member interests. Election is conducted on a one member/one vote basis.

The effective governance of a co-operative is dependent on the members, board of directors, and management working together to achieve the co-operative's objectives.

Education, training and information are vital for members to be able to participate effectively in the governance of the co-operative.

Chapter cases and seminar exercises

Exercise 3.1 Democratic decision-making



Summary of learning

This chapter has argued that:

- Co-operative governance is based on a system of personal rights rather than property rights which is distinct from the system in an investor-owned company.
- Members can exercise their right to participate in governance by voting directly on long-term business decisions and policy, as well as electing a board of directors to represent member interests. This is conducted on a one member/one vote basis.
- The effective governance of a co-operative is dependent on the members, board of directors, and management working together to achieve the co-operative's objectives.
- Education, training, and access to information are vital for members to be able to participate effectively in the governance of the co-operative.

Essay/discussion questions

- Should the board of a co-operative be accountable to the interests of non-member groups?
- How would a co-operative go about addressing the tensions that can arise in the role of the board?
- Are there difficulties keeping members engaged when the co-operative becomes very large?
- Why is democracy not widespread in corporations, but is nonetheless something we strive for in society (and for which people in some countries sacrifice their lives)?
- 'Co-operatives will find it impossible to satisfactorily manage the relationship between member participation and control, and the business requirements of the co-operative.' Discuss this statement with respect to your study of co-operative governance.
- Does the free market economy facilitate democracy or is it the other way around? Are co-operatives a way of bringing democracy to the market?

Useful resources

UK Corporate Governance Code <http://www.frc.org.uk/corporate/ukcgcode.cfm>.

University of Wisconsin Co-operative Governance resources <http://www.uworker-co-operative.wisc.edu/issues/Governance/index.aspx>.

Co-operantics <http://www.cooperantics.co.uk/>.

SAOS best practice guide to governance
<http://www.saos.co.uk/home/documents/SAOSCGEFFP.pdf>.

Co-operatives UK codes of practice
<http://www.uk.coop/tags/resources/Codes%20of%20practice>.

