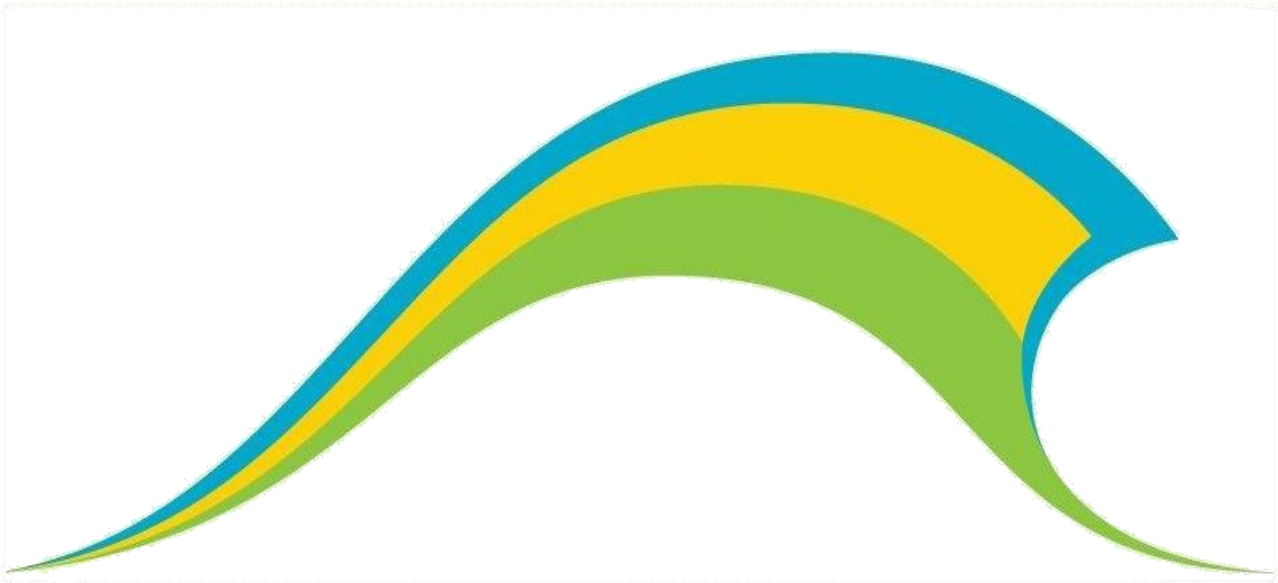


# MCDRN Interim Publication

Preliminary Findings on the Co-operative Difference in Canada

## Measuring the Co-operative Difference RESEARCH NETWORK



## Réseau de recherche pour mesurer la DIFFÉRENCE COOPÉRATIVE

**April 2013**

Edited by Fiona Duguid

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# INTRODUCTION & Acknowledgments



Image Source: MCDRN

In February 2010, the *Social Sciences and Humanities Research Council of Canada (SSHRC)* awarded \$1 million over five years towards a new suite of research projects focused on co-operatives. The Measuring the Co-operative Difference Research Network (MCDRN) has focused on measuring the value added of co-operatives and their social, economic and environmental impacts on Canadians and their communities. The goals of the MCDRN are to:

- 1) Produce and disseminate knowledge about the co-operative form of organization within the wider economy, with particular focus on the social, environmental and economic impacts of co-operatives;
- 2) Create tools to measure the value added by co-operatives, and use tools that include co-operative principles and values to capture the 'co-operative difference';
- 3) Deepen existing linkages and networks within the co-operative movement (at academic, community, national and provincial levels), and initiate networks of co-operatives within the social economy around common issues;
- 4) Inform public policy on the role and value of co-operatives in meeting social, economic and environmental goals within a public and social policy context; and
- 5) Build capacity within academia and co-operatives to frame an operationalized understanding of the ICA principles, and to better measure social and environmental as well as financial performance.

The MCDRN is funded through SSHRC's Community-University Research Alliance (CURA) granting program. The CURA program supports the creation of alliances between community organizations and post-secondary institutions to foster innovative research, training and the creation of new knowledge in areas of importance for Canada's social, cultural or economic development. The MCDRN is led by the Canadian Co-operative Association in partnership with several Canadian universities, including Saint Mary's University, Mount Saint Vincent University, the University of Saskatchewan and the University of Victoria. In the spirit of partnership between communities and universities, the MCDRN has both community partner and university representatives at all levels of management and governance. The MCDRN is comprised of four research Clusters and a Hub umbrella, with dozens of practitioner and academic partners involved (see respective Cluster Reference Pages).

The Summer of 2012 marked the mid-term of the MCDRN five year program. It was an opportune time to showcase the projects, partnerships and early findings from this network at the annual Canadian Association for Studies in Co-operation (CASC) conference. This publication stems from presentations delivered at this conference showcasing research undertaken as part of the MCDRN. In many cases, researchers are midway through their projects: this publication reflects their preliminary research findings or conceptualizations of research. In other cases, projects have already been completed and we present a brief summary of their findings here. What has emerged thus far for the MCDRN is a co-operative sector that is dynamic and complex and continues to meet the needs of members, communities and Canadians.

The editor and the authors of this mid-term publication would like to thank SSHRC for their continued support of co-operative research and for projects that foster the co-creation of knowledge between academics and community partners. We would also like to thank our respective universities, community organizations and co-operatives for allowing us the opportunity to explore deeper the social, environmental and economic meanings and impacts of co-operatives in Canada.

*Fiona Duguid*



Social Sciences and Humanities  
Research Council of Canada

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sciences humaines du Canada

Canada

# ATLANTIC CLUSTER

## Reference Page

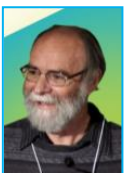
The Atlantic Cluster is led by Dr. Leslie Brown at Mount Saint Vincent University and Peter Hough of the Canadian Worker Co-operative Federation. Projects include:

- A1 Co-operative Sustainability Reporting and Planning: Lessons from consumer co-operative in Atlantic Canada**
- *Dr. Leslie Brown, Elizabeth Hicks, Dr. André Leclerc, Roméo Cormier, Monique Bourque, Léo Leblanc, Launa Gauthier, Siri Jackson Wood and Aquila Comeau*
- A2 Co-op Index - Diagnosing co-operatives for member/employee participation & adherence to principles and values**
- *Dr. Sonja Novkovic, Peter Hough, Ryszard Stocki, John MacNamara, Stephanie Guico, US Federation of Worker Co-operatives, Co-op Zone Developers Network, Tom Webb and several pilot co-op partners*
- A3 Theoretical advances in economic and management models**
- *Dr. Sonja Novkovic, Ryszard Stocki, John MacNamara and Wendy Holm*
- A4 Co-operating to Build a Better Nova Scotia conference**
- *Dr Leslie Brown, Mark Sparrow, Dianne Kelderman, Joseph Nyemah, Erin Hancock, Darlene Doucet, Charlene Boyce, Lynda Russel, Jill McPherson and Kevin Petty*

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## WORKER CO-OP INDEX: *working toward the worker co-op ideal*

Author: Peter Hough, Financial Officer, Canadian Worker Co-operative Federation

### KEY POINTS

- The Worker Co-op Index is designed to provide a worker co-operative with a thorough diagnosis of its activities, from the perspective of how well it embodies the co-op principles and values.
- The primary purposes of the Worker Co-op Index are to 1) help measure the degree of adherence to co-operative principles and values; 2) help build and maintain the co-op identity as a strategy of co-operative firms; 3) help co-ops measure their success based on their identity; and 4) provide a guide for improving co-operatives' governance and operations.
- The Co-op Index highlights areas which need attention within the co-op; however it is not prescriptive. Rather, the diagnosis results in a variety of options that can be explored by the members, allowing them to determine the best way to address the issues.

### SUMMARY OF PRESENTATION

Worker co-operatives are employee owned co-operative enterprises, i.e. the members of the co-operative are the employees of the enterprise. Worker co-operatives operate in diverse sectors of the economy such as forestry, retail, information technology, consulting, agriculture, manufacturing, food services, fair trade, etc. People within worker co-ops wear many hats - worker, member, supervisor, manager, director, chairperson - and work collaboratively to run an effective co-operative that embodies the co-op values and principles. This makes worker co-ops an exciting and challenging form of enterprise to operate. The Worker Co-op Index is designed to help meet this challenge by providing a worker co-op with a thorough diagnosis of the co-op's activities from the perspective of how well they embody the co-op principles and values. This Worker Co-op Index diagnosis provides the foundation for members to develop initiatives to improve their co-operative.

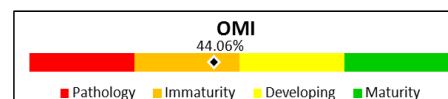


Image Source: MCDRN

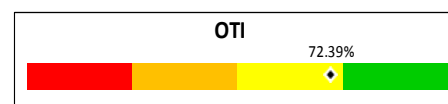
The primary purposes of the Worker Co-op Index are to 1) help measure the degree of adherence to co-operative principles and values; 2) help build and maintain the co-op identity as a strategy of co-operative firms; 3) help co-ops measure their success based on their identity; and 4) provide a guide for improving co-operatives governance and operations. The Co-op Index Report is based on the responses to an online questionnaire by co-operative members' and employees'. The members' and employees' responses reflect their perception of key aspects of their co-operative's governance and operations.

#### The report contains four indices:

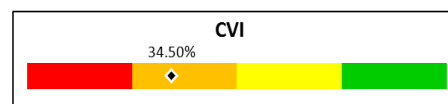
**Organizational Maturity Index (OMI)** which places the worker co-op on a maturity continuum. This provides a guide to the extent to which the co-op embodies the key features of successful worker co-ops.



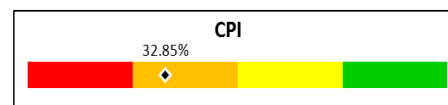
**Organizational Trust Index (OTI)** which provides a general assessment of the level of organizational trust within the co-op, i.e. how secure the members and employees feel within the organization.



**Co-operative Values Index (CVI)** for 12 Co-op Principles. The Co-op Index development team used the ICA 1995 Co-operative Principles as a starting point, and added several developed by the Mondragon Co-operative group, as well as an additional principle reflecting concern for the environment.



**Co-operative Principles Index (CPI)** which provides an assessment of the extent to which the actions of the co-op embody the co-operative values articulated in the ICA Statement of Co-op Identity.



Next in the Report is the General Picture diagram that provides a snapshot of all the questionnaire results, organized in four general categories and thirty dimensions.

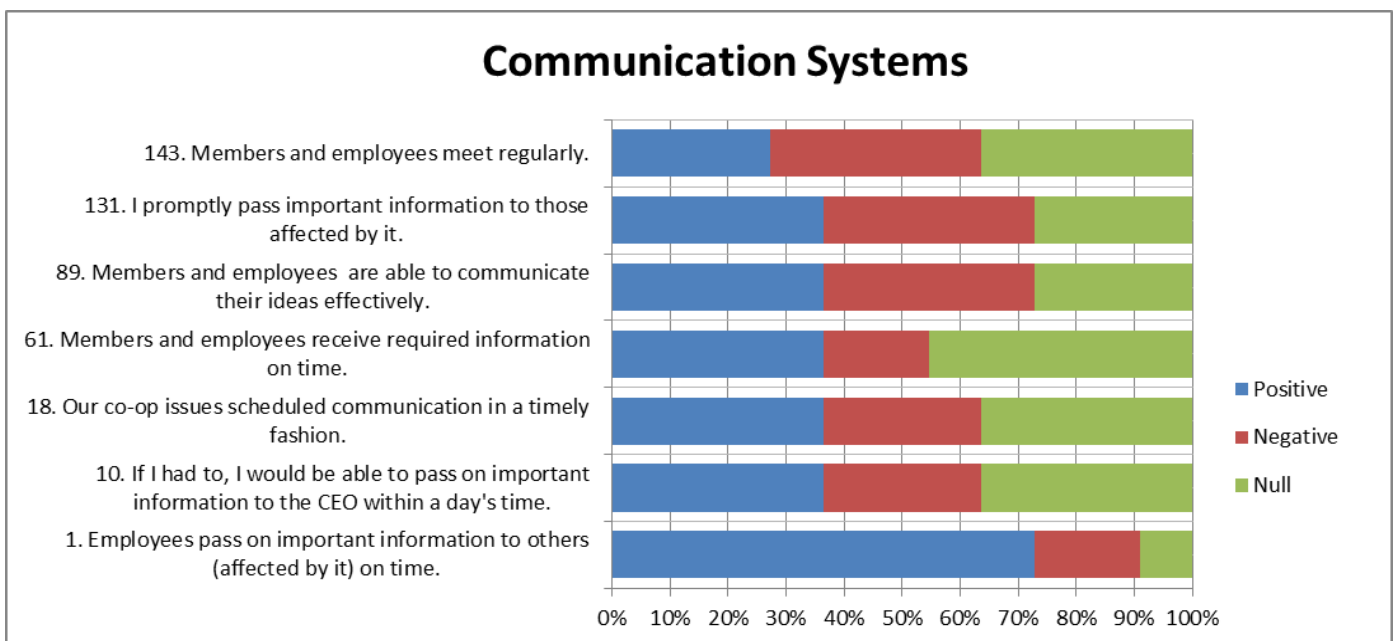
1. *Organizational Systems* category includes 9 dimensions - communication systems, transparency, feedback systems, development of co-op members, remuneration, innovations, personnel policies, processes, and strategies.
2. *Organizational Climate* category contains the indicators of the general tone and mood between members and employees within the co-op. They include 8 dimensions - mutual respect, leader competence, trust in leadership, trust in co-workers, participatory management style, relations with co-workers, and fun.
3. *Personal Attitudes and Actions* category includes 4 individual personal dimensions - participatory knowledge, ownership, process improvement and responsibility.
4. *The Outcomes – Individual, Organizational and Social* include 9 dimensions - identification, satisfaction, self-realization, independence, viability, products and services, co-operation with other co-operatives, care for community and care for the environment.

For all the principles, values and dimensions a specific graph is included which shows the percentage of positive answers for all collected survey responses for the question relating to it. For an example see the communication systems figure below.

The Co-op Index report also contains a demographic analysis showing the differences in the number of positive responses to particular questions by gender, age, position in the co-op, location and other demographic factors. This breakdown allows the co-op members to analyse some of the causes of particular trends in responses to the questionnaire.

The report concludes with a set of recommendations which covers the full range of co-op values and principles as well as organizational dimensions. The recommendations highlight areas which need attention within the co-op but are not prescriptive. Rather the recommendations suggest options for exploration to assist the members themselves in determining the best way to address the issues.

The tool has now been successfully used by a number of co-operatives in Canada and the USA. To further the use of the tool it is necessary to increase awareness of the tool and provide training to co-op consultants in its use. A co-operative is also being incorporated which will provide effective administration of the tool and secure the data for future cross sector research.





## CO-OPERATIVE 'DEGENERATION' AND WHAT TO DO ABOUT IT: *a dual motives approach*

Author: Sonja Novkovic, Academic Co-Director, MCDRN, Professor of Economics, Saint Mary's University

### KEY POINTS

- Co-operatives have always been portrayed as businesses that combine the social mission with their economic goals, but this dual aspect has not been easy to quantify in economics literature.
- New approaches in behavioural economics, in particular the meta-economics approach based on the dual motives theory (Lynne 2006), allow us to produce a model of the co-operative firm with more explanatory power.
- The paper examines the claims of 'inevitability' of co-operative degeneration – a prediction based on pecuniary incentives, and draws on the dual motives theory (Cory 2004 & 2006, Lynne 1999 & 2006) to explain the conditions that may draw a co-operative to demutualization, or tip the balance to reinforce the co-operative structure.

### SUMMARY OF PRESENTATION

The treatment of co-operative firms in economics literature, like other types of organizations, is based on simplifying behavioural assumptions where pecuniary incentives are sufficient to induce self-centered agents to maximize profit and consider only their own gain (utility). More recently, efforts have been made to include the non-pecuniary (intrinsic) motivations in microeconomic modeling (Borzaga, Depedri & Tortia 2011) in order to capture the essence of co-operatives as both economic and associative entities.

In this presentation a framework to model co-operative firms is provided, one that fits common sense, as well as empirical evidence. The prevailing model in economics over many decades was that of the average income-maximizing worker co-operative (Ward 1958, Vanek 1970) resulting in false predictions that marked co-op research in economics for over half the century. Evidence is still being collected to counter the Ward-Vanek model, so that limited effort goes to creating new approaches to model co-operative firms. Institutional economics literature made matters worse (Hansmann 1996) adding to confusion about the nature of co-operatives as member-driven organizations with diverse goals.

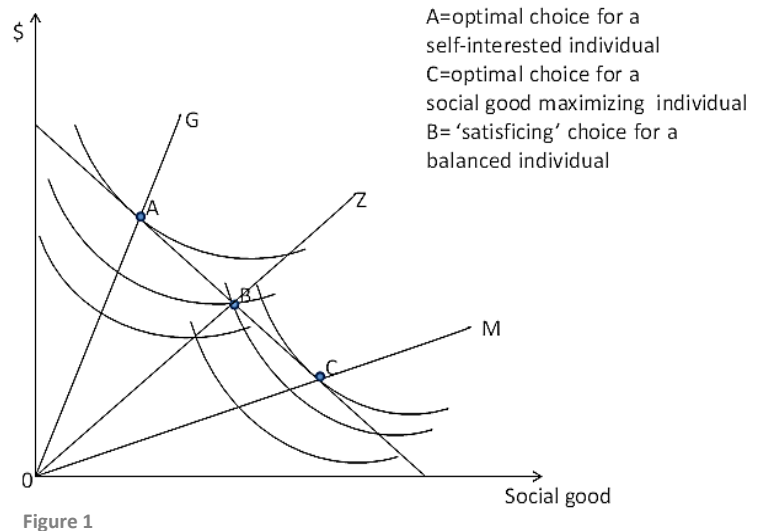
More recently, advances in behavioural economics are shedding light on the true nature of human behaviour, where a mix of pecuniary and non-pecuniary motivations, including trust and reciprocity, lead to particular outcomes. Drawing on experimental economics, evidence mounts that financial incentives may in fact be counterproductive particularly in the context of common pool resources (Gintis et al, 2005; Ostrom, 1990). However, little has been done to understand whether there is something different about the structure of co-operative organizations, and how to model them in order to devise more appropriate policy proposals, and also propose self-organization of institutional structures that can ensure co-operative longevity.

On the advice of '*state of the art*' in neoclassical economics and business literature, and under competitive market pressures, co-ops are applying various prescriptions to increase 'efficiency', such as economies of scale (growth), hierarchical governance with separation of management and control, exclusion of employees from governance, venture capital investment incentives (investment shares; new generation co-ops etc.). These policies result in distancing operations from members and decreasing member engagement. The standard interpretation of these developments is that this is the co-op 'life cycle' and that it leads to degeneration (Cook 1995).

The dual motives theory (Cory 2006) and the subsequent meta-economics approach (Lynne 2006) describe individuals who pursue two goals jointly - ego (personal gain) and empathy (social gain) which are not separable. Pursuing one implies sacrificing some of the other, but it is not about trade-off; rather it produces synergies.



Figure 1: A self-interested individual would choose a small self-interested level of social good along the path OG, while a socially oriented individual chooses a small amount of self-interested good required for survival along the path OM. A balanced path is OZ.



Co-operatives fit this model very well. Their dual nature has been described as a balancing of their social and economic goals (Figure 1). At the extreme, some members may care only about their self-interest in a co-op, and agree to pool resources as long as it benefits them (vertical axis); others are purely socially oriented and want to form a co-op to satisfy social needs (horizontal axis). If we consider that these extremes are self-destructive (irrational), we can identify the two more likely extremes as points A and C, where a little of the alternative concern enters the utility function (rational range of choices). Either extreme is unhealthy and it does not produce synergies.

Instead of paths OM or OG, a middle ground (OZ) is about self (or social) sacrifice to pursue an outcome with this inseparable duality. A possibility that the 'product is greater than the sum of its parts' can be created on the path OZ.

The default position is the pull to selfish outcomes (driven by financial motivations only, and mixed with a bit of social as a survival strategy), partly due to human architecture (Corey 2006), and partly due to the surrounding values and institutions in capitalist market economies. If we think about co-operatives as (social) values driven businesses, by definition they have this non-separable and dual production function. On the one hand the goals are financial, but on the other they need to produce social value. While investor owned firms (IOFs) whose goals are purely financial still need to satisfy a minimum social requirement to stay in business, and, by the same token, social enterprises whose purpose is not to pursue financial return still need to be financially viable, between these two points (A and C) lie balanced choices. Synergies between the two goals give an outcome larger than the sum of its parts. Co-operatives will therefore not be optimizing, i.e. maximizing financial return, nor maximizing social return; rather, they need to balance the two to realize higher quality results.

In the meta-economics framework, demutualization of a co-operative firm would imply a move from a balanced path to a path OG, or approaching the vertical axis. Financial motives overpower the social motives due to a number of factors; individual members may near retirement, face changing circumstances, or follow others. Organizationally, market competition and financial gain predominate (the business concern; financial viability). The challenge is to pull back to producing social benefit and increase the relative weight in favour of common goals (other-utility) balancing the two interests along the path OZ. Co-operatives need to induce 'doing the right thing' i.e. other-utility. To do that, co-op members need to regularly revisit the mission and the values, and build them into daily operations to engage members and employees. Building non-divisible reserves is also an anchor for the co-operative because investments cannot be appropriated by any one member. Nurturing the sense of a common interest and strengthening synergies between social interest and self-interest is also necessary. Carefully threading the use of financial incentives, avoiding monetization of the common pool resources will prevent the 'crowding out' effect. Using the right performance measures that balance the financial and other interests is paramount to co-operative longevity. Here a case is made that degeneration is not unavoidable if members are aware of the conditions that may lead to it, and are motivated to preserve the co-operative form and ensure its longevity. The dual motives theory implicates the need to routinely examine the financial and social impacts, pulling to a balanced path. To do that, co-operatives need to develop measures of success fit for their dual nature; evaluate them, and provide adequate incentives. Further developments of this theory will include indicators for different types of co-operatives, and devise measures of balance.

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## CO-OPERATIVE SUSTAINABILITY AND PLANNING SCORECARD: *purpose & description of the tool*

Author: Dr. Leslie Brown, Professor, Sociology and Anthropology Department, Mount Saint Vincent University

### KEY POINTS

- The Scorecard was developed by a partnership of researchers and Co-op Atlantic in collaboration with six retail member co-operatives of Co-op Atlantic.<sup>1</sup>
- It is important to measure co-operative sustainability both in terms of a co-op's economic goals and priorities, and in terms of its adherence to co-operative principles and to environmental sustainability - sustaining a co-operative identity.
- The collaborative process has been important from a methodological perspective as well, as we seek to build a community of practice around identifying and measuring performance on core elements of co-operative identity within the Co-op Atlantic membership.
- The partnership members are committed to collaborating with interested other co-operatives or co-op researchers using different tools (whether in retail or other sectors, in Canada or abroad).
- While grounded in the needs and expectations of co-operatives within Co-op Atlantic, this tool has the potential to contribute to strengthening co-operative sustainability and planning practice in the region and beyond.

### SUMMARY OF PRESENTATION

As part of a panel that was looking at sustainability and measurement issues as understood from a variety of perspectives, the scorecard project was presented in terms of the following outline:

- Description of the current Scorecard research partnership
- Consideration of why it is important to measure co-operative sustainability (illustrating with comments from co-operatives)
- Brief presentation of the scorecard project – what is it and where are we now?
- Overview of planned next steps



Image Source: Businessballs.com

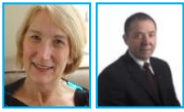
It was emphasized that using the scorecard provides an opportunity for co-operatives to reflect upon their practices and to consider alternative ways to privilege and express their co-operative identity as they pursue sustainability.

It was further emphasized that the partnership offers the Scorecard as a tool that helps co-operatives in defining, measuring and prioritizing factors that make co-operatives unique and different from their competitors (Co-operative Principles, Social, Economic & Environmental performance). It also provides information that is useful for strategic planning - to celebrate achievements & address shortfalls in relation to co-op priorities, external benchmarks & recognized best co-operative practices. (Governance & Management). Specific information on the tool was also provided to give a sense of its key components.

The presentation ended with a description of next steps, including the development of French and English web-based versions of the scorecard, recruiting co-operatives to use the tool, providing workshops to help build internal capacity of the co-operatives using the scorecard, and reporting to the Co-op Atlantic AGM in 2013 on the experiences of the early adopters.

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<sup>1</sup> The partnership includes Léo LeBlanc, Roméo Cormier, and Monique Bourque from Co-op Atlantic, Dr. Leslie Brown and Professor Elizabeth Hicks from Mount Saint Vincent University and Dr. André Leclerc from Université du Moncton.



## THE CO-OPERATIVE SUSTAINABILITY AND PLANNING SCORECARD: *a tool for retail food co-operatives*

Authors: Elizabeth Hicks, Associate Professor, Mount Saint Vincent University and Léo LeBlanc, Corporate Secretary and Vice President of Human Resources and Corporate Affairs, Co-op Atlantic

### KEY POINTS

- The Scorecard was developed by a partnership of researchers and Co-op Atlantic in collaboration with six retail member co-operatives of Co-op Atlantic.<sup>i</sup>
- The Scorecard is a flexible tool designed to engage stakeholders in the process of setting priorities and goals and to help a co-operative stay true to its co-operative identity.
- Those who participated in its development identified a number of benefits for co-ops who use the Scorecard, but also identified challenges in ensuring the tool becomes widely adopted.

### SUMMARY OF PRESENTATION

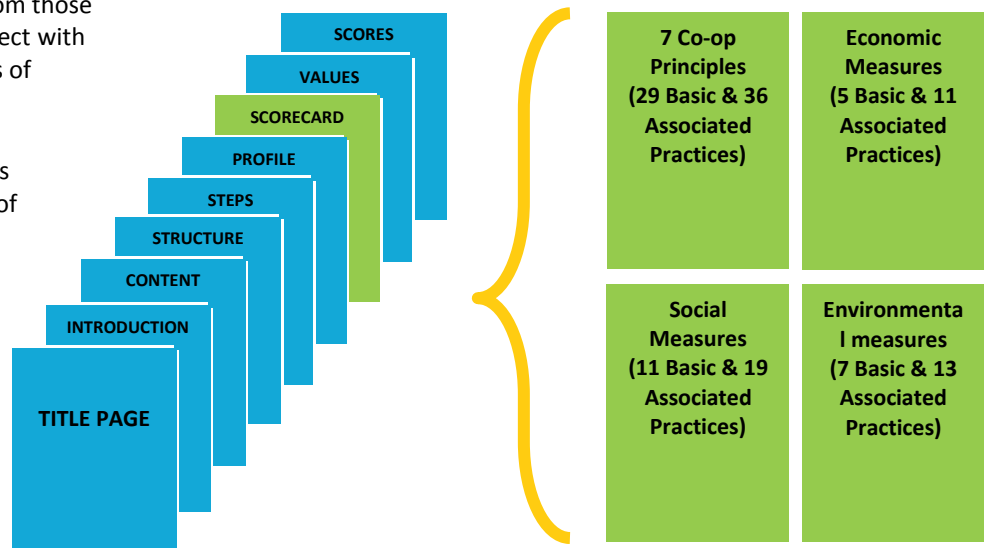
The Scorecard was designed to:

- Engage stakeholders in assessing and improving their co-operative. Two surveys – an employee survey and a member/customer survey- are available to participating co-operatives to assist in this process;
- Identify and assess the co-operative’s performance in relation to the co-operative difference and the co-operative’s specific needs and goals. thereby supporting strategic planning, ongoing operations and governance;
- Enable the co-operative to recognize and report on its impact on its community and the environment thus demonstrating transparency and accountability; and
- Foster within the co-operative greater resilience, innovation and sustainability.

We described the Scorecard and demonstrated how it works. The content of the Scorecard is shown in Figure 1 below. Co-operatives may use the Scorecard to prioritize suggested practices and measure their performance in relation to any, or all of four areas: the Co-op Principles<sup>ii</sup>, economic measures, social measures and environmental measures. Summary scores enable a co-operative to compare its performance over time, in relation to its own stated goals and in relation to other co-operatives that choose to adopt the Scorecard.

We discussed Co-op Atlantic’s<sup>iii</sup> role in initiating the project and the project's importance to co-operatives. We also shared the following feedback from those involved in its development with respect with respect to the benefits and challenges of using the Scorecard.

Those who had piloted earlier versions of the Scorecard identified a number of benefits of using the Scorecard including: it helps co-operatives compete with the big grocery store chains; it creates awareness of the co-op model; it identifies areas to improve and areas done well; and it engages the co-operative board members, enhancing their ability to work as a team.



Those involved in its development also identified a number of challenges to be addressed to ensure the Scorecard is widely adopted by co-operatives. These challenges and possible ways to address them included:

- Making the Scorecard more user-friendly: change the format of the tool, add automatic functions, and split practices into basic and associated practices. If a basic practice is a high priority for a co-operative, its associated practices, if any, are then revealed.
- Reducing the time required to complete the Scorecard: the Scorecard is flexible – not all sections need to be completed for it to be useful.
- Creating buy-in among store managers: special presentations were made to managers and they were assured the scores would not impact on their performance evaluation.
- Encouraging co-operatives to adopt the Scorecard: it will generate valuable information, two surveys along with an analysis will be available, resources and support will be available, and recognition awards will be introduced.
- Making resources and support available to those that adopt the Scorecard: provide on-line resources, an instruction guide and a support person to work with individual co-operatives.

We concluded our presentation by outlining our next steps in rolling out the Scorecard. The Scorecard will be available first to the consumer co-operatives within the Co-op Atlantic federation. We will aggregate the data submitted on the Scorecard to assess whether the Scorecard accomplishes what it has been designed to do. Going forward, we intend to make the Scorecard available to all other interested parties.

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*i The partnership includes Léo LeBlanc, Roméo Cormier, and Monique Bourque from Co-op Atlantic, Dr. Leslie Brown and Professor Elizabeth Hicks from Mount Saint Vincent University and Dr. André Leclerc from Université du Moncton.*

*ii International Co-operative Alliance Co-op Principles see <http://2012.coop/en/what-co-op/co-operative-identity-values-principles>*

*iii Co-op Atlantic is a second tier co-operative composed of fifty-seven consumers' co-operatives, twenty-two country stores, fifteen agricultural societies, and thirty-three other co-operatives with various activities. The co-operative is active in many areas, including retail services, real estate, social housing, and energy.*



## CUBA'S NEW CO-OPERATIVE PATH...

Author: Wendy Holm, Graduate Student, Masters of Management, Co-operatives and Credit Unions, Sobey School of Business, Saint Mary's University, Halifax, Nova Scotia

### KEY POINTS:

- The government of Cuba has taken important steps to support the transition to a more co-operative, people-centered economy.
- Under the leadership of Raul Castro, new economic and social policy guidelines (Los Lineamientos) were released in April 2011.
- Developed through a process of grass roots consultation, the government's focus is socialism, social ownership, limited privatization and co-operatives.
- Seven of the Guidelines widen the opportunity for co-operatives as a form of non-state enterprise to deliver the socialist objectives of human development, equity and social justice embraced by Jose Marti and embedded in the tenets of the Cuban Revolution.
- Education and training is underway to prepare farmers in Cuba's three different types of agricultural co-operatives (CPA's, CCS's and UBPC's) to successfully form second tier co-ops to facilitate value-added functions such as processing and marketing.
- Other sectors targeted for worker co-operatives include construction, housing repair, transportation (taxi-cabs, trucking), building maintenance, domestic care, restaurant supply and services, restaurants and food services, professional services (e.g. law).
- A series of workshops organized in December 2011 brought co-operators from three countries to Havana to learn more about how Cuba plans to accomplish this. From this event, co-op networks have been created that will support Cuba as it goes forward down this brave new path.

### SUMMARY OF PRESENTATION

Cuba is about to step forward on a new co-operative path.

In 1952, when Fidel and his compatriots had the audacity to believe they could overthrow a dictator and create a socialist, egalitarian society built on the principles of Jose Marti, they had the full support of the Cuban people.

But when the revolution triumphed in 1959, Cuba's path was not an easy one. When local US refineries were asked by the Cuban government to process Soviet crude, Washington forbade it. In response, Cuba nationalized the properties of American oil refineries. In response, Washington cut off Cuba's sugar quota. In response, Cuba nationalized US interests in Cuba. Washington then imposed an economic blockade which has endured for over 50 years.

For the first 30 years, Cuba supplied sugar to the Soviet Union in exchange for food, fuel, machinery, materials and manufactured goods. In the mid 1980's, Cuba's standard of living exceeded that of the US based on Latin American indices. When the former Soviet Union collapsed, Cuba was thrown into economic darkness: the "Special Period" began.

Cuba's success in converting its monoculture, sugar-based economy to a sustainable, diverse and healthy co-operative sector is a success story for the world. And the world is watching. In 1999, Cuba won Sweden's Right Livelihood Award for global excellence in organic urban agriculture. Several years ago, the World Wildlife Fund recognized Cuba as the only nation to achieve sustainability based on ecological footprint and human development.

Building on the success of its agricultural co-ops, the NEW news is that Cuba is taking bold steps to support the growth of worker co-operatives as a way to deliver - within the socialist construct - a truly people-centered economy.

In its Sixth Congress (April 2011), the Cuban Communist Party committed to a transition from state socialism to co-operative control in many sectors of Cuba's economy.

Cuba could be the first nation to get this right. Without a mountainous foreign debt to the World Bank and IMF that has constrained the sovereign choice of other countries, Cuba is relatively free to walk its own path. And without a strong capitalist sector, Cubans are more likely to consider worker and producer co-ops, for example, as a real option, not just a way-station on the road to capitalism. Because agricultural co-operatives have a long tradition of working well in the Cuban economy, farmers will lead the way down this wider co-operative path - joining to form "second tier" co-operatives to provide, for example, further-processing, value added services to the members. But there are some very significant challenges as well.



Image Source: Cuban Insider

The purpose of the Havana Workshops in December 2011 was to bring together co-operative champions/thought leaders in Havana to understand and support what is happening today in Cuba and to share ideas and networks relating to Best Practices, International Networks, Capital, the formation of Tier Two co-ops, Co-op Models in Other Sectors and Permanence Thru Carrots and Sticks (Indivisible Reserves). The proceedings of that workshop series - Walking the Walk - Cuba's Path to a More Co-operative Economy are posted here:

<http://www.theholmteam.ca/havava.workshops.dec.2011.pdf>

My presentation at ACE meetings in Montreal in June explored in more depth Cuba's new co-operative path, and in particular the seven sections of Los Lineamientos that support the development of a strong co-op sector in Cuba.

A PDF of the full power-point is posted at <http://www.theholmteam.ca/holm.ace.cooperating.for.change.ju2012.ppt.pdf>

More information on Cuba's co-op path is posted at <http://www.wendyholm.com>.

To follow my blog on what is happening in Cuba, point your RSS reader to <http://holmoncuba.blogspot.com>

# PRAIRIE CLUSTER

## Reference Page

The Prairie Cluster is led by Dr. Lou Hammond Ketilson at the University of Saskatchewan, Dr. Jessica Gordon-Nembhard at the City University of New York and Myrna Hewitt at Affinity Credit Union. Projects include:

**P1 Measuring the impact of credit unions on wealth building in communities**

- *Dr. Lou Hammond Ketilson, Dr. Jessica Gordon-Nembhard, and Myrna Hewitt*

**P2 The outcomes and impacts of co-operative housing**

- a) NS Seniors Housing – comparison of organizational forms
  - *Dr. Catherine Leviten-Reid, Karla Skoutajan and Alicia Lake*
- b) Co-op Involvement & Social Outcomes
  - *Dr. Catherine Leviten-Reid, Karla Skoutajan and Alicia Lake*
- c) Searchable Finding Aid for Archival Materials
  - *Dr. Catherine Leviten-Reid, Karla Skoutajan, Alicia Lake and Catherine Arsenau*
- d) Symposium on Housing Co-operatives
  - *Dr. Catherine Leviten-Reid, Nova Scotia Co-operative Council and Alicia Lake*

**P3 Housing co-operatives: The impact of scale on good governance, sound management and principled leadership**

- *Dr. Catherine Leviten-Reid, Karen Brodeur and Dr. Larry Haiven*

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Co-operative Services Officer  
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## EXPLORING THE CO-OPERATIVE DIFFERENCE IN THE HOUSING SECTOR: *a comparison of non-profit and co-operative forms*

Authors: Dr. Catherine Leviten-Reid, Assistant Professor, Shannon School of Business, Cape Breton University and Alicia Lake, Research Assistant and MBA in CED candidate, Cape Breton University

### KEY POINTS

- This summary presents an overview of a research project that explores the co-operative difference in the housing sector.
- In this research, we are exploring whether non-profit and co-operative housing organizations exhibit any differences with respect to how the projects rolled out (for example, key proponents, in-kind contributions, involvement of different kinds of social economy organizations), governance and the experiences of residents living in the buildings.
- The seniors living in both affordable housing developments expressed the importance for them to have a say in their housing, although there were a range of opinions shared regarding willingness to participate in decision-making.
- There is much going on in the lives of these residents beyond organizational form: they are transitioning from home ownership to rental housing, and are concerned about whether or not they can age in place.

### SUMMARY OF PRESENTATION

In this study, we explore difference by comparing two recent housing developments in a Canadian province. One initiative is incorporated as a non-profit, while the second is incorporated as a co-operative<sup>1</sup>. Both initiatives emerged as a response to a provincial program designed to encourage private sector involvement (be it for-profit or non-profit) in the development of affordable housing. This decade-old program provides a capital contribution for each affordable housing unit created; in order to qualify, organizations must also demonstrate to government that there is demand for this housing.



Image Source: SWOntario.com

In conducting this research, we adopted a case study design. We conducted case studies of two housing organizations by conducting in-depth interviews with those who were responsible for developing the projects, as well as residents. We also reviewed key documents such as by-laws. Note that we selected two housing organizations that, except for organizational form, are similar in a number of respects: both provide housing for seniors, both are located in communities of similar size, both have approximately the same

number of units, both were built the same year and both consist of stand-alone projects not affiliated with other housing developments. In this research, we are exploring whether the two types of organizations exhibit any differences with respect to how the projects rolled out (for example, key proponents, in-kind contributions, involvement of different kinds of social economy organizations), governance, and the experiences of residents living in the buildings.

This summary document by no means provides an extensive review of the literature. In general, though, the literature provides two sides to the debate on whether non-profit and co-operative housing are really different. Co-operative and non-profit housing organizations have a different history: for example, co-operative housing at a national scale was advocated for by individuals in the co-operative movement (Cole, 2008) and they are represented by a national federation (the Co-operative Housing Federation of Canada); the non-profit housing sector is not organized in this way (in other words, the focus is not on organizational form but on affordability). Further, co-operative housing is allied with the larger co-op movement overall; the non-profit sector does not have an alliance or adhere to a set of shared principles.

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<sup>1</sup> Note that we are currently in the process of introducing a third development to our study; the third is housing developed by a for-profit provider. Data collection for this third organization was completed in the late fall of 2012.

Conceptually, both non-profit and co-operative housing organizations can be considered to be part of the social economy, exhibiting characteristics such as democratic decision-making and organizing to fulfill social needs rather than pursuing profit (Thériault, 2012). Both kinds of housing organizations have also been conceptualized as being part of “provision infrastructure” for social housing in Canada (Skelton, 2000, p. 178): this means that both non-profit and co-operative housing organizations respond to community needs and have boards of directors with the capacity to manage and advocate for social housing. Empirically, comparative research has found that residents in co-operatives are more likely to be involved in governance compared to those who live in non-profit housing, and that residents in co-operatives have greater social connections and are more likely to express security of tenure compared to residents in non-profit housing (Canada Mortgage and Housing Corporation, 2003).

While data analysis is not yet complete, we can report some tentative findings. First is that both housing organizations developed in a similar fashion: both were responses to a community need for affordable seniors housing which was identified by project proponents, both received a considerable amount of in-kind support (in the form of land, volunteer labour and furniture), both involved trial and error on the part of the organizers who were all new to housing development, and both had weak ties to other social economy organizations.

As far as governance is concerned, we found that residents are not involved in decision-making within the non-profit organization; in fact, a by-law precludes them from doing so and it is considered a conflict of interest from the perspective of the organization’s founders. Interestingly, residents were not involved in the governance of the co-operative housing when it first was built or during the first phase of its operation: when the co-operative was first formed, board members were community residents, as the focus of project organizers was on creating and maintaining the housing rather than what they considered to be more administrative concerns regarding governance. Currently, however, residents hold 4 seats on the 10 member board of directors.

As far as the experiences of residents, the seniors living in both affordable housing developments expressed during interviews that it is important for seniors to have a say in their housing, although there were a range of opinions shared regarding willingness to participate in decision-making. What also emerges from the data is that there is much going on in the lives of these residents beyond organizational form: they are transitioning from home ownership to rental housing, and are concerned about whether or not they can age in place.

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## MEASURING THE IMPACT OF CREDIT UNIONS ON THEIR COMMUNITIES: *lessons from the literature and for developing new research methodologies*

Author: Dr. Jessica Gordon Nembhard, Political Economist & Associate Professor, Community Justice and Social Economic Development, Department of Africana Studies, John Jay College of the City University of New York, and Affiliate, Centre for the Study of Co-operatives, University of Saskatchewan

### KEY POINTS

- This study began with an inquiry into a variety of existing measurement strategies by exploring the literature on assessment, evaluation and social accounting, particularly for social enterprises.
- Existing formats provide basic performance measures and establish benchmarks with some accounting of externalities, some social and environmental indicators and some qualitative measures in addition to quantitative.
- These measures, however are internally focused and generally cover activities of employees, board members and others acting collectively on behalf of the entity, but not on personal activity (the latter which may help to identify impacts on wealth and well-being).
- The existing measures are not externally focused in the sense that they often ignore secondary or indirect activities or effects and so do not evaluate interactional outcomes (which is one of our major interests).
- This study focuses on the ways in which credit unions provide services and how credit unions conduct themselves affect their stakeholders and the communities in which they locate and function. We therefore want to identify and study observable change or transformation in communities or among members or stakeholders, but this can be complex, subtle or both.
- Therefore, in addition to quantitative analysis, we began developing interview and survey questions that will help untangle the interactions. To that end we have begun to design multipliers that measure effects of credit union local procurement practices, employment practices and benefits, uses of loans made to members and accessibility of mortgages to community members. We will also measure leadership and civic engagement spill-over effects.

### SUMMARY OF PRESENTATION

We explore what benefits Canadian credit union services, programs and activities provide for all stakeholders (members and their families, employees, clients, and their communities), and how credit unions help their members and communities build assets and accumulate wealth. Potential mechanisms and indicators to measure impacts of all kinds are identified.

This research project uses a mixed methods approach to identifying, categorizing and measuring a variety of impacts and benefits of credit unions. We began with an inquiry into a variety of measurement strategies and explored the existing literature on evaluation and assessment of social enterprises to document what is already known and understood in this field. We studied the literature on assessment, evaluation, and social accounting, particularly for social enterprises. We identified the following existing indicators and measures that could be used in our study: Financial Analysis, Sustainability Reporting, Balanced Scorecard & Strategy Mapping, Expanded Value-Added Statement, Social and Economic Footprints, Genuine Progress Indicators, and Index of Well Being.

These existing formats provide basic performance measures and establish benchmarks with some accounting of externalities, some social and environmental indicators and some qualitative measures in addition to quantitative. The hybrid approaches, such as Sustainability Reporting, combine quantitative and qualitative methods and experiment with non-profit auditing. Many existing formats include social auditing and accounting methods to quantify the value of volunteer labour and use ratio and cost-benefit analysis as numerical or quantitative models that have been developed by accountants and economists to calculate externalities.

These measures, however are internally focused and generally cover activities of employees and board and others acting collectively on behalf of the entity, but not personal activity. This makes it difficult to measure quality of life for members. The existing measures are not externally focused and so often ignore secondary or indirect activities or effects. These existing measures also do not focus enough on interactional outcomes (e.g. job creation through environmental protection, or community stability through buying local); on results from democratic participation (e.g. leadership development, or civic engagement); and/or on community mission.



Photo Source: Affinity Credit Union

Our previous research suggests the need to identify broad and various relevant indicators to measure a wide variety of kinds of impacts; and the importance of using multiple measures and multiple methods (being interdisciplinary). We therefore focused this study on developing methods and identifying indicators to measure traditional market as well as non-traditional and non-market economic and social impacts of credit unions on members, employees, their families and their communities.

This study focuses on the ways in which credit unions provide services and how credit unions conduct themselves affect their stakeholders and the communities in which they locate and function. We therefore decided to use participatory community-based research to involve credit union members, credit union leaders and credit union managers in articulating social, cultural and political as well as economic impacts and interactions. Our challenges include how to demonstrate and measure impact and interactional outcomes. Surveys and interviews are not enough because not everyone can articulate these impacts and interactions – especially those who are inside the system and have been using other language/focusing on other more traditional outcomes. Multiple effects and interactions are difficult to identify and recognize, especially some of the economic linkages such as where people spend their money, how they deploy resources, what value is added, what re-circulates locally, and also how much the credit union is involved in community-friendly or community-engaged forms of exchange. We want to identify and study observable change or transformation in communities or among members or stakeholders, but this can be complex, subtle or both.

Analysis of the literature and our goals lead us to conclude this study by examining spillover effects and calculating multipliers to accompany the interviews and surveys we will conduct. We will be developing multipliers that measure effects of credit union local procurement practices, employment practices and benefits, uses of loans made to members, and accessibility of mortgages to community members. In addition we are developing a notion of a leadership and civic engagement multiplier to measure the effects of employee paid volunteer time, civic participation of credit union employees and board members, as well as credit union donations to community groups, community economic development and cultural activities.



## MEASURING AND REPORTING CO-OP DIFFERENCES: *purpose & tools of the credit union research*

Author: Dr. Jessica Gordon Nembhard, Political Economist & Associate Professor, Community Justice and Social Economic Development, Department of Africana Studies, John Jay College of the City University of New York, and Affiliate, Centre for the Study of Co-operatives, University of Saskatchewan

### KEY POINTS

- This study aims to better understand the precise benefits that credit unions provide their communities, and the specific ways that credit unions help their members create wealth, financial stability, well-being and skills.
- The focus of this mixed methods study is on impacts, to understand and document the full panoply of co-operative outcomes associated with credit union membership.
- The team has designed a set of indicators to be accessed by interviews, focus groups and surveys of credit union members, managers and staff.
- Indicators include economic linkages (local re-circulation of money and multiplier effects); job creation; access to capital and investment opportunities; education and training; diversity of members, staff, management, board; and leadership and social capital development.

### SUMMARY OF PRESENTATION

We explore what benefits Canadian credit union services, programs and activities provide for all stakeholders (members and their families, employees, clients, and their communities), and how credit unions help their members and communities build assets and accumulate wealth. By wealth we mean both asset ownership and net worth, but also a personal and community sense of financial stability and wellbeing – i.e. quality of life. Potential mechanisms and indicators to measure impacts of all kinds are identified, and the methodology in use in the ongoing research project is described. To address some of the data limitations, as well as tensions around wealth accumulation goals in co-op enterprise missions, here we focus on credit unions whose purpose is to provide its members with access to savings and investment instruments, and opportunities for asset accumulation.

This research project uses a mixed methods approach to identifying, categorizing, and measuring a variety of impacts and benefits of credit unions. Partners in the research initiative include Affinity Credit Union (a large, multi-branch financial co-operative with head office in Saskatoon, Saskatchewan), and Advantage Credit Union (a medium-sized, multi-branch financial co-operative with head office in Melfort, located in the north east of Saskatchewan).

After studying the literature on assessment, evaluation, and social accounting, particularly for social enterprises, we have identified several potential indicators of positive economic impact and wealth building by credit unions on communities. We began to test our indicators using interviews, focus groups and a survey with members from the two credit unions; as well as with managers, staff and board members from the credit unions. Additional in-depth interviews with board members and management are underway to identify, measure and access the different opportunities to accumulate wealth through co-operative ownership (of a financial institution); and to develop indicators and identify sources of data that will help us measure impact.

We thus chose the following set of indicators or categories of possible indicators and measures of impacts and benefits of credit unions.

Our list includes the following:

- Economic activity – standard economic statistics (number of members, total assets and liabilities, number of loans, etc.) in addition to types of transactions, role/standing in market, instruments for asset ownership, investment in other social enterprises.
- Financial transparency – open book accounting policies, public publishing of financial information.
- Accessibility and affordability of goods and services.
- Employment and quality of employment – wages, benefits/compensation, working conditions.
- Economic linkages – where credit unions and members spend their money, local re-circulation and multiplier effects.
- Education and training – board, staff, members, and community education.
- Diversity of members, staff, management, board.
- Democratic economic participation, management leadership, and social capital development.
- Community investment, donations, involvement, and environmental sustainability and impact.

Preliminary findings indicate that what respondents believe credit unions do best is be involved with schools; provide, useful, understandable information to members about their accounts; provide personalized service; and in general be involved with its surrounding community. In addition, most respondents agreed that “We do a really good job of knowing our members.” The services respondents felt were most important were simply being in the community and donating to the community; and providing regular service to all members regardless of location.

In addition, respondents highlighted the importance of providing financial services that are sensitive to the life cycle stages (which change as you go through life) – the credit union has services for each stage and provides personalized information to members. Providing fairly priced (competitive) financial services was also considered very important. Respondents believe that credit unions do help in asset building because they make many financial products available to all members (even in small communities). Moreover, some financial products are not available anywhere else. They also note that credit union’s provision of financial literacy and access to credit are important to asset building, especially among the low income and under-served.

Our preliminary findings have been very helpful in determining what services credit union members, staff, managers and board members feel are most important in the community. However, our greatest challenges is identifying indicators and designing survey questions that help respondents articulate and analyze *actual impacts*.



Photo Source: Seven50.org

# WESTERN CLUSTER

## Reference Page

The Western Cluster is led by Dr. Ana Maria Peredo at the University of Victoria and John Restakis at the British Columbia Co-operative Association. Projects include:

**W1 Integrating approaches to the co-operative difference**

- *Dr. Ana Maria Peredo, John Restakis, Nick Montgomery, Dr. Jo-Anne Lee, Dr. Rod Dobell and Dr. James Rowe*

**W2 Post-capitalist enterprises**

- *Nick Montgomery and Dr. Ana Maria Peredo*

**W3 Co-operatives in context: Race, ethnicity, displacement and exclusion**

- *Dr. Ana Maria Peredo, Dr. Jo-Anne Lee, Nora McGarry, Nick Montgomery and Brian Smallshaw*

**W4 Co-operatives in British Columbia: Infrastructure support**

- *John Restakis, Dr. James Rowe, Dr. Ana Maria Peredo, Carol Murray and Nick Montgomery*

**W5 Co-op culture and organizational behaviour**

- *John Restakis, Dr. Ana Maria Peredo, Carol Murray and Nick Montgomery*

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## MEASURING THE CO-OPERATIVE DIFFERENCE: *what is the effect of organizational structure on the culture and behaviour of co-operatives?*

Authors: John Restakis, Executive Director, British Columbia Co-operative Association; Dr. Ana Maria Peredo, Centre for Co-operative and Community-based Economy, University of Victoria; and Richard Tuck, CURA Research Coordinator

### KEY POINTS

- We examine the influence of the co-operative structure on both the culture and behaviour of co-operatives, as perceived by both internal and external stakeholders.
- We compare two large-scale financially successful retail co-ops, considering both similarities and differences between them.
- The findings of this study will throw light on the actual relationship of co-op structure to co-op behaviour and on such matters as decision-making, member relations and engagement in a co-op, and the choices made with respect to commercial behaviour in the marketplace.

### SUMMARY OF PRESENTATION

It is often assumed that the co-op structure, entailing as it does democratic governance, has an impact on how a co-op operates. But it is obvious that different co-operatives, although sharing very similar governance structures, often behave in very different ways and develop very different cultures. What accounts for this difference and to what extent does the co-op organizational structure relate to this?

Some of the sub-questions we ask are: What is the relationship between culture and structure on the one hand and members' participation on the other? Does being a co-op give these enterprises a sustained competitive advantage? This project compares two large-scale co-operatives of the same type to examine both similarities and differences between them. Both are mature, large and successful retail co-ops.

Focusing on the structure, we look at issues relating to the size and stage in life cycle of the co-op, and the degree of work force specialization. In researching organizational culture, we look mainly at adaptation (e.g. how the organization responds to environmental changes), consistency (e.g. how values, beliefs and principles play a role in making decisions), involvement (e.g. the quality of participation in decision making) and mission (e.g. the existence of shared mission/vision and how that guides decision making). We probe with questions about employee engagement and training, membership engagement and decision-making, and what the perceived differences are between these co-ops and (a) other co-ops and (b) other businesses.

Initial findings from our interview journals, as the interviews have yet to be transcribed and analyzed, suggest that size does matter with respect to how employees perceive the co-op and how the co-op structure is defined. Specifically, we have found that one retail co-op, after reaching a certain size, has "corporatized" their board of directors by regulating nominees for a board position on the level of their business acumen and experience. Although this has eased tensions between the board and the executive management, it also seems like the co-op is in a stage of redefining itself. Interviewees asked questions like: "Are we still really a co-op if less than 1% of members vote?" as evidence of this internal struggle.

The co-op difference, however, is easily seen within the co-op itself and what it has been able to do. From community building to pioneering environmental sustainability, the co-op sees its co-operative structure as the main reason that it can go beyond its retail business peers, which are constrained by the profit motive, and be innovative and embody the triple bottom line.

This research will directly and specifically support co-operatives in addressing their priorities and measures of performance, while the triangulation of research results will provide a more nuanced and sophisticated understanding of the impacts of co-ops, or their need for improvement to fit with the perception of their impact and functioning.



Triangulation takes place through secondary data sources as well as interviews with members of Boards of Directors from co-operatives in BC, with co-op management and staff from co-operatives in BC, with co-op members from co-operatives in BC and external stakeholders, as well as policymakers and members of community organizations.

Overall, the resulting body of research is expected to make a significant contribution to the development of co-op theory, and course curriculum in our academic institutions. We anticipate that the findings will throw light on the actual relationship of co-op structure to co-op behaviour and on such matters as decision-making, member relations and engagement in a co-op, and the choices made with respect to commercial behaviour in the marketplace.

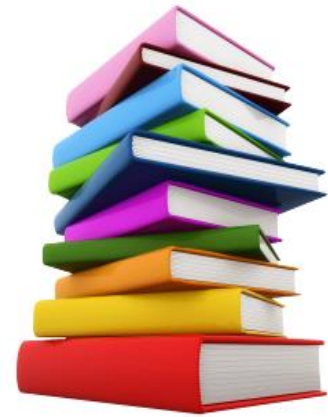


Image Source: Edbook.org



## CO-OPS ACROSS DIFFERENT CULTURES: *an international Indigenous perspective on co-operatives as instruments for community revitalization and social inclusion*

Author: Dr. Ana Maria Peredo, Centre for Co-operative and Community-based Economy, University of Victoria

### KEY POINTS

- Co-operative forms of enterprise have been introduced in many Indigenous settings as part of top-down economic development.
- The interaction of these initiatives with Indigenous culture has been complex and varied, and there are many important examples of hybrid forms of enterprise arising from that interaction.
- These hybrid forms draw upon co-operative traditions typical of many Indigenous cultures, and are stimulated particularly by economic and social stresses.
- These forms of venturing typically have a variety of goals, with social goals generally prominent in the blend.
- These forms are frequently successful in contributing to a sustaining economy, in terms valued by the particular Indigenous group and durable because of their fit within the Indigenous cultural setting.

### SUMMARY OF PRESENTATION

In thinking about the co-operative difference, we have argued in the Western Cluster's theoretical framework that we need to give central consideration to context and diversity of communities. It is often argued that co-operatives in poor countries have been instruments of top-down oppression and have ignored, even helped erase, local cultures. While certainly there have been top-down policies promoting co-ops in Latin America, Africa and Asia, the full picture is much more complex and nuanced. Most Indigenous cultures have traditionally practiced various forms of co-operative undertaking. We argue that especially in Indigenous cultures there has been an evolution in forms of collective endeavour that has resulted in syncretistic, hybrid forms of enterprising with a strong, largely endogenous, co-operative element. It is important to identify some of these forms, and trace their roots in both the colonial culture and Indigenous beliefs and values.

By means of an examination of cases among Indigenous peoples in several nations, we look at how hybrid forms have evolved in response to challenges of poverty alleviation and social inclusion. That examination leads us to suggest that those hybrid forms become spaces for alternative economic forms where distinctive and sustaining community economies may take shape.

### KEY CONCEPTS

**Indigenous people**, for our purposes, are identified in the terms proposed by Peredo (2004): "(1) descent from inhabitants of a land prior to later inhabitants, (2) some form of domination by the later inhabitants, (3) maintenance of distinguishing socio-cultural norms and institutions by the Indigenous group, (4) an attachment to ancestral lands and resources, (5) often, but not always, subsistence economic arrangements, and (6) an association with distinctive languages. Not all elements are present in all cases, but in many cases of modern Indigenous cultures, most or even all characteristics are in evidence. In general, these characteristics, employed in a flexible and contextually sensitive way, serve to distinguish Indigenous people from other populations."

We understand **poverty** as a multidimensional process that involves not only income but also social, cultural and political deprivation. Social exclusion is an outcome of a multidimensional process that prevents many individual, groups and or communities from participating fully in the economic, social, and political life of the society in which they live.

By **'co-operative economy'** we mean "collective undertakings" aimed at:

- providing the needs and wants of some community or group, where any profits are a means of supplying those needs and wants,
- managed autonomously and by democratic processes, and
- in which persons and their participation are given priority over capital in the distribution of any surplus



Photo Source: [www.ontario.coop](http://www.ontario.coop)

#### EXPLANATORY NOTE:

The central and most widespread example of the co-operative economy is the worldwide family of co-operatives and credit unions. Increasing attention is being paid, however, to the existence of many forms of collective effort that have similar aims but somewhat different and evolving legal and/or social structures. Throughout the world, and in our communities in B.C., notably in Indigenous communities, there are many examples of groups and communities operating collectively in ways that embody the above principles, though not always constituted as co-operatives.

*(Peredo 2009, 'Vision Statement', CCCBE, University of Victoria)*



## PROBLEMATIZING AND CONTEXTUALIZING THE CO-OPERATIVE DIFFERENCE: *communities, challenges and practices*

Authors: Nick Montgomery, Graduate Student, University of Victoria and  
Dr. Ana Maria Peredo, Centre for Co-operative and Community-based Economy, University of Victoria

### KEY POINTS

- The goal of this project is twofold: to develop a theoretical framework that helps to conceptualize the different cases developed by the Western Cluster members (community co-lead and invited UVic researchers), and to outline the challenges of community-university partnerships.
- In BC the co-operative sector is fragmented in small and medium sized co-ops.
- Co-ops are different from each other and some co-ops may be no different from corporations, while others come to resemble them in significant ways.
- Focusing on co-operatives 'in general' may hide important historical, contextual, social, political, and economic differences.
- The communities in which co-ops are embedded are also diverse, leading us to consider co-ops as part of an interconnected web of institutions in the social economy.

### SUMMARY OF PRESENTATION

Part of our research involves conceptualizing what has been called the 'co-operative difference'. What is the co-operative difference, and how should we think about it? What are co-operatives different from? Is there a single co-operative difference, or should we also look to the differences among co-operatives? When we talk about 'co-operatives', are we referring only to formal co-operatives, or more broadly to enterprises that facilitate co-operation, community involvement, grassroots education, member participation, and economic redistribution?

Economic studies of co-ops tend to focus primarily on the structure of ownership and control in co-operatives. This means that the co-operative difference is understood as a structural difference between co-ops and business firms. Business firms are controlled by proprietors and shareholders, whereas co-ops are controlled collectively by their members, operating on the basis of one person, one vote, for example. They might also have different economic impacts, and be more likely to internalize externalities, encourage participatory decision-making, and adopt more ethical business practices than traditional businesses. However, the differences between co-operatives and traditional businesses do not necessarily flow from a simple difference in structure. It is usually argued that the motivations, goals and perspectives of co-operative practitioners are different from those of traditional business owners.

Historically, the co-operative model emerged as a response to the poverty and immiseration resulting from the industrial revolution, urbanization, and the enclosure of common land. In this sense, the relationships between co-operatives, capitalism, and traditional business firms have always been ambivalent and contested.

Co-ops are often portrayed in competing and complex ways. On the one hand, co-operatives are depicted as democratic, and anti-corporate, community-oriented, an innovative engine for local economic development, and a powerful local -global movement. On the other hand, they are also perceived as corporatized, self-interested, parochial, and/or outdated. Despite their different emphases, dominant approaches to understanding co-operatives seek to generalize or speak about co-operatives universally, abstracting from the always contingent and particular nature of co-operatives in different contexts, localities, etc.





## CONTEXT AND STRUGGLE IN CO-OPERATIVES: *Japanese Canadian fishing co-operatives and Strathcona housing co-operatives*

Authors: Dr. Jo-Anne Lee, University of Victoria; Dr. Ana Maria Peredo, Centre for Co-operative & Community-based Economy, University of Victoria; and Brian Smallshaw, University of Victoria

### KEY POINTS

- We pose different questions about co-operatives from an anti-racist, decolonizing perspective.
- We research ethnic minority co-operatives in Canada, a subject that has received very little research to date.
- Investigating ethnic minority co-ops can contribute to rethinking how co-operatives impact the economic, cultural, social and political life of Canadian communities.
- Racial exclusion and marginalization underlie the development of Japanese Canadian Fishing Co-operatives and the Strathcona Housing Co-operatives.

### SUMMARY OF PRESENTATION

**Japanese-Canadian Fishing Co-ops** | From shortly after their first arrival in the 1880s until their expulsion from the West Coast in 1942, Japanese-Canadian fishermen formed co-operatives that played a key role in helping them cope with the difficulties of living within a new land, racist exclusionary policies and attitudes that sought to drive them out, and the basic hardships faced by all fishermen. The fishing co-operatives played a key role in the survival of the Japanese-Canadian fishermen and their development to become one of the major forces in the West Coast fishery.

In 1897, during a dispute with the canneries over the price paid for fish, representatives of the Dantai, the Fraser River Fishermen's Association of Japanese-Canadian fishermen, were appointed to negotiate with the white and Native fishermen. The strike was ended when the canners agreed to a modest price increase, after which the Japanese and Native fishermen were invited to join the white union. They declined and formally incorporated the Dantai rather than join an organization which had previously identified them as an enemy and remained committed to driving them off the coast.



Photo Source: John Dutton Media

Our research asks: Are Nikkei Fishermen's Associations "true" co-operatives? Was the Dantai a co-operative? Certainly it was 'an autonomous association of persons who voluntarily co-operate for their mutual social, economic, and cultural benefit'.

One of the standard works on the subject of fishermen's co-operatives, *Tides of Change* published in 1967 by A.V. Hill refers to the Dantai and most of the other Japanese-Canadian fishermen's associations as 'proto-co-operatives' because they did not operate according to the Rochdale principles necessary for an organization to be called a 'co-operative'.

It may be true that the Dantai and other Japanese-Canadian fishermen's associations were not co-operatives in the 'Rochdale Principles' sense of the term: they did not have open membership, as membership was for Japanese-Canadians only because they were formed in response to the discrimination they faced; and they were not democracies, as decision-making was of a Japanese consensus-seeking style, where issues are not necessarily voted on as elders or natural leaders make decisions. But if we disregard the Eurocentric definition, we find that these organizations formed with the spirit of co-operatives at their centres.

**Strathcona Housing Co-ops** | Strathcona is a low-income, traditional immigrant settlement neighbourhood located adjacent to historic Chinatown in downtown, inner city Vancouver. In the 1950s, city planners identified it as a “slum” and slated it for urban renewal.

After the displacement of 5,000 people, the destruction of half of the housing in the neighbourhood, and the construction of two public housing projects, the residents mobilized and stopped the bulldozers. Residents banded together to form the Strathcona Property Owners and Tenants Association (SPOTA) in 1968. Within two years, from 1968 to 1970, SPOTA halted the demolition of homes and convinced the federal, provincial and municipal governments to embark on a pilot urban rehabilitation program.

SPOTA’s desire to build non-profit co-operatives and market housing needs to be understood in the context of struggles over exclusion and displacement. Not only was SPOTA’s housing co-operative a form of resistance to social engineering schemes of city planners and elected officials, the organization used its cultural capital and organizing skills to force governments to engage with it as a quasi-governmental entity empowered to represent the community. Government officials were compelled to listen and consult with SPOTA.

Over an approximately thirty-year period, SPOTA represented the interests of residents. During this time, city officials continued plans to transform the area, but with contradictory effects; they sometimes worked for, and other times against, the interests of residents.

SPOTA/SAHS created different co-operative, community-based strategies and tactics that were tailored to the specific needs and issues that confronted the neighbourhood. The community-based context that gave rise to co-operatives also initiated numerous other innovative impacts and outcomes, including: community mobilizing and networking through inclusive, bilingual communication; neighbour to neighbour organizing and the sharing of information and tactics; planning initiatives through government funded rehabilitation programs for sewers, streets, homes, transportation, green spaces, community gardens, and more. In addition, residents claimed citizenship by standing up for their right to place, experienced meaningful civic engagement, and learned how to “*fight city hall*.” Many ripple and multiplying effects were also seen, such as when the mothers from the Raymur housing project developed the Raycam Co-op as a food purchasing and distribution co-operative with a co-operative daycare centre.



Photo Source: Strathcona Housing Co-op

Limiting what constitutes co-operatives to only those entities that resemble formal Anglo-western organizations (i.e. the Rochdale model) restricts the scope of what can be learned about the social, political, economic and cultural contributions that co-operatives make to their communities. By situating co-operatives in their community contexts, acknowledging ethnic cultural traditions and tracing their connections and relationships to local and transnational communities, it is possible to identify impacts and outcomes that might otherwise have remained hidden. Finally, there is nothing inherently liberating or democratic about co-operative structures of governance. As social and cultural institutions that emerge in relation to unequal relations of power, ethnic minority co-operatives, like majority group co-operatives remained embedded in these unequal relations and must continually renegotiate and navigate these rocky shores. The important question is: How are co-operatives connected to and used by the communities in which they emerge?

# NATIONAL CLUSTER

## Reference Page

The National Cluster is led by Dr. Luc Theriault at the University of New Brunswick and Dr. Fiona Duguid at the Canadian Co-operative Association. Projects include:

- N1 Trends in Canadian agricultural co-operatives (1992-2008)**
- *Dr. Luc Theriault, Quintin Fox and David Bent*
- N2 New Co-operative Development in Canada**
- *Dr. Fiona Duguid, Dr. Marcelo Vieta, Marshall Gallardo and Dr. Luc Theriault*
- N3 Examining the value and potential of national co-op sector federations**
- *Dr. Ian MacPherson*
- N4 Co-operatives and alternative energy production**
- *Dr. J.J. McMurty, Dr. Judith Lipp, Mark Ventry, Emanuele Lapierre-Fortin, Sara Amyot, Tom Du and Ryan Foster*
- N5 170 year history of the Sussex Co-op, NB**
- *Dr. Luc Theriault, David Bent, Wendy Keats, Roméo Cormier, Leandre Landry, Dave Arsenault, Sally Colpitts, Brian McCullum, Wendy Virtue, John Elliott, John Anderson and Erin Hancock*
- N6 The 5th principle in action: Mapping co-operative education initiatives**
- *Erin Hancock, Karen Miner, Veronique Gagnon, Quintin Fox, Sarah Pike, Dr. Christine Clamp, Kim Penna and Dr. Fiona Duguid*
- N7 National Study on the Impact of Co-operatives**
- a) Methodologies for researching economic, social and environmental impacts of co-operatives
    - *Dr. Fiona Duguid and Dr. Nicoleta Uzea*
  - b) Economic impact of the co-operative sector in Nova Scotia
    - *Dr. George Karaphillis, Amada Tarr, Shirley Hazen, Dianne Kelderman and Jessica Farrell*

## CLUSTER CO-LEADS



**Dr. Luc Theriault**  
Associate Professor of Sociology  
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Academic Co-Lead



**Dr. Fiona Duguid**  
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Canadian Co-operative Association  
Community Co-Lead





## CANADIAN AGRICULTURAL CO-OPERATIVES: *trends and challenges, 1992-2008*

Authors: Dr. Luc Theriault, Associate Professor of Sociology, University of New Brunswick, Academic Co-Lead and David Bent, Historian and PhD candidate, University of New Brunswick

### KEY POINTS

- The agricultural sector in Canada comprises some of the oldest and largest co-operatives in the country.
- The regional breakdown of trends shows a variety of results. National Trends are quite sporadic, at times up and at times down, and vary from sector to sector. The West, surprisingly given its agrarian history, shows a great deal of vulnerability.
- Looking forward, we feel that the continuing decline in overall farm numbers and consolidation of those that remain are perhaps the biggest challenges facing agricultural co-ops in the years ahead.
- When and where the political climate is kindly to their message, co-ops can show signs of growth and success.

### SUMMARY OF PRESENTATION

The agricultural sector in Canada comprises some of the oldest and largest co-operatives in the country. These co-operatives provide a variety of goods and services to farmers, including farm supplies, services and other support to agriculture, and processing and marketing of farm products. Despite this prominence within the co-operative sector, very few data analyses have been presented, recently, on Canadian agricultural co-operatives: this descriptive research project intends to contribute to closing that gap. Using survey data provided by the *Rural and Co-operatives Secretariat of Agriculture and Agri-Food Canada*, the authors of this report focus on the 1992-2008 period and seek to identify some key trends in terms of the growth (or lack thereof) in the number of co-operatives, their volume of business, the size of their membership, as well as the number of Canadians they employ. More detailed financial information relating to surplus, assets, liabilities and equity are also examined for this period. In the end, the trends identified are discussed in view of how they might inform us about the challenges that agricultural co-ops will face in the next decade. (Note: Excluded from this study are co-ops involved in the agri-food sector that does not have a direct link to farmers).

The regional breakdown of trends shows a variety of results. National trends are quite sporadic, at times up and at times down, and vary from sector to sector. The West, surprisingly given its agrarian history, shows a great deal of vulnerability. During the last two decades the post-war trend of farm consolidation and declining numbers continued, cutting into co-op membership and profits. Furthermore, several prominent agricultural co-operatives have been privatized in recent years (aided by the predominance of Neo-Liberal thought in the provincial governments), culminating in an overall trend of decline, although some show rough stability. Still, despite the decline in numbers and members, business volume shows signs of growth, or at least consistency. By contrast, Quebec shows consistent growth in all quarters. Business has been aided by Quebec co-operatives buying up co-operatives from outside the province, particularly in Ontario. Provincial governments, of all stripes, have also helped by providing friendly legislation. Ontario co-ops, more or less, show continuous growth in all quarters. Members, numbers, and business grow steadily throughout this time, although some prominent co-operatives have been privatized or bought out in this time. The Atlantic region shows the same trend of growth, but the region's overall small size prevents its numbers from making much of an impact on the national numbers.

Volume of Business (in millions of dollars)

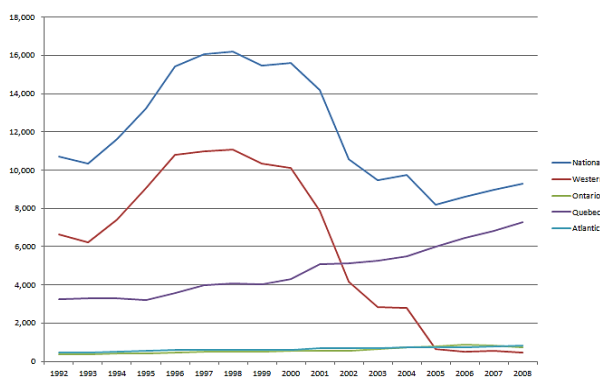


Table 1: Processing and Marketing Co-operatives

The first sector examined is *Processing and Marketing Co-operatives*, which pertains to co-operatives concerned with processing of agricultural products (including Christmas trees) and/or their sale - it includes the marketing of unprocessed agricultural products either directly or indirectly and includes farmers markets. Setting a trend, overall numbers show signs of decline in the West, especially with regard to business and members (declines so sharp they heavily impact national numbers), but signs of steady growth in Quebec in nearly all quarters, while Ontario and Atlantic Canada more or less hold their own. See the selected graph:

This was followed by an examination of *Agricultural Co-operatives*, that is, co-operatives that provide goods or services to farmers, such as providing farm supplies, services and other support to agriculture. The trend of western decline and Quebec ascendance mentioned above, for the most part holds true here. However, overall western co-op numbers and membership show only slight decline and growth, respectfully. See selected graph:

## Volume of Business (in millions of dollars)

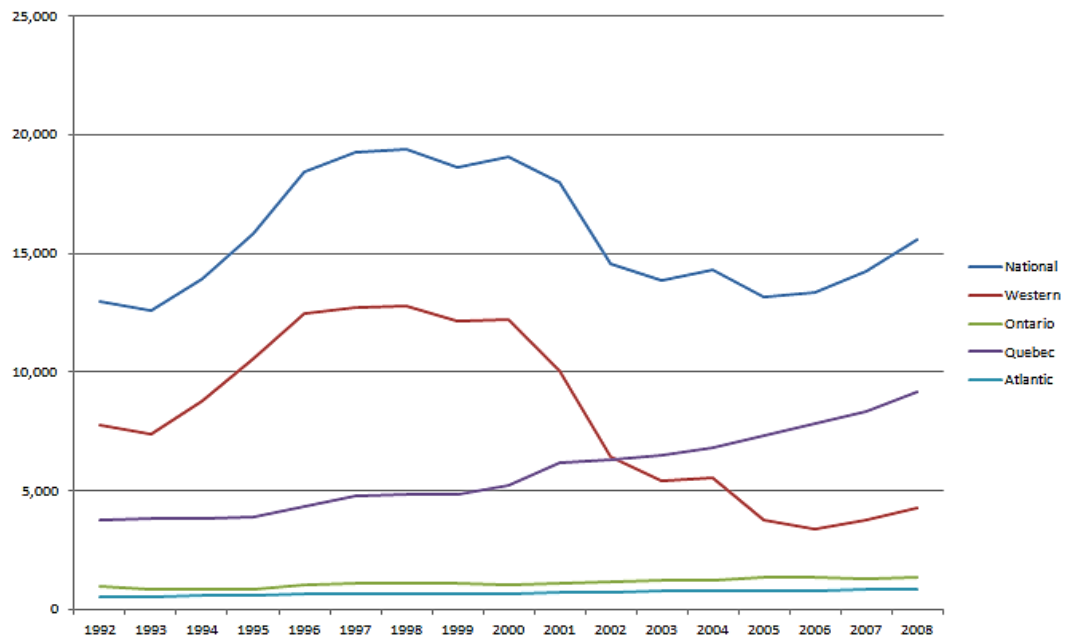


Table 2: Agricultural Co-operatives in Canada

Departing from the previous formula, we now look at a *processing and marketing breakdown of co-operatives in Canada by sector*, rather than by region. They are divided as follows I) Vegetable Co-ops, Dairy, Poultry, and Egg Co-ops, II) Grains, Oilseeds, Honey, and Maple Co-ops, III) Livestock Co-ops, IV) Fruit Co-ops, V) Farmers Market Co-ops, and VI) Tree Farming Co-ops. The results here are as varied, but most striking are the dramatic collapse of grain marketing co-ops (which no doubt impacted the sharp western decline discussed above), and steady growth in dairy and poultry marketing co-ops and livestock co-ops. See selected graphs:

## Volume of Business (in millions of dollars)

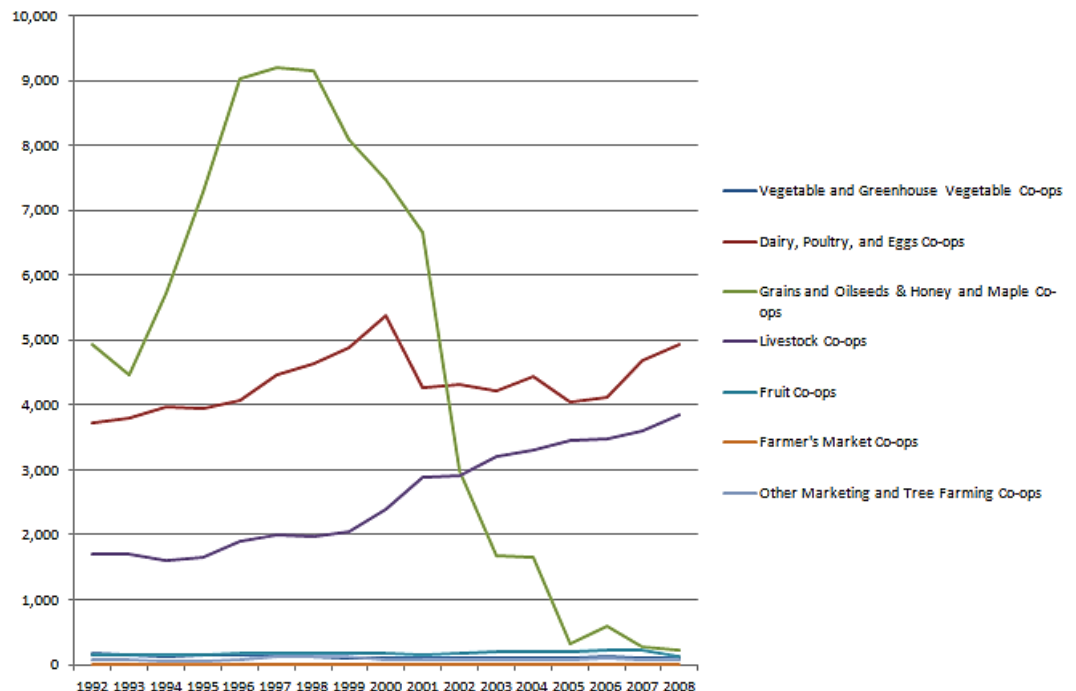
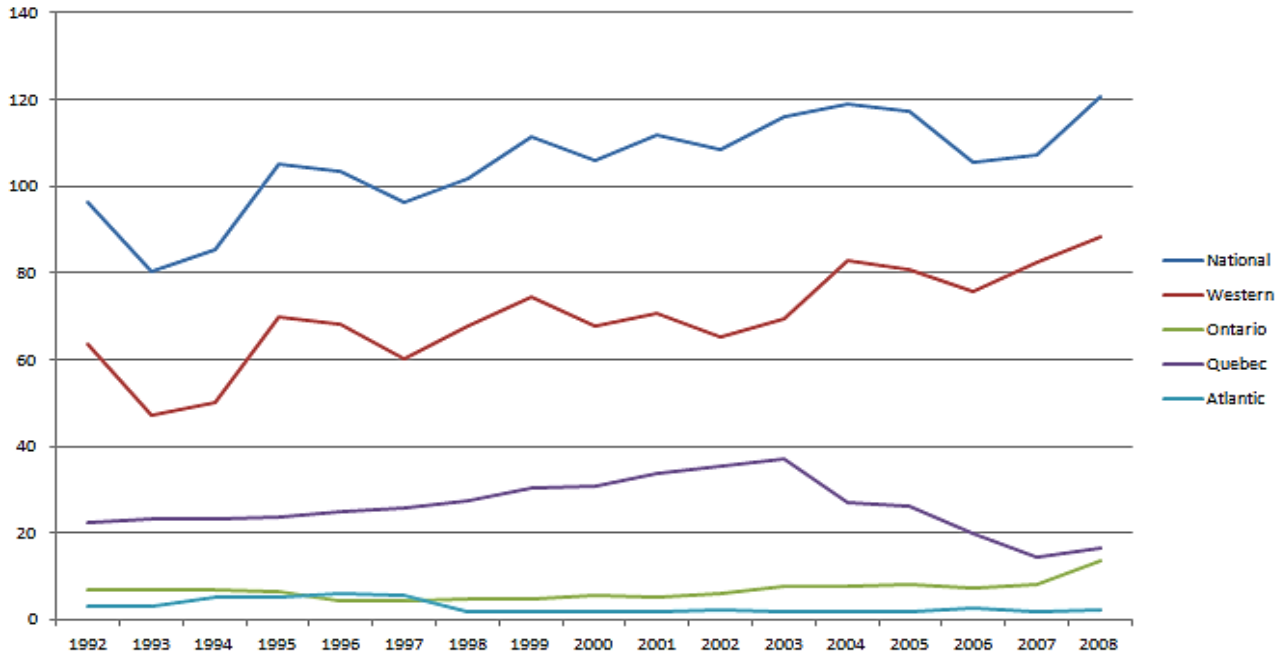


Table 3: Processing and Marketing Co-operatives

Returning to a regionally based examination, we turn to *Farm Supplies Co-operatives in Canada*; referring to co-ops that manufacture and or sell of farm supplies, such as feed, seeds, petroleum for farm use, fertilizers and pesticides. Unlike previous sections, here there is almost universal growth, with even the West showing steady growth on all almost all fronts. This reflects the need farmers have for the products and services of these co-ops. See Selected Graph:

**Table 3: Farm Supply Co-operatives in Canada**

## Volume of Business (in millions of dollars)



Looking forward, we feel that the continuing decline in overall farm numbers and consolidation of those that remain are perhaps the biggest challenges facing agricultural co-ops in the years ahead. Still, where they provide a valued service, and where the political climate is kindly to their message, they show signs of growth and success. Adding a wrinkle to this analysis is the recent end of the Wheat Board’s monopoly and its hitherto unseen impact on co-operative numbers; therefore, improving economic performance and PR should be a priority in the years to come.



## FEDERATIONS: *a crucially important part of the co-operative difference*

Author: Dr. Ian MacPherson, Emeritus Professor of History, Director, Co-operative Initiative for Peace and Social Inclusion, Centre for Co-operative and Community Based Enterprise, University of Victoria

### KEY POINTS

- The federation issue is a significant dimension of co-operative distinctiveness.
- Yet, some of the most important debates have occurred over where and how to undertake joint initiatives through the creation or expansion of federations.
- The issues that have challenged federations historically still apply; many of them, in fact, are implicit in any federation-building endeavour.

### SUMMARY OF PRESENTATION

An inherent challenge for most co-operative movements is working out how to build upon the local strengths that they most readily develop. Part of the challenge is that the movement naturally manifests a local bias in how it commonly sees the world. Its underlying messages for some two hundred years have been that people should work together, usually in local, well-defined communities, to address social and economic needs; that they should exercise their own resources and capacities to become “masters of their destinies”; and that self-reliance through direct group activism is a co-operative virtue. All of these messages tend to be translated into the kinds of engagement that foster strong local loyalties.

The movement, therefore, faces a common challenge when it seeks to build “beyond the local”. Local co-ops, especially as they achieve size and sophistication, may not readily delegate responsibilities to other organizations. Consequently, some of the most important and heated debates have occurred – and predictably will occur – over where and how to undertake joint initiatives through the creation or expansion of federations or through similar kinds of institutional frameworks.

The “federation issue” cannot be avoided. Federations are inherent within co-operative thought. They are manifestations of movement solidarity, including solidarity with other movements, such as rural and worker movements, with which co-operatives have often been strongly associated. They can provide ways to pursue economic opportunities that are beyond the capacity of local co-ops. They can help movements lobby governments more effectively. They can help develop the movement through expanded programs and new initiatives. They flow naturally enough from the distinctive nature of co-operative entrepreneurship. They can assist individuals and organizations realize their personal and/or community goals.

The federation issue is a significant dimension of co-operative distinctiveness. It is also an issue that is almost as old as the movement itself. Though the extent to which they utilized federations varied considerably, the main forms of co-operation – consumer, financial, rural, and worker co-ops – began to develop federations within 20-30 years of their emergence in the middle years of the nineteenth century.

This project examines the federation issue in both an historical and a contemporary dimension. It briefly discusses the federation inheritance as it came from Europe, particularly with regard to the co-operative consumer and agricultural movements. It explores the historical record of federations in Canada to understand the issues of purpose, structure and power invariably associated with their development. It evaluates the successes they can claim to have achieved. It considers their limitations. It argues that many (though not all) of the issues that challenged those who developed federations historically still apply; many of them, in fact, are implicit in any federation-building endeavour.

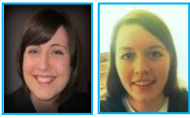


Image Source: afrea.ab.ca

Some of the more constant issues and challenges that have so far appeared in the research are the following, though they differ in intensity and importance with the type of federation being considered:

1. Deciding on the central purpose amid the optimism and euphoria often associated with the early development of federations.
2. The challenges in building support among the co-operators and co-operatives expected to be supporters of a given federation.
3. Working within the local/regional/national as well as the institutional loyalties of the people and organizations involved.
4. Working within the legislative and regulatory requirements that apply, a challenge that varies considerably with the type of federation involved.
5. Organizing so as to lobby for improvements in the legislative and regulatory framework of the co-operatives involved in a given federation.
6. Identifying the nature of the relationships with other parts of the co-operative movement.
7. Identifying the nature of the relationship with non-co-operative organizations.
8. Accommodating different interests (for example, because of size, leadership, geography, ideology) among federation members.
9. Responding to external challenges (economic adversity, changes in government policies, disasters).
10. Making effective use of communication systems.
11. Attracting and retaining effective leadership.
12. Growing other forms of collaboration (e.g., alliances, partnerships) with like-minded co-operatives or with non-co-operative organizations. This development, it can be argued, is a major threat to existing or new federations.

The project concludes with an examination of contemporary, emerging federations in the co-operative health and agricultural sectors. It is hoped that our review of the past experiences will provide insights into the kinds of issues that can be anticipated and some of the answers that seemed to have worked in the past.



## 5<sup>th</sup> PRINCIPLE IN ACTION: *educational initiatives across North America*

Authors: Erin Hancock, Program Coordinator, Research & Education, Canadian Co-operative Association and Kim Penna, Program Coordinator for Education, College Houses (a co-op housing system in Austin, TX)

### KEY POINTS

- There were over 120 educational initiatives identified within Canada that are hosted by co-operatives or designed specifically for co-operatives.
- Much of the training provided was offered through 2<sup>nd</sup> or 3<sup>rd</sup> tier co-operatives.
- Financial co-operatives were the single sub-sector that offered the most educational opportunities.
- Management, governance and leadership were the most common technical topics covered in educational initiatives.

### SUMMARY OF PRESENTATION

The presentation was focused on exploring the 5<sup>th</sup> co-operative principle of *education, training and information* and the “co-operative difference” demonstrated by the development, engagement and investment in the people who are part of the co-operative.

#### **5th Principle of Co-operation: Education, Training and Information**

*Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation. (International Co-operative Alliance)*

The project team explained their methodology: they mapped innovative educational initiatives that have been carried out by co-operatives themselves or initiatives that are predominantly accessed by co-operatives. A scan of websites and annual reports was performed. In Canada, 35 organizations with 123 initiatives were identified. In the USA, 30 organizations were reviewed with a total of 30 initiatives. Formal education programs were not part of this initial scan because Christine Clamp of Southern New Hampshire University is performing a scan of formal programs such as university courses and Master’s programs. The data collected was captured using the following criteria: sector, group and organization type, co-op topic or non co-op topic, technical topic or category, program and training activity type (online learning platform, workshop, printed materials, etc.) and target audience. The project is still in progress so the data has not been fully analyzed, but the results presented highlight findings to date.

Figure 1

The formats of the educational initiatives illustrated throughout the presentation range from guidebooks to board training programs to information offered in co-operative retail spaces, but the majority of education is offered in person (workshops, information sessions at AGMs, etc.).

It is interesting to note that educational initiatives were found across every co-operative sub-sector and were targeted to all stakeholders in a co-operative (from members to the board and employees) (Figure 1, Figure 2). Of the more than 120 initiatives provided, the largest portion was targeted towards directors (governance-focused).

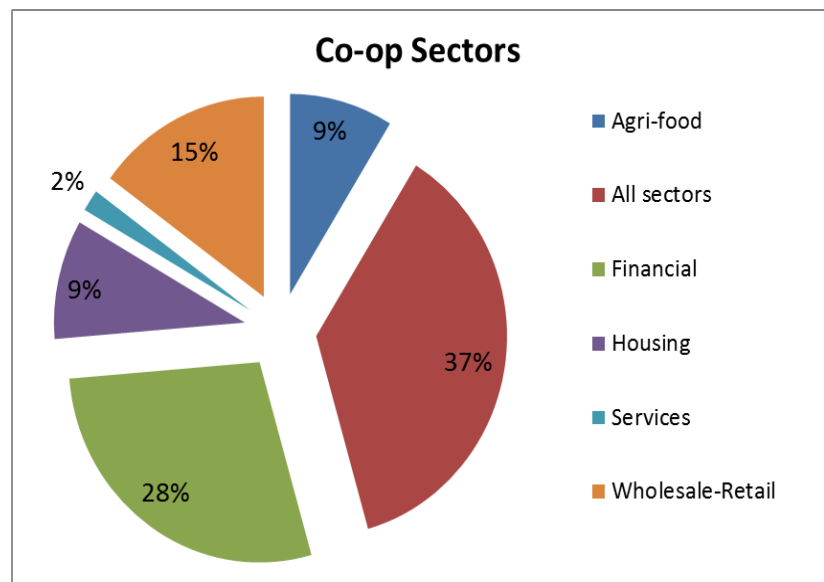
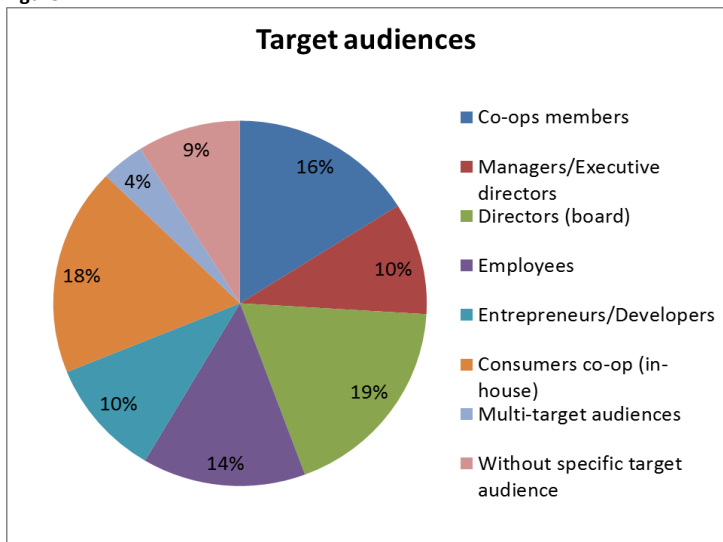


Figure 2



Of all education provided, co-op-focused topics or topics offered through a co-op lens formed the strong majority of topics covered, as opposed to training that focused on business issues divorced from the co-op model (Figure 3). Of the co-op-focused educational topics, co-op identity and philosophy was the most commonly addressed topic (Figure 3). Of the technical topics offered, leadership-focused topics and sector-specific training were the most common (Figure 4).

Much of the training provided was offered through 2<sup>nd</sup> or 3<sup>rd</sup> tier co-operatives (federations or associations), but is important to note that many first tier co-ops offer 'in-house' training which points toward a multiplication of efforts across Canada (e.g. many groups providing a similar educational offering, but having endured the development costs themselves). After the mixed-co-op events offering training across different sectors, the financial and wholesale-retail sectors were the top sectors delivering education or training opportunities (Figure 1).

The presentation highlighted that the CCA's Council of Regional Executives, which is comprised of the Executive Directors of the provincial co-operative associations, will be taking this research and using it as a jumping off point to pursue a co-operative lifelong learning strategy. This would potentially take the form of a national strategy that takes into account existing programs as well as gaps in offerings, sectors and populations.

Figure 3

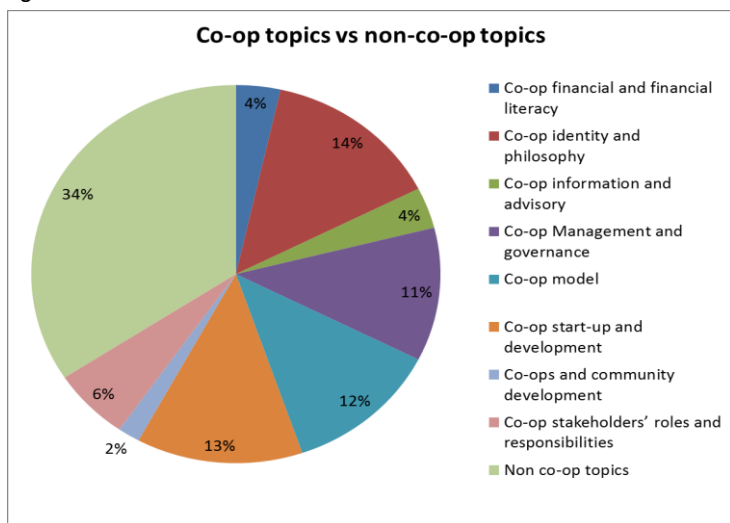
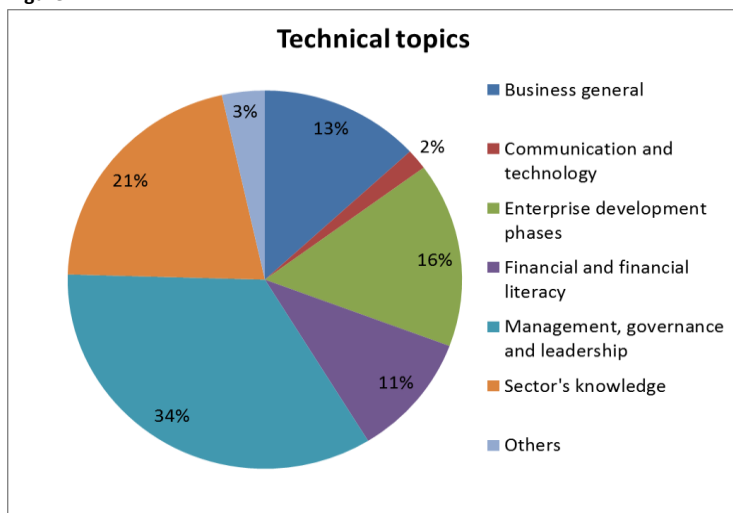


Figure 4





## ALTERNATIVE ENERGY: *the promise and the pitfalls of the co-operative difference*

Author: Dr. J.J. McMurtry, Associate Professor, Business and Society and Graduate Program, Director of the Social and Political Thought Program, York University

### KEY POINTS

- There are emerging co-operatives in alternative energy around the world, but there has not been enough research on how these co-operatives are complying with, and modifying, the co-operative form.
- The key components of co-operatives that distinguish them from other business forms are (1) member ownership and control (democracy), (2) limits on the power of capital (people first), (3) positive relationship with community (stakeholder value).
- The innovations of alternative energy co-operatives in community finance, especially in Ontario, have challenged these three key features of co-operatives.

### SUMMARY OF PRESENTATION

This presentation examined the evolution of the energy sector from private sector control, through the emergence of the welfare state and provincial control, to the current context in which the provincial governments are increasingly withdrawing from the energy sector in the name of the “environment”. The co-operative sector has emerged as both the champion of community control in this changing environment and as a “wedge” for increasing privatization of the energy sector.

This dual role for co-operatives in energy is part of a larger context in which state agents have looked to the co-operative sector to replace the welfare state in social service delivery (i.e. The Big Society in England and the Social Co-operative movement in Italy). This context is however confused by the parallel emergence of “community economic development” in energy and social services, which makes the “co-operative difference” hard to distinguish. In energy, and especially in Ontario and Nova Scotia, this lack of distinction between the two sectors is especially confused as organizations like OSEA (Ontario Sustainable Energy Association) houses both co-operative and “community” alternative energy organizations.



Photo Source: SmallBizTrends.com

There are international co-operative examples, in Denmark and Germany for example, which have somewhat successfully avoided this confusion, and consequently they have emerged as dominant players in the new “community” energy sectors. However, they have emerged as a result of strong state policy frameworks that provide clear advantages to community co-operative control. In the absence of these policy frameworks in Ontario (and to a lesser extent, Nova Scotia) the co-operative sector has struggled to establish itself.

The presentation concludes by arguing that if the co-operative movement can return to the three distinguishing features mentioned in the Key Points above, and can successfully express these features to policy makers, it can provide a successful example of the co-operative difference in Canada. This would mean that the co-operative alternative energy sector needs to: innovate in strengthening the democratic component of the co-operatives; secure stable funding for the capital expenditures required for alternative energy without subordinating its democratic community control; and proactively engage the community and explain the advantages of participating in co-operative energy.





## CHALLENGES & LESSONS IN RENEWABLE ENERGY CO-OP DEVELOPMENT: *the SolarShare case*

Author: Dr. Judith Lipp, Executive Director, TREC Renewable Energy Co-op

### KEY POINTS

- There is growing interest in Renewable Energy (RE) co-op development in Canada and beyond.
- According to a 2011 Canadian Co-operative Association publication, there are upwards of 200 collectively managed alternative energy projects in Canada, including over 70 RE co-operatives.<sup>2</sup>
- RE co-ops are widely recognized as an important model in addressing environmental and social concerns, while retaining direct economic benefit to members of the co-op.
- While there have been important developments towards RE co-op development in Canada, there are still many challenges to getting projects to completion.
- The experience of the TREC/SolarShare Energy Co-operative illustrates many of these challenges which broadly can be categorized as resource and capacity constraints as well as policy dependency.
- The experience of early adopters and pioneers like TREC/SolarShare provide important insights for other practitioners, researchers and policy makers to consider as this sector expands.

### SUMMARY OF PRESENTATION

Incorporated in 2010 as a non-profit co-op, SolarShare is in the business of owning and operating solar photovoltaic (PV) energy installations in Ontario that generate electricity. The electricity is fed into the Ontario grid and compensated through a power purchase agreement with the Ontario Power Authority, called a Feed-in tariff contract.



Image Source: SolarShare.ca

SolarShare currently owns 18 solar PV installations with a total generating capacity of 600 kW. Additional sites for a total investment of \$10 million are being pursued. The current project portfolio of \$3.7 million was financed through private bridge loans which are now being paid down through co-op member investments. Members are eligible to purchase \$1000 bonds at 5% return for 5 year terms.

Work on SolarShare (SS) has been a long time in the making, and there have been many important lessons along the way. The key considerations and lessons are summarised here:

#### 1. **Building a RE co-op takes a long time and lots of money**

Renewable energy projects are very capital intensive at start-up and where a new co-op has been incorporated to build projects it can be very difficult to access debt financing. In the SolarShare case, angel investors were found in the community to provide construction financing. These funds are slowly being replaced through community bond investors and eventually long-term debt.

Because RE co-ops are new in Canada, there have been challenges in the regulatory approval process delaying the timing and/or volume of a public bond offering to the community. The regulatory body receiving offering statements (OS) in Ontario had to go through an extensive learning curve delaying receipt of the OS.

Cumbersome processes and administrative delays as part of the Ontario FIT program also presented challenges in the form of lost generation revenues and extra human resources required to sort out all the details. It is hoped all of the above are early adopter experiences but as every province has different electricity sector rules, the SS experiences may only have paved the way in Ontario not nationally. The overarching lesson is thus: be prepared for significant delays at various stages. RE co-op building requires stamina (human and financial).

<sup>2</sup> CCA, 2011: *Co-operatives Helping Fuel a Green Economy: A report on Canada's renewable energy sector* (October 2011)

**2. Project and co-op development is not cheap**

As capital intensive projects operating in a heavily regulated environment, renewable energy generating facilities whether co-operatively or commercially owned are expensive. On the project side there is the capital cost of the technology preceded by costs associated with resource assessment, site control and various legal expenses. After commissioning there are costs for operations and maintenance, system monitoring and remote communications, insurance and of course the cost of borrowing money (see list in *Table 1*). These costs are quite well understood by the industry and hence are largely predictable. On the co-op side however, the costs also accumulate and it is common to underestimate the cost of running a co-op for 20 or more years. Up front there have been high costs associated with developing the offering statement and related legal expenses, sales and marketing of securities, staff and overheads. On an on-going basis the co-op incurs the following costs: insurance, audits, member management systems and protocols, member communications and financial controls amongst others. The co-op budget needs to account for all costs at the project and co-op level, along with contingencies.

**Table 1: PROJECT EXPENSES VS. CO-OP EXPENSES**

PROJECT EXPENSES	CO-OP EXPENSES
<ul style="list-style-type: none"> <li>• Land/site lease payments</li> <li>• Maintenance contract</li> <li>• Insurance</li> <li>• LDC account fees</li> <li>• System monitoring</li> <li>• Cost of borrowing money</li> <li>• Interest expense (bond, LTD, bridge interest)</li> <li>• System replacement/repair costs (e.g. inverter, spare panels)</li> <li>• Amortization</li> </ul>	<ul style="list-style-type: none"> <li>• Legal fees</li> <li>• Accounting &amp; audit</li> <li>• Liability and D&amp;O insurance</li> <li>• OS development &amp; renewal</li> <li>• Sales &amp; Marketing</li> <li>• Member communications &amp; AGM</li> <li>• Investor management &amp; security</li> <li>• Bank Fees, postage, etc.</li> <li>• Office Supplies</li> <li>• Travel Expenses</li> <li>• Staff time for many of the above</li> </ul>

**3. Scale is important (go big or go home)**

The costs described above necessitate the need for scale as many of these, especially on the co-op side, are fixed expenses that do not vary in proportion to scale. SolarShare is projecting the need for \$7-9 million of solar projects to ensure co-op viability in Ontario today. Single-site, small project scales will not be sufficient to carry these costs. Thus a co-op will likely require multiple installations to spread the risk and reach scale. Given the stop-start nature of the policy in Ontario today, achieving sufficient scale can be a real challenge.

**4. Establish protocols for maintaining projects and the co-op over the long term**

As an investment co-op, it is essential that secure systems and protocols are established for the long term. These systems need to be created, investment security maintained, members communicated with, monitoring and maintenance of systems ensured, audits completed and AGMs organized. It takes time to set this up and it is common to underestimate this cost.

**5. Sales & marketing take time and money**

While the market consistently demonstrates there is a demand for community power investments, there is a lag time between first contact and members investing their money. While people are interested in investing there are often other renewable energy messages competing with the co-op. Moreover, most individuals, however supportive they may be of renewable energy need face time with a knowledgeable representative before making an investment. Also, many people want RRSP, TFSA and/or ESA eligibility for the investment product before investing larger sums. Compliance issues around these accounts can create delays for raising funds for the co-op.

**6. Its takes a committed, diverse, experienced team to build and run a renewable energy co-op**

To accomplish items one through five requires a committed, diverse, experienced team of individuals at the board and staff level. While much work can be outsourced to experts, the Board, ultimately, must understand both the technology being developed and various aspects of the energy and co-op regulatory environments, while at the same time being connected with their community and having a strong grasp of financial issues.

Renewable energy co-ops represent an exciting new area of co-op and social enterprise development, but groups pursuing such projects should pay attention to the lessons learned by those who have gone through the process and take care to assemble the necessary skill sets for project success.



## METHODOLOGIES TO MEASURE THE ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS OF CO-OPERATIVES: *a critical review*

Authors: Dr. Nicoleta Uzea, Richard Ivey School of Business, University of Western Ontario and Dr. Fiona Duguid, Canadian Co-operative Association

### KEY POINTS

- Despite their success in dealing with numerous economic and social problems, the true value of co-operatives for their members and the communities they serve is not well understood. There are only a handful of studies to date that assess the economic, social and/or environmental impact of co-operatives in Canada (Leclerc ((2010)) for New Brunswick and Ketilson et al. ((1998)) for Saskatchewan).
- The objective of this research is to identify the best methodological fit to study the economic, social and environmental impacts of co-operatives.
- To answer this question, a critical review of all relevant literature from Canada and around the world was conducted.
- A key finding is that none of the methods used to measure the economic impact of a business/sector captures the unique outcomes of co-operatives, such as countervailing market power or local economic stability. Additional analysis needs to be undertaken to determine the most accurate assessment tool(s) for determining the total economic impact of co-operatives.

### SUMMARY OF PRESENTATION

The most common methodologies used to measure the contribution of a business or sector to the local or national economy include the “head-count” approach, the input-output analysis, the social accounting matrix approach and the computable general equilibrium model. The following table summarizes the general advantages and disadvantages of each method, along with its best use.

METHOD	PROS	CONS	BEST FOR ...
<b>Head Count Approach</b>	Limited amount of information required Computational simplicity	Does not generate multiplier effects nor indirect and induced effects	Assessing the relative size of a business/sector by inventorying sales revenue generated, net surplus produced, number of people employed, wages and dividends/patronage refunds paid
<b>Input-Output Analysis</b>	Seemingly straightforward application and presentation of results	Limiting assumptions (e.g., input supply is perfectly elastic and infinite, production is linearly homogeneous in inputs and outputs) Static measurement – measures impact at a single point in time	Calculating direct, indirect and induced effects, as well as multiplier effects (in terms of sales revenue generated, number of jobs created, wages and benefits paid, total money spent on other variable inputs, dividends/ patronage refunds paid) in economies where resources are not fully employed
<b>Social Accounting Matrix Approach</b>	Estimated impacts are broken down into finely disaggregated industries	Increased data requirements Limiting assumptions (e.g., input supply is perfectly elastic and infinite, production is linearly homogeneous in inputs and outputs) Static measurement – measures impact at a single point in time	Analyzing distributional aspects of an economic activity
<b>Computable General Equilibrium Model</b>	More realistic assumptions – considers resource constraints and behavioural responses of producers and consumers with respect to changes in prices, non-linear production functions Can incorporate dynamics and endogenous growth	Computational complexity Increased data requirements Results highly sensitive to parameter values that are used initially to calibrate the model	Examining impact of an economic activity over time in an economy characterized by limited resources

The tradeoff between data requirements and computational complexity, and how well the model reflects the reality have made Input-Output the most common tool for economic impact analysis in general (e.g., MNP, 2012; Pinfold, 2011; Sobolewski, 2010; Weisbrod and Reno, 2009), but also for the measurement of the economic impact of co-operatives (e.g., McKee, 2011; Leclerc, 2010; Deller et al., 2009; Coon and Leistriz, 2005; Folsom, 2003; McNamara et al., 2001; Bhuyan and Leistriz, 1996). Regardless of the method chosen, it is important to recognize that all methods measure strictly the economic impact of co-operatives when viewed just like other business structures and cannot assess the unique value of co-operatives for their members and their communities such as countervailing market power and addressing missing goods and services. Therefore, additional analysis needs to be completed if an accurate assessment of the total contribution co-operatives make to their communities is to be gained. Moreover, by presenting a 'snapshot picture' of the economy, most of these methods fail to consider the contribution of co-operatives to the long-term growth and resilience of the communities they operate in - perhaps the most important measure of their economic impact.

There are also other issues that need to be addressed when using these methods to measure the economic impact of this unique business structure. For instance, the multipliers used in Input-Output analysis may not be appropriate for co-operatives. Within the standard Input-Output tables, the multipliers are assumed to be the same for all business structures within a single industrial sector (or NAICS code). However, co-operative theory suggests that co-operatives purchase more of their inputs locally than other types of firms within the same industry classification (Fulton and Ketilson, 1992). Since generally co-operative owners are also community residents, they may support the purchase of local inputs (even if they are more expensive) because they will benefit from the long-term positive economic and social impacts local businesses have on the general community. Also, empirical evidence suggests that co-operatives have competitive advantages at sourcing locally relative to other business structures (e.g., Katchova and Woods, 2011). A survey of purchasing patterns can be conducted to test the hypothesis that co-operatives purchase more locally than comparable firms with other business structures. If spending patterns differ among business structures, economic sectors based on NAICS codes need to be further refined according to business structure and new multipliers need to be calculated for the co-operative businesses.

Another challenge relates to defining the counterfactual. Computing the direct, indirect and induced economic impacts of co-operatives answers the question of what the economic state of the province/country would be, but for the presence of co-operatives. In other words, any model used to calculate these effects must make assumptions about what services the economy would provide and what local employment would be if the co-operative did not exist. This requires the analyst to decide whether the output co-operatives add to the economy would have been provided by other business models, or whether the co-operative is providing services that would not otherwise have existed. Similarly, the analyst would have to decide whether the people that co-operatives employ would be employed by other local firms, or whether they would instead seek work outside the country, or not work at all. Since it is impossible to construct the counterfactual alternative, care must be made in describing how these benefits would not otherwise have occurred. For example, Bangsund and Leistriz (1998) measured the economic impact of co-operatives and showed that in certain situations, multiple industries must be included in assessing the economic impact of co-operatives. For example, the sugar beet processing industry in North Dakota and Minnesota is completely owned by co-operatives, and without these, sugar beet production would not exist.

McNamara et al. (2001) is the other study that tried to construct the counterfactual alternative. They asked co-operative managers in both Indiana and Colorado to estimate what local employment and business impact would be felt by the local economy if the co-operatives were to go out of business. They found that higher population densities and greater economic diversification in rural Indiana lessened the potential impact of employment and business losses compared to the Colorado economy.

Future work includes a critical review of methodologies used to assess the social and environmental impacts of a business or sector.



Image Source: [accoladecomunications.ca](http://accoladecomunications.ca)

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# SUMMARY

Prepared by: Fiona Duguid

The number and scope of research projects undertaken within the Measuring the Co-operative Difference Research Network is formidable. When looked at as a collective body of current and timely research on co-operatives, a number of themes emerge.

## CO-OPERATIVE MEASUREMENT TOOLS

A number of the research projects are focused on developing methodologies and tools to measure the impact of co-operatives. In many cases, these tools have been developed by co-operative practitioners and researchers in partnership in order for these measurement tools to best fit co-operative realities. The development of the Co-op Scorecard by Dr. Leslie Brown, Dr. Elizabeth Hicks and community partner Co-op Atlantic, is a good example of the co-development and implementation of an impact measurement tool. Likewise, the Worker Co-op Index, developed by Peter Hough at the Canadian Worker Co-operative Federation and Dr. Sonja Novkovic illustrates a strong partnership. In both of these cases measureable indicators involving social, economic and environmental indicators as well as co-operative values and principles have been used as benchmarks to measure how the co-op is doing. These two tools are used within the consumer co-operative and worker co-operative spheres, whereas Dr. Jessica Gordon Nembhard describes the development of a tool to measure the impact of credit unions. Like other tools, she describes the difficulty in teasing out how to best capture all that co-operatives do in their communities. Like others, she has used both quantitative and qualitative methods to help credit unions report their impacts.

Another project that falls under this theme is the project looking at methodologies to measure the economic, social and environmental impacts of co-operatives. Here Dr. Nicoleta Uzea explores various impact methodologies to assess economic, social and environmental impact in order to develop a standardized methodology for assessing the impact of co-operatives. This research will inform the methodological path of the National Study on the Impact of Co-operatives (NSIC), which is currently underway as a major component of the MCDRN. The NSIC will advance co-operative research and help in the measurement of the full contribution of the co-operative movement.

All of these projects have highlighted the importance of understanding the impact of co-operatives. However, they have also found that co-operatives need applicable tools, that impact needs to be assessed in a meaningful way and that for co-operatives, measuring impact is a more complex process than perhaps other organizational forms.

## THEORETICAL UNDERPINNINGS OF CO-OPERATIVES

A number of the research projects described here have theoretical underpinnings for co-operatives. The work of Dr. Sonja Novkovic on dual motive theory shows the significant relevance for co-operatives. In Dr. Novkovic's article on dual motive theory, she explains the very real struggle co-operatives have to quantify their social mission in conjunction with their economic goals. She explains these dual motives do not have to be in conflict with each other, and that co-operatives' dual nature can be measured and evaluated. This project is also informing much of the tools and impact measurement research within the MCDRN.

Both the research of John Restakis et al and Dr. Ian MacPherson contribute to our understanding of the nature of organizational structures. Restakis et al delve into the different organizational cultures existing within the co-operative sector. In particular they are interested in the question of size and stage in the life cycle and whether this has an impact on the co-op's functioning. MacPherson, on the other hand, focusses on the role of another important organizational structure within the co-operative sector – federations. Finally, Nick Montgomery et al problematize what is labelled as a 'co-operative' or not and that this label may hide important historical, contextual, social, political and economic differences.

### EXPANDING AND UNDERSTANDING DIFFERENT CO-OPERATIVE SECTORS

From the catalogue of research projects within this publication there is a focus on expanding and understanding sectors in which co-operatives have had a long history, as well as new sectors where co-operatives are trailblazing. For example, the research conducted by Dr. Luc Theriault and David Bent focuses on the trends over the years of Canada's long relationship between agricultural activities and the co-operative structure. In addition, Dr. Catherine Leviten-Reid's research merges a sector long served by co-operatives – housing – with an underserved demographic – seniors. Dr. J.J. McMurtry and Dr. Judith Lipp's research has focussed on the emerging co-operative renewable energy sector.

All of these projects have shown the important position co-operatives hold in these sectors, but also the difficulties faced such as policy barriers, lack of understanding by the general public, policy makers and communities about co-operatives, and fluctuating economic trends that can sometimes constrain co-operatives.

### CO-OPERATIVES AND CULTURAL CONCEPTIONS

Another theme that has emerged from the MCDRN research projects is the role cultural conceptions play in understanding co-operatives. Dr. Ana Maria Peredo's research turns the notion of co-operatives as a Western construction upside down highlighting that there are many examples of co-operation within organizations in indigenous cultures. Further to this, Dr. Jo-Anne Lee et al provide detailed examples of Japanese fishing co-operatives and co-operative housing that are examples of co-operatives in many senses of the word but were never incorporated as such. These projects add to the MCDRN by problematizing our understanding of co-operatives in Canada and around the world, and challenging the criteria for inclusion and exclusion within the sector.

### DEVELOPING AND SUPPORTING CO-OPERATIVES

A final theme that emerged from the collection of MCDRN projects highlights how co-operatives are developed and supported. In the case that Wendy Holm puts forward, Cuba is on the cusp of a great co-op expansion. Through bold new legislation coupled with education and training programs for its citizens, Cuba hopes to see the formation of more 2nd and 3rd tier co-operatives in agriculture, plus the introduction of co-operatives into a number of new sectors such as construction, housing, and domestic care. Erin Hancock's research takes stock of the educational initiatives that are offered by co-operatives. This type of cataloging research is important as it shows the diversity of educational initiatives offered by co-operatives for members, board directors, managers and the general public, and also demonstrates how co-operatives support lifelong learning. In both cases the research shows the relationship between co-operatives and educational processes of co-operatives, which develop or expand their role in society and the economy.

In conclusion, it is clear that the co-operative sector is diverse, dynamic and ever-changing. This research is advancing the knowledge base of the many impacts of co-operatives (social, economic and environmental), and perhaps even more importantly it is creating a foundation of methodologies and tools to continue this research and exploration into the future. It is also clear that community-university partnerships are an excellent tactic for producing valuable research that has immediate use and is relevant to the practice of the sector.



**Measuring the Co-operative Difference Network (MCDRN)** is committed to conducting research on the social, economic and environmental impact of co-operatives on Canadians and their communities. Led by the Canadian Co-operative Association in partnership with four Canadian universities (Saint Mary's University, Mount Saint Vincent University, the University of Saskatchewan and the University of Victoria), the Network is funded for a five-year term by the Social Sciences and Humanities Research Council of Canada (SSHRC) as a Community-University Research Alliance.



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