



# COOPERATIVE STRUCTURE

**What are the challenges a cooperative needs to respond to? How does the double condition of a cooperative governing bodies affect its workers? Which are the basic functions a cooperative needs to respond to? In this focus point, you will dive in what is the ABC of the structure of a cooperative!**

The way in which cooperatives are organised responds to a double challenge:

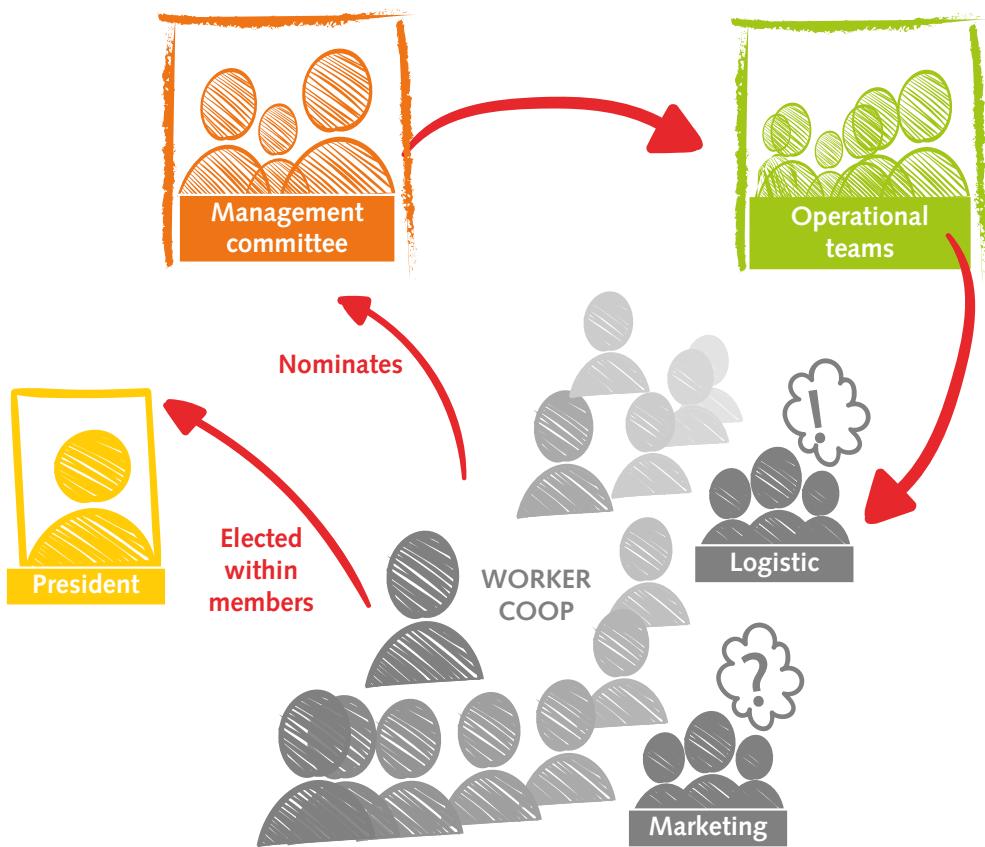
- Effectively perform the coop activity in order to both satisfy clients' needs and be economically viable and competitive in the market, like any other type of enterprise.
- Consistently organise members' participation in the coop management in accordance with the cooperative principles in order to maintain democracy, cohesion and motivation within the cooperative team.

Worker cooperatives, whose primary mission is to provide their members with jobs, are cooperatives characterised by the fact that the majority of their workers are members-owners who hold the majority of the shares (at least 51%). Their structure reflects the double nature of members' participation: they are at the same time workers and owners of the organisation, contributing democratically both to its operational functioning and strategic management.

Nevertheless, workers can be co-owner together with other types of members in multi-stakeholder cooperatives, formed when different stakeholder groups share a common interest in the success of an enterprise. The various groups' members are designated in the cooperative's bye-laws and they can include individuals from different groups such as users, workers or volunteers, but they can also include incorporated organizations such as associations or municipalities. Multi-stakeholder cooperatives are most often social cooperatives used as a tool for community and social development. If you want to know more about social cooperatives you can consult the World Standard of social cooperatives here.

Cooperatives can assume a wide variety of structures and settings, but they do always respond to three basic functions: take the strategic decisions to steer the organisation, manage the organisation and carry out its operations.

FOCUS POINT 1



## Taking strategic decisions

Members' General Assembly is the most important and powerful body of the cooperative: it is open to all its members and it deliberates on the most important and strategic decisions that concerns its life.

The General Assembly meets at least once a year to approve the annual economic and financial balance sheets and social reports of the cooperative and to decide on the strategy for the following year. Nevertheless, whenever there is need of, the assembly can deliberate on important and relevant topics.

The General Assembly usually elects the president of the cooperative among its members: the president is the legal representative, the person entitled to act on behalf of the whole enterprise. Moreover, the assembly approves the annual plan of activities and the budget and elects the Board of Directors, which is composed by persons elected among members. The board of directors defines strategic goals for managers and develop an overarching vision for the cooperative, consistently with the main orientations and decisions taken by the General Assembly. It is responsible for moving the cooperative in a productive direction and for the accomplishment of its objectives.

In cooperatives, all members are equally owners of the cooperative: hence, during the General Assembly each member has the right to express one vote, independently from its status, role or contribution in terms of capital. This is in virtue of 2nd cooperative principle on Democratic member control (one member, one vote). The General Assembly democratically decides by majority of votes.



In the specific case of multistakeholder cooperatives, for example social cooperatives, as we mentioned above, different categories of stakeholder can be members (e.g. workers, users, associations, volunteers, public authorities etc.). In these cases, their participation to the decision-making process can be pondered voting ratios between the various types of stakeholders.

The General Assembly represents the supreme democratic body of the cooperative, the one in charge of steering the organisation in the right direction, ensuring its democratic functioning and the appliance of cooperative principles in its management.

## Managing the organisation

Some cooperatives may have one or more Management committees, apart from the elected Board of Directors. This is a practice applied more in a certain countries than in other and can be particularly required in more complex enterprise structures, with different production lines or even different production sites.

A Management committee stands on a lower level than the Board of Directors and the General Assembly: its mandate is to execute the plans and decisions taken

It is a managing body that can be either constituted by a small team or a single Manager or C.E.O.

In most worker cooperatives, usually either the Management Committee or the single Manager are appointed among the members of the cooperatives themselves: in larger cooperatives, they can sometimes be external professionals who are not members of the cooperative. This may occur when the cooperative members do not have the necessary expertise and competences for carrying out the technical tasks required for this role.

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## Carry out the enterprise activities

The cooperative management requires, as for every enterprise, technical competences for its daily operations and activities. In workers' cooperatives these competencies are mostly covered by the members of the cooperative, who as we said are simultaneously workers and owners of the cooperative:

- they exercise their condition of owner of the cooperative when they participate to the assembly and its decision-making process and bodies
- they exercise their condition of workers in their day to day work activity in the coop.

This double condition is and the very specificity of worker cooperatives!

The operational enginery vary from one cooperative to another (depending on many factors such as its size, sector, type of activity, etc.): apart from the Management committee (or Manager) mentioned above, there can be teams, enterprise units or appointed individuals responsible for specific operational activities



or departments who directly report to the Managing Committee or the C.E.O.

In any case, workers need to carry out the necessary technical and operational functions with the necessary technical knowledge and sufficient autonomy: they need to take decisions and organise their work in the best way in order to achieve the strategy designed by the members of the cooperative through the General Assembly.

The most common daily management functions are:

- Operations and logistics, that deal with all the processes needed to deliver the cooperatives services and products to the final customer.
- Human resources (even if we prefer to call it 'Humans with resources'), that deal with a proper and effective organisation of the workers and an adequate development of their competencies and talents.
- Marketing and Customer Relations, that deal with how to discover, reach and satisfy your clients with your services and products.
- Finance and Accountability, that deals with the hard side of the cooperative: incomes and costs, profits, remunerations, etc.

## Education and training

The promotion of education and training stated by the 5th cooperative principle is very important: a proper investment in human capital is fundamental in carrying out all activities of cooperative, from the decision-making to the more operational ones.

Indeed, education and training is essential to ensure members' participation and the proper functioning of the cooperative, and - as you will soon discover - it demands a lot of efforts and work.

As we saw, in worker cooperatives most workers have a double condition in the organisation: they are both the coop workers and the coop owners: this unique situation on one hand can lead to potential conflicts of interest and roles; on the other one fosters workers' engagement with the organisation and promote their creativity and their sense of entrepreneurship, since they are their own boss and they must assume the direct responsibility of the cooperative management. For example, they vote for the President of the cooperative and, at the same time, they can be called to cover the role of Board member, manager of the Marketing Department or of the Finance one.

If a worker cooperative was a ship:

- All the sailing crew would collectively own the ship and democratically decide its route. As cooperative members do through the General Assembly!
- A group of sailors, who demonstrate the adequate competences, would be appointed to steer the ship and control its main functions: pilot, maintain and fuel it, organise the food service, etc. As a Managing Committee would do!



- Every member of the crew would contribute to the management of the ship within the limits of the tasks, the role and the responsibilities assigned to each of them. They are the coop workers in the daily operational management... but remember: they are also the coop owners and they decide all together, in particular through the General Assembly!

If a cooperative was a ship, it would be a very special ship where every crew member:

- has a say in deciding the route,
- contributes and participates to its management,
- is the owner of the ship, together with all the other crew members.

Participation cannot be imposed or transferred, it can only emerge from cooperative members' interactions and it requires skills, motivation, communication and autonomy. Usually, the more a team practices genuine participation, the better the team works.