

# COOPERATION 101



## OBJECTIVES

- Provide an understanding of the Cooperative Identity
  - how the cooperative model is defined by a set of values and principles
  - how cooperative structures have evolved over time into a specific, globally-recognized model of organization
- Provide an understanding of how cooperatives work in comparison to other market-oriented models of organization
- Introduce the concept of the Profit Paradigm and encourage reflection on how it operates in our personal lives
- Explore how cooperatives differ from each other



## TIME

- **90 minutes:** Spending 15 minutes on “Coops In Theory,” 60 minutes on “Coops In Practice,” and 30 minutes on “The Coop Difference” provides you enough time to provide an overview of the content, but does not allow for as much exploration or discussion.
- **180 minutes:** Using up to an hour for each subsection allows for more time to ask and answer questions, to complete activities in pairs or small groups and processing learnings in the larger group, as well as get into greater detail about a topic - specifically, spending an hour on “Coops In Theory” or exploring each Cooperative Principle individually.
- **Add 15-20 minutes:** If beginning or ending your engagement with a group using this training, you will need to incorporate an opening and/or a closing session similar to those in “Beginning the Work” and “Bringing It All Together,” respectively. Refer to those sections for tips on how to introduce and close workshops.



## PREPARATION

### SUPPLIES

- Scrap Paper
- Pens & Pencils
- Chart Markers
- Regular Markers
- Chart Paper

### POSTERS

- Cooperative Identity
- Ownership, Control, & Benefit Matrix
- Profit Paradigm Definitions

### ADAPTATIONS

- **Time:** If you are short on time, you can present the Cooperative Identity to the group lecture-style, instead of facilitating pair conversations in the “Coops In Theory” section. In doing this, you don’t need to describe each Value and Principle individually, but, instead, explore one or two in greater detail. Make some broader observations about how they work together. Be sure to ask participants if they need clarification or have specific questions at a few points during your presentation.

# COOPS IN THEORY

This section is an overview of how cooperatives have become defined and how they are understood “in theory.” The goal is to support participants in gaining a shared language for discussing cooperation. The discussion is not intended to dig into the complexities or details of the Cooperative Identity, rather to present it in a broad market and movement context.

**1. PRESENT HISTORY OF THE COOPERATIVE MODEL:** In your own words, share the following information with the group -

For more information on Elinor Ostrom and her related research, you and the training participants can visit [ostromworkshop.indiana.edu](http://ostromworkshop.indiana.edu). Post this url somewhere in the room so folks can copy it down for later reference.

- **It has been proven** - most notably by late US researcher Elinor Ostrom - **that humans have the propensity to cooperate rather than compete.**
- **Collective benefit and ownership structures are a centuries old means of social and economic organization.**
  - Over time, our social, political, and economic methods of organizing ourselves have become more formalized through the creation of systems to regulate our governance and commerce.
  - In response to these societal developments, collective activity evolved into a specific business model that is recognizable by people and governments all over the world.
  - While some folks within the cooperative community will trace the origin of the cooperative movement back to a group of artisans in 19th century, the Rochdale Equitable Society of Pioneers, this is untrue. Humans have been cooperating for much longer!
- While the cooperative model is recognizable around the globe, **it is not treated the same around the world by governments and regulators** - there is no single way cooperatives are legally categorized, nor is there a single way that cooperatives are treated for the purposes of taxation.
  - As of 2016, only five of fifty US states have a formal legal status that explicitly speaks to or uniquely facilitates worker-owned cooperatives.
- **There are a number of different ways people refer to cooperatives** - mutuals, fraternal, collectives, and social clubs. They all have cooperative identities, but perform the work of cooperation with a different label.
- One thing all cooperatives have in common is that **they are owned and controlled by their members.**
- Cooperatives are not defined by their corporate status, tax

treatment, or name - **cooperatives are defined by a set of Principles and Values, which makes them very distinct from other forms of business.**

- The set of 10 Values and 7 Principles, alongside a brief definition, are known together as **the “Cooperative Identity.”**
- **The Cooperative Identity we have today was derived from the set of principles developed by the Rochdale Equitable Society of Pioneers** in 1844, which was a group that cooperated whose history did not get lost, forgotten, or repressed - as did that of innumerable communities.

**2. SHARE THE COOPERATIVE IDENTITY POSTER &/OR HANDOUT:** Direct participants’ attention to the written materials which delineate the defining statement alongside the 10 Values and 7 Principles of the Cooperative Identity.

**A. READ OUTLOUD:** Engage the group in reading through the principles and values outloud before discussing them.

**2. FORM PAIRS:** Ask participants to turn to the person closest to them to explore the Cooperative Identity together for a few minutes. Prompt them to -

- A. Ask each other about anything they may not understand or isn’t clear,
- B. Identify anything that jumps out at or surprises them, and
- C. Identify any aspects of it they particularly do or don’t like.

**3. BRING GROUP BACK TO DISCUSS:** Bring the large group back together and solicit feedback. To guide conversation, move through the above prompts until a discussion takes hold.

**A. SCRIBE:** Record responses, if desired, on a piece of chart paper.

**4. PRESENT OBSERVATIONS:** Once you sense that folks have reached a comfortable point of understanding, share the following information unless it was already covered in the discussion:

➤ The Cooperative Identity is **maintained by the International Cooperative Alliance**, or “ICA,” the cooperative movement’s global organization. The ICA has been around since 1895, which means it predates the United Nations. As a result, the ICA was one of the first three organizations to receive Consultative status<sup>1</sup> with the UN.

➤ The **Values are favored over the Principles** by many cooperative practitioners, as they are more restrictive - in a positive sense -

<sup>1</sup> en.wikipedia.org/wiki/Consultative\_status

## THE COOPERATIVE IDENTITY

**STATEMENT:** A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and/or cultural needs and/or aspirations through a jointly-owned and democratically-controlled enterprise.

### PRINCIPLES:

- 1) Voluntary & Open Membership,
- 2) Democratic Member Control,
- 3) Member Economic Participation,
- 4) Autonomy & Independence,
- 5) Education, Training, & Information,
- 6) Cooperation Among Cooperatives, &
- 7) Concern for Community

**VALUES:** Self-help, Self-responsibility, Democracy, Equality, Equity, Solidarity, Honesty, Openness, Social-responsibility, and Caring for Others.

than the Principles (e.g. the clarity of “Honesty” vs. “Education, Training, & Information”).

- ⚡ **The Statement does not only speak to what most people might recognize as a “normal” business** that provides a good or service in exchange for money. Cooperative entities can be created to exchange different kinds of value – not just financial capital! There are many different kinds of economy that trade in different types of capital – e.g. social capital, human capital.

**5. ASK:** What coops have you or someone you know interacted with? Who are the members of those cooperatives? What needs are being met?

- A. SCRIBE:** Write down participant responses (on your own paper or on a viewable piece of chart paper) so you can remember and use them later to make connections between participant experience and the content. A prime opportunity to use these examples is during the upcoming “Cooperative Difference” section.

# COOPS IN PRACTICE

This section explores how cooperatives operate in practice by examining how they work during the “day-to-day.” To contextualize cooperatives within the broader economy, cooperatives can be compared and contrasted with other forms of market-oriented models of organization, which people regularly encounter in their communities.

- 1. FRAME:** This activity seeks to answer - *“Who owns, controls, and benefits from the different models of organization most prevalent in our communities and economies?”*
- 2. SHARE MATRIX POSTER &/OR HANDOUT:** Direct participants’ attention to and explain the columns (For Profit, Non Profit, Cooperative) and row labels (Own, Control, Benefit) on the matrix.
- 3. EXPLAIN MATRIX ROWS:** Briefly, in a non-leading way, explain what is being referred to by “Own,” “Control,” and “Benefit.” For example:
  - Ownership = possession of entity
  - Control = ultimate decision-making power
  - Benefit = a gain, surplus, profit, positive return
- 4. ASK FOR BUSINESS EXAMPLES:** Have participants suggest examples of a business with which they are familiar for each included model. Record business names at the top of each column label of the matrix - e.g. “Wal-Mart” next to “For Profit.”
  - Encourage the group to select an investor-owned entity for the “For Profit” column, as it most clearly illustrates the distinction across the three models
  - If a participant “gets technical” about the different types of entities within these categories (e.g. Non Governmental Organization vs Non-Profits vs Not For Profits), be sure to affirm the nuance in those organizational types before restating the goal of the workshop and reason why the activity seeks to generalize the models.
  - If you are not familiar with one of the organizations suggested, you may want to encourage folks to suggest another one so you can comfortably lead the activity.
- 5. FORM PAIRS OR SMALL GROUPS:** Ask participants to split up into groups of five (or fewer) people or count off to assign group members.

Very few people know who “owns” a Non Profit organization – the State (i.e. the People and their Government) owns a Non Profit. Language frequently found in the governing documents of NonProfits refers to the organization “easing the burden of the State” through their work (which qualifies them to be tax-exempt).

6. **INSTRUCT GROUPS TO FILL IN SQUARES:** Direct participants to work through the matrix squares as a group - let them know that making guesses and leaving squares blank is okay.
7. **MONITOR ENGAGEMENT:** As the small groups are working, canvass the room and assess comprehension or address needs for clarification. Monitoring progress can save you time, as you may notice groups finish their work before the time you allotted has expired, so you can move to the next step sooner.
8. **BRING GROUPS BACK TOGETHER:** After the allotted time has passed or all groups seem to have finished their matrix, bring participants back to the larger group to fill in a collective matrix.
9. **FILL IN MATRIX AS A GROUP:** Using a cumulative reportback model of asking one group at a time what their answer is for the square until you get a correct answer, you can engage each group and keep the discussion moving.
  - Fill in the squares by focusing on one column at a time.
  - If someone is close, but not exactly correct, ask “can you tell me more about that?” Often with this activity, people know the correct answer but struggle with finding the exact language.
  - You will likely need to fill in some squares yourself and correct some assumptions.

10. **ASK:** Does anything jump out at you about the completed matrix? What patterns do you notice?

- A. **INDICATE PATTERNS & OBSERVATIONS:** As participants discuss patterns and important areas of difference, indicate them on the posted matrix by drawing arrows, lines, circles, adding new rows or columns, etc.
  - Support visual learners by using different colors to indicate patterns.
- B. **DRAW OUT SPECIFICS:** If the following points don't arise organically through discussion, draw them out by asking questions:
  - **OWN:** A typical For Profit is owned by a few people, Non Profit is owned by an abstraction of people (the “State”), & Cooperative or Mutual is owned by all the people that use it.
  - **CONTROL:** Board of Directors are typically used by each of these models to govern their work and make decisions. How Boards perpetuate themselves (e.g. add new Directors on the

Board) and how decision-making power is distributed are key distinguishing factors between Boards:

- » 1 share = 1 vote in For Profits vs. 1 member = 1 vote in Cooperatives and Mutuals
  - » Similarities between the amount of power held by Majority Shareholders in For Profits and that of Majority Donors in Non Profits
- **BENEFIT:** The proportionality of distributed benefits is different across the three organizational models -
- » Benefit is proportional to capital input in For Profit (investment), whereas benefit is proportional to use in Cooperatives and Mutuals

**11. "NAME" THE PROFIT PARADIGM:** In concert with the definitions below, explain that the "Profit Paradigm" is encompassed by the Non Profit and For Profit columns - indicate this visually on the collectively filled in matrix.

**12. PRESENT "PARADIGM" DEFINITION:** In order to explain the concept of the Profit Paradigm, present the following definition to explain that the majority of the way we organize ourselves in our economy is beholden to the set of philosophies and practices oriented to the concept of "profit."

- » **Paradigm (n.):** A set of assumptions, concepts, values, and practices that constitutes a way of viewing reality for the community that shares them.

**13. PRESENT "PROFIT" & "SURPLUS" DEFINITIONS:** In order to illustrate how the concept of "profit" is the foundation of our economic paradigm, present the definitions for "profit" and "surplus" - which are often considered to be synonymous, but incorrectly so.

- » **Profit (n.):** An advantageous gain or return.
- » **Surplus (n.):** An amount or a quantity in excess of what is needed.

**14. DISCUSS:** Move through the follow questions to discuss the definitions for Profit and Surplus. Sample responses to pull out are included as subpoints.

- What do you notice about the similarities or differences in these two definitions of words often considered synonymous?

*Continued...*



- Profit uses “advantageous” - a relative term, which is divisive (e.g. to have an advantage, you have to have more than another). Surplus focuses on need.
- | In what ways do you think that these concepts might ultimately have different influences on how we think about our economy?
- Considering profit as an indicator of success, rather than an excess of the means to meet a need, creates perverse incentives in the economy.

**15. PROVIDE FRAMING FOR FURTHER DISCUSSION:** Building off of the responses to the above questions, share the following points to frame a deeper discussion about the pervasiveness and limiting nature of the profit paradigm in our lives and imaginations.

- ◀ The profit paradigm encompasses the **vast majority of enterprises in the United States today.**
- ◀ **Language shaped by the Profit Paradigm is pervasive even in our cooperatives and mutuals** - Many people use terms like Profit when discussing cooperatives, even though cooperatives are created to meet needs not generate Profit. Those cooperatives that recognize the importance of language choice in informing our incentives and motives often choose to refer to the amount of money left in business accounts after all expenses are paid as Surplus rather than Profit.
- ◀ The pervasiveness of the profit paradigm and its concepts plays a role in shaping **both how we think about our current economy as well as how we imagine how our economy could act, look, and feel.**
- ◀ Perhaps most troublingly, **Profit Paradigm language and concepts have found their way into how we convey of ourselves, our work, our relationships, and what we value in life.**
  - » For example, the word “capital” is used throughout our society and relationships to describe “units of value.” Social capital refers to the “wealth” of our social networks, human capital measures the knowledge and capacity we have for productivity, political capital is an assessment of power in an institution or system of relationships, etc. Many people have experienced a sense of “worthlessness” when they perceive themselves as being unproductive.

**16. DISCUSS:** Move through the following questions to explore together the impacts of the Profit Paradigm in our lives that you shared in the framing points. Some example responses to the prompts are included for context:

**DESCRIBE:** What are some ways that you have experienced or know of in which the language of the Profit Paradigm has been used to describe your self, relationships, or community?

**REFLECT:** Are those instances negative or positive? Any other observations about their use?

**INTERPRET:** Do you think that a profit-centric view of the economy limits our imagination for how to meet needs and achieve aspirations? Why or why not?

**APPLY:** How might you be able to impact your relationships or self perception through being more conscious of the role Profit Paradigm language and concepts play in how you view the world?

**17. SHARE THE “COOP DIFFERENCE:”** Explain that the term “cooperative difference,” as it is used within the cooperative movement, refers to the differences in motivations and strengths between cooperative entities and those within the profit paradigm.

# THE COOP DIFFERENCE

This section explores the versatility of the cooperative model, how cooperatives differ from each other, as well as how cooperatives are categorized given their versatility and difference. The goal of presenting this information to participants is to make clear that cooperatives are relevant to most any need or endeavor, as they have existed in every sector and industry. The goal of this section is to showcase the great potential of the cooperative model so learners can begin to imagine the many ways a cooperative could be relevant to their lives.

1. **PROVIDE CONTEXT:** Briefly describe two real life cooperatives as examples. Ideally, you will build on the participants' experience and use two cooperatives generated by the group in the previous section. If you didn't do this activity or the group didn't know any, pick two cooperatives that are well known as businesses so folks will be able to dialogue around their characteristics (e.g. Land'O'Lakes).

2. **ASK:** How do these two cooperatives differ according to - a) who is involved, and b) what is created or provided?

- A. **RECORD:** As participants answer this question, record their responses on a piece of chart paper with two rows ("who," "what").

3. **ASK:** Can you think of any "whos" or "whats" that you don't think could be cooperatively organized?

4. **PRESENT:** After exploring what folks in the room already know and anticipate on the topic, contribute enough of the following content that was not brought up in conversation to sufficiently communicate the following -

- A. **WHAT = INDUSTRY**

- Members of the international **cooperative community determined that cooperatives have and can exist in all industries or "whats" (e.g. manufacturing, retail, food production, financial)**. The only exception that arose in this research and discussion process was the industry of "military defense."
- » This exception was questioned by people who used the example of community -owned and -managed indigenous groups who necessarily use military defense to protect and preserve their land and culture.

- **During the last century in the United States, most cooperatives were in the following industries: agricultural, rural utility, insurance, and retail.**

## B. WHO = ROLE

- **Role(s) of a cooperative member-owner (e.g. worker, consumer, producer) offer an important way to categorize cooperatives** into sectors, as those entities with similar member-owner roles have similar priorities and needs.
- Most existing US cooperatives **only have one role type eligible for membership, though having more than one role - a multi-stakeholder cooperative - is possible and currently on the rise.**
- The decision of what stakeholder role(s) will be eligible for membership in a cooperative **depends on the founding purpose of the cooperative and how the founders of the cooperative prioritize and facilitate participation of all the cooperative's potential stakeholders.**

## B. FLEXIBILITY

- **The Cooperative Identity is flexible** in key ways (e.g. equity structure, management practices) that allow it to meet many needs. Its flexibility is one of the reasons cooperatives **does not have a singular legal or tax status** throughout the US and the world.
- Recognizing the flexibility of the model helps to dispel two **myths about cooperatives:**
  - » **Cooperatives = Collectives** → the term “collective” is typically used in the US to refer to a business using a collective management structure (whether a cooperative or not). While cooperatives are all collectively owned by their members, *cooperatives can have any type of management structure*.
  - » **Cooperatives Can't Scale** → Due to assumptions about how cooperatives are managed and run, people often think that cooperatives can't grow large and still work. *Successful cooperatives come in all sizes* – of amount of assets, number of staff, geographies, etc.

**4. ASK:** How would you define a cooperative in one word, phrase, or picture?

- A. RECORD:** Write the group’s definitions on a piece of chart paper to create a wordcloud definition.
- B. CHECK UNDERSTANDING:** This question is intended to identify gaps in understanding and/or to encourage participants to name needs for clarification or desires for more information. Creating a shared definition will begin to form a shared language within the group that may be more understandable and less jargon-filled than the Cooperative Identity.

**An Example of a Collective Definition of “Cooperative:”**

Fully human business	Not-for-profit, Not-for-charity, For-Solidarity	Shared Ownership
Personally involved		Democratic
Peoples’ Business	Connected care	<3!

