



REGENERATIVE ECONOMIES

by way of

COOPERATION



# RESILIENCE THROUGH COOPERATION

## AGENDA

- DEFINITION OF A COOPERATIVELY STRUCTURED BUSINESS
- 7 PRINCIPLES OF COOPERATION
- FACTORS THAT CONTRIBUTE TO RESILIENCY
- BUILDING WEALTH THROUGH COOPERATION
- COMMON MISCONCEPTIONS
- REASONS COOPERATIVES PERFORM POORLY AND/OR FAIL

# DEFINITION

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

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# 7 PRINCIPLES OF COOPERATION

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

## COOPERATIVES AND EMPLOYMENT

The International Organisation of Industrial and Service Cooperatives (CICOPA) unveiled a global report on cooperatives and employment at the International Summit of Cooperatives in Quebec City.

**74 COUNTRIES**

The number of countries that generate cooperative employment.



**THAT'S 79% OF THE WORLD'S POPULATION.**



**250 MILLION**

The number of people who work in cooperatives.

**224 MILLION**

The number of producers using a cooperative model.



**26 MILLION DIRECT JOBS**



15 MILLION EMPLOYEES

11 MILLION WORKER-MEMBERS



The cooperative world showed great resilience to the 2007-2008 economic crisis.

## DISTINCTIVE CHARACTERISTICS

• Economic rationale  
• Quest for efficiency

• Shared flexibility  
• Participation

• Pride  
• Reputation  
• Strong sense of identity  
• Focus on cooperative values

 Desjardins

# FACTORS THAT CONTRIBUTE TO RESILIENCY

## Accountability & Execution

### Accountability

- Not punitive in nature
- Highlights management's ability to properly align incentives
- Identifies weaknesses/faults in the product/service/business model

### Execution

- Breaking The "9 – 5 Grind"
- Transitioning to "Task Orientation"
- Having a systematic approach to task identification and execution (4DX Methodology)



# FACTORS THAT CONTRIBUTE TO RESILIENCY

## Culture Towards Problem Solving

“The solution to the problem lies within the problem itself.” – unknown/many

Problem “blaming” only serves to increase the problem’s impact on the organization and fosters a culture where trust cannot exist.

Resiliency thrives in organizations that incentivize the identification of problems and then work as a team to resolve those problems.

# FACTORS THAT CONTRIBUTE TO RESILIENCY

Views of Employment & Labor

“Consider A craftsman who builds something beautiful under external coercion, like pay for wages; we admire what he does but despise what he is.” – Wilhelm von Humboldt

If your employees feel like employees because they are treated like employees, you should expect to have the issues that come with employment.

The best solution is to institute a process by which they can realize ownership, thereby being incentivized to think and act like owners.



# FACTORS THAT CONTRIBUTE TO RESILIENCY

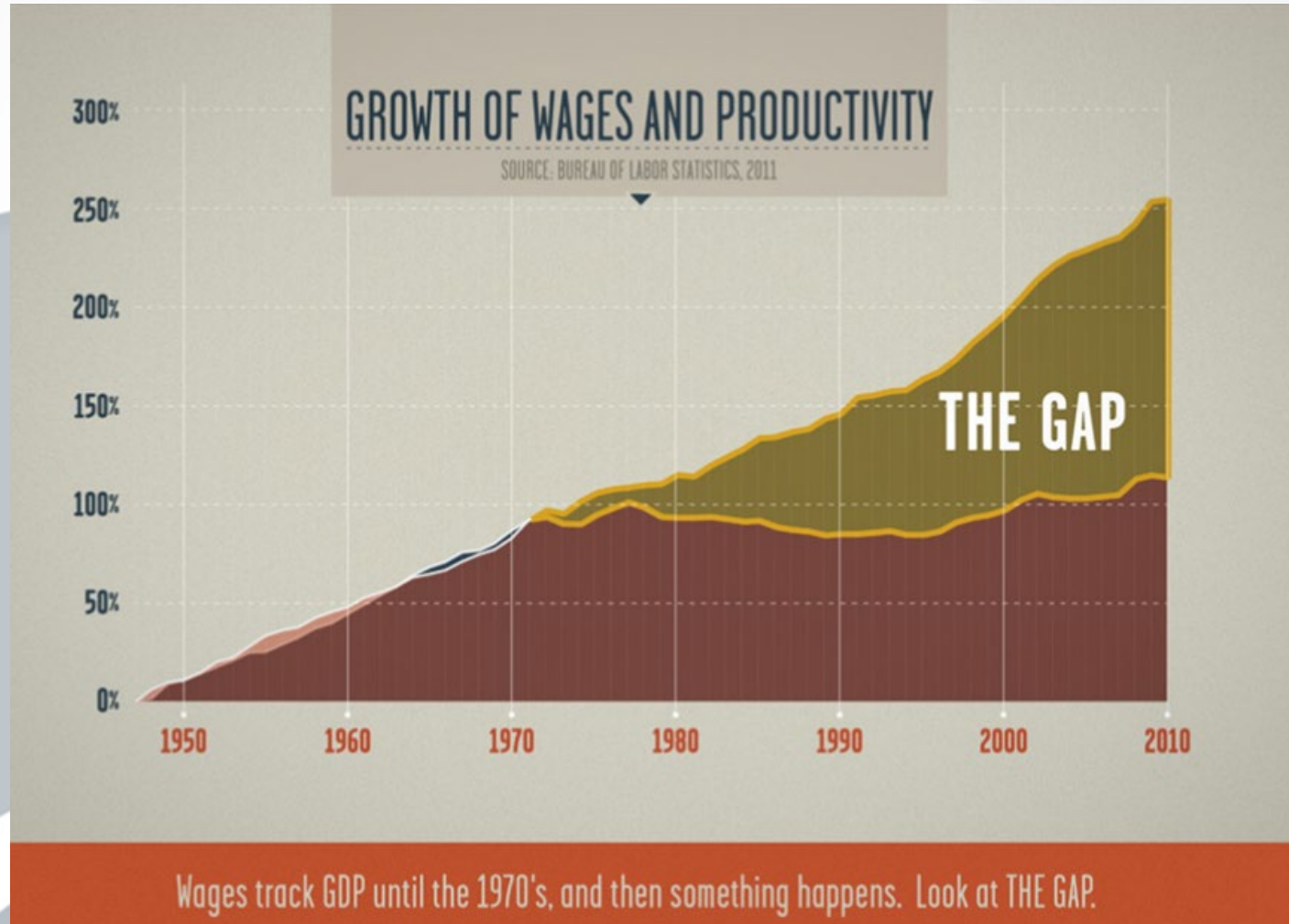
## Fiduciary Responsibility

Conventionally & Cooperatively Structured

- Duty of Care – Making “Informed” Decisions
- Duty of Loyalty – Acting without personal economic conflicts
- Duty of Good Faith – Advance interests of the corporation
- Duty of Confidentiality – Keeping corporate information confidential
- Duty of Disclosure – Acting with candor and transparency

# BUILDING WEALTH THROUGH COOPERATION

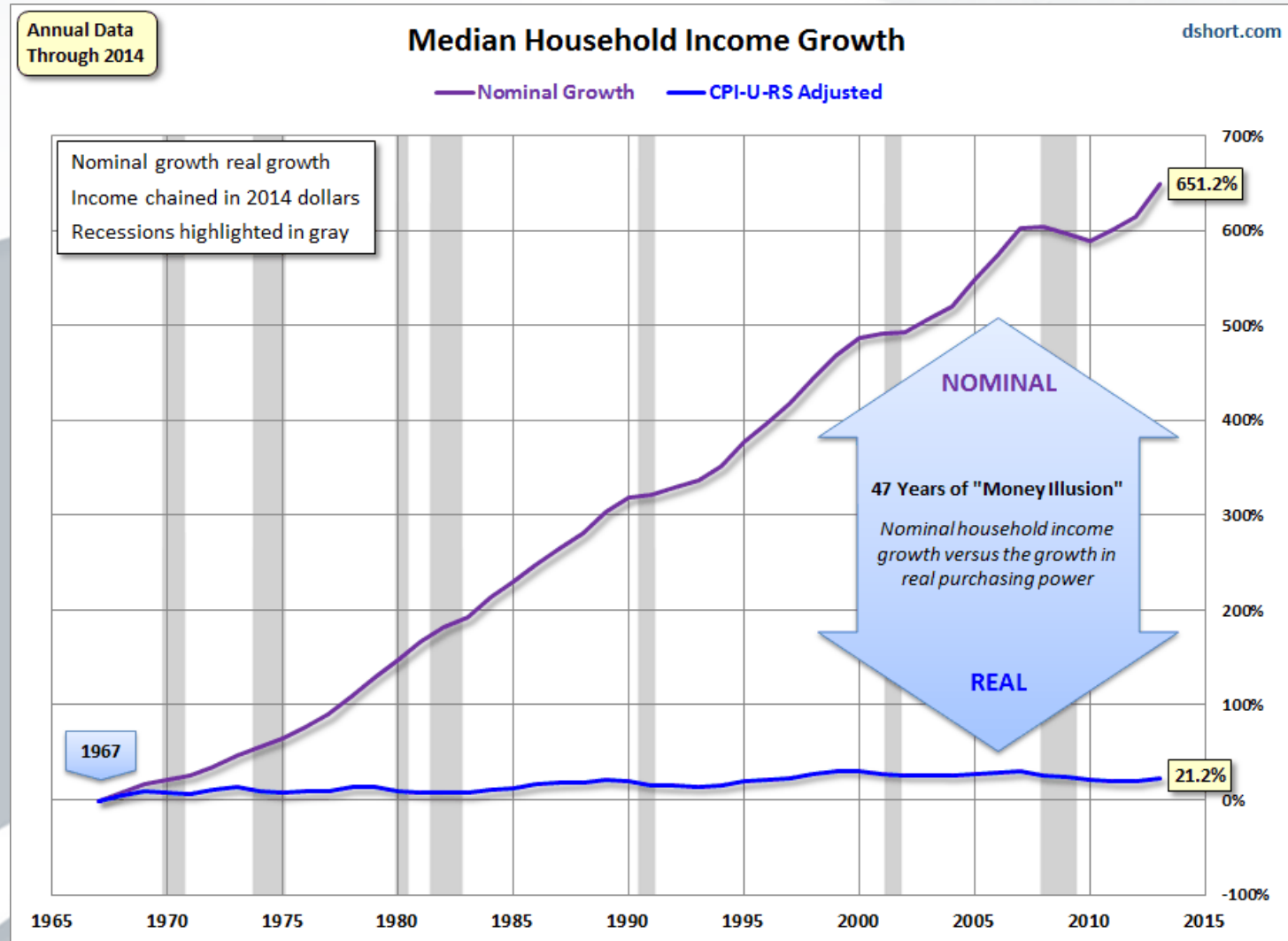
## Micro-Economic Considerations





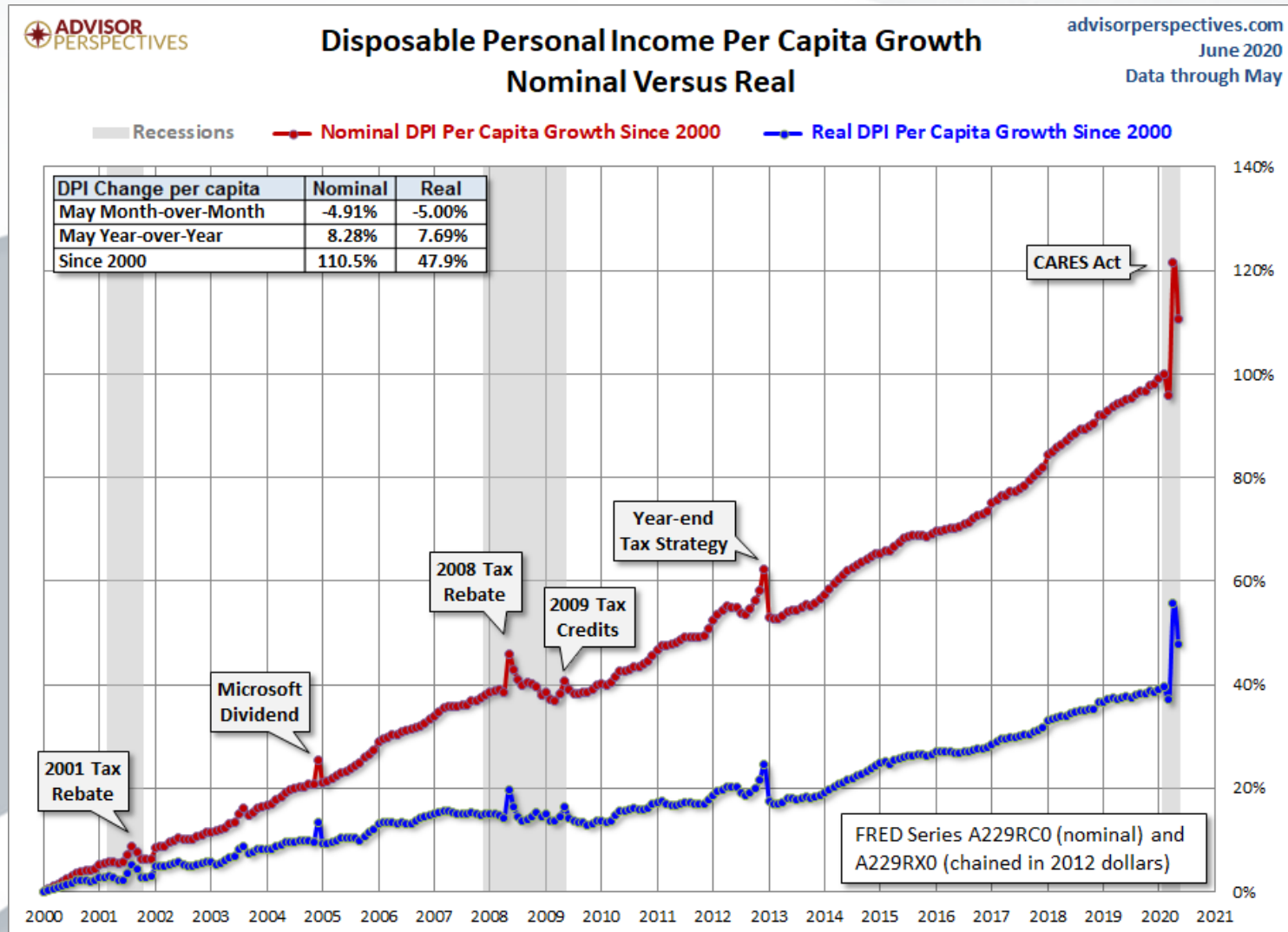
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## Micro-Economic Considerations



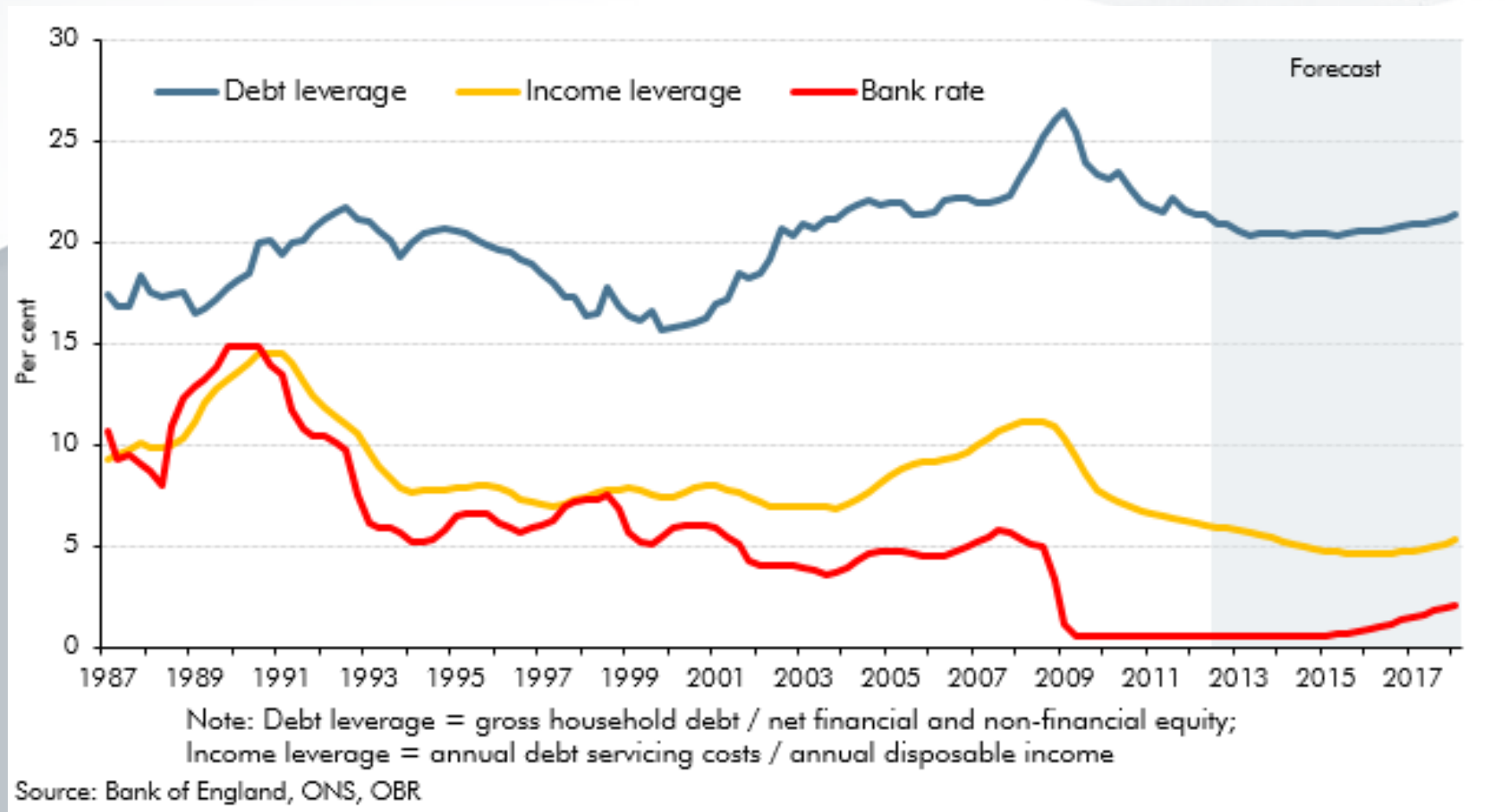
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## Micro-Economic Considerations



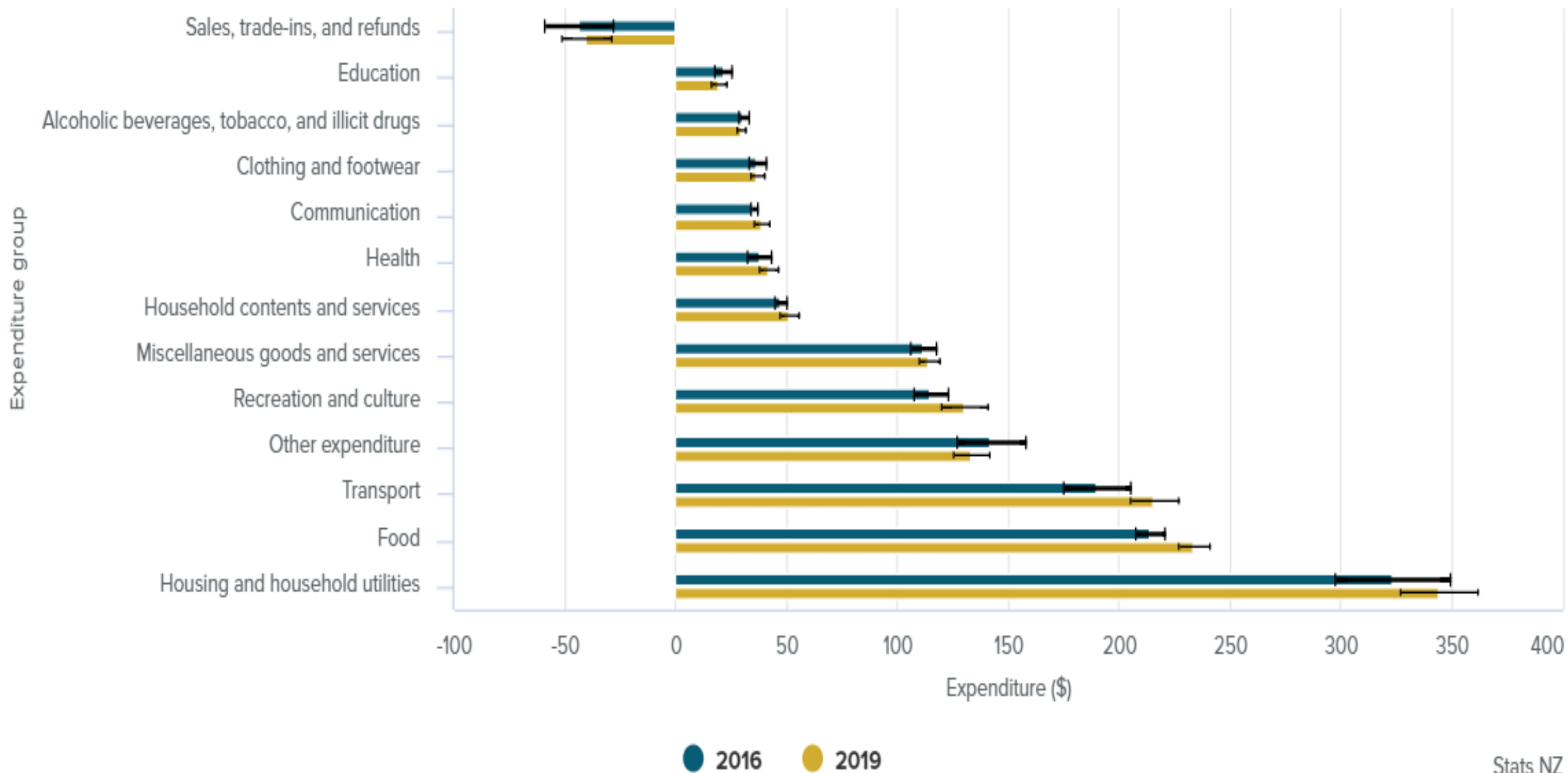
# BUILDING WEALTH THROUGH COOPERATION

## Micro-Economic Considerations





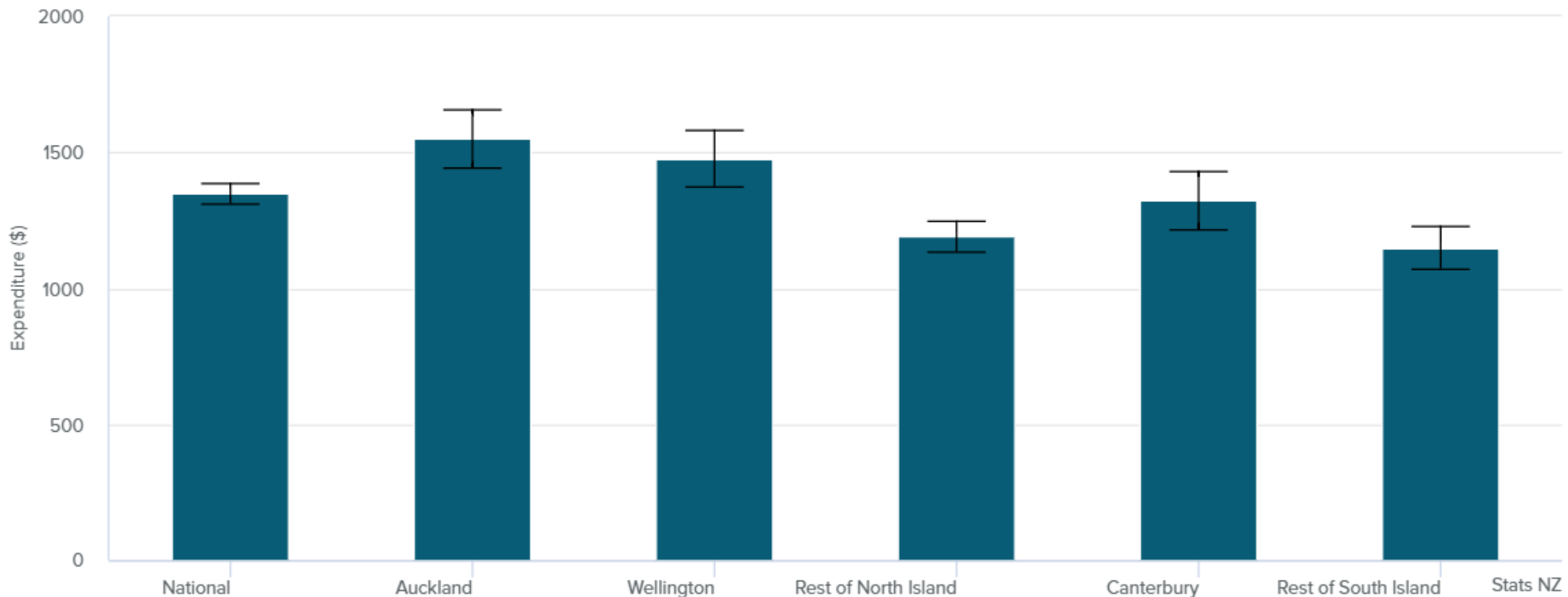
# Average weekly household expenditure by expenditure group, year ended June 2016 and 2019



# BUILDING WEALTH THROUGH COOPERATION

For the year ended 30 June 2019, the average weekly expenditure for New Zealand households was \$1,349. This is a net figure after deductions from sales, trade-ins, and refunds are accounted for.

Average weekly household expenditure by region, year ended June 2019



Source : <https://www.stats.govt.nz/information-releases/household-expenditure-statistics-year-ended-june-2019>

# BUILDING WEALTH THROUGH COOPERATION

## Building Regeneration Into the Micro-Economic Environment

Avg. Weekly Expenditure	\$1,349
Avg. Annual Expenditure (52 weeks)	\$70,148
Patronage Dividends (8% assumed)	\$5,612
Avg. Annual Expenditure After Dividends	\$64,536

How many of us would accept a \$5,600 annual pay raise?



# BUILDING WEALTH THROUGH COOPERATION

Imagine the regenerative capacity that could be built from cooperatively owned housing, utilities, transportation, healthcare, etc.

Table A. Average income and expenditures of all consumer units, 2016-18

Item	2016	2017	2018	Percent change	
				2016-17	2017-18
Average income before taxes	\$74,664	\$73,573	\$78,635	-1.5	6.9
Average annual expenditures	57,311	60,060	61,224	4.8	1.9
Food	7,203	7,729	7,923	7.3	2.5
Food at home	4,049	4,363	4,464	7.8	2.3
Food away from home	3,154	3,365	3,459	6.7	2.8
Housing	18,886	19,884	20,091	5.3	1.0
Shelter	11,128	11,895	11,747	6.9	-1.2
Owned dwellings	6,295	6,947	6,678	10.4	-3.9
Rented dwellings	4,835	4,167	4,249	3.3	2.0
Apparel and services	1,803	1,833	1,866	1.7	1.8
Transportation	9,049	9,576	9,761	5.8	1.9
Vehicle purchases	3,634	4,054	3,975	11.6	-1.9
Gasoline, other fuels, and motor oil	1,909	1,968	2,109	3.1	7.2
Healthcare	4,612	4,928	4,968	6.9	0.8
Health insurance	3,160	3,414	3,405	8.0	-0.3
Entertainment	2,913	3,203	3,226	10.0	0.7
Personal care products and services	707	762	768	7.8	0.8
Education	1,329	1,491	1,407	12.2	-5.6
Cash contributions	2,081	1,873	1,888	-10.0	0.8
Personal insurance and pensions	6,831	6,771	7,296	-0.9	7.8
Pensions and Social Security	6,509	6,353	6,831	-2.4	7.5
All other expenditures	1,897	2,010	2,030	6.0	0.0

Note: Subcategories do not sum to their respective major item category.

# COMMON MISCONCEPTIONS

- Co-ops don't have to be managed like conventional businesses
- Strong, financially literate leadership is not necessary with co-ops
- Co-ops are easy and rarely fail
- Directors of co-ops don't have fiduciary responsibility
- Conflict resolution strategies don't require practice
- Equity management strategies are simple/non-complex
- Continuing education isn't necessary

# REASONS CO-OPS PERFORM POORLY AND/OR FAIL

- Poor to non-existing Conflict Resolution Strategies
- Inadequate and/or corrupt Equity Management
- Low priority of Leadership Development
- Poor operational & financial controls
- Disengaged membership base



# CONCLUSION

- Building resilience begins with the business's internal structure and management.
- Resiliency improves when the micro-economic perspective is included.
- Cooperatives are businesses and should hold themselves to higher operational & financial performance standards than non-cooperative peers.
- Equity management and conflict resolution should be proactive and practiced regularly.
- Continuing education for directors, executive leadership, staff, and all members is one of the seven principles of cooperation.

# CONCLUSION



Join us July 30<sup>th</sup> for the follow up to this two-part presentation.

In the second part of this presentation series, we will expand beyond the WHAT it takes to build resilient businesses and discuss specific strategies that can be deployed to address the HOW to build resilience.

We look forward to seeing you then!      Kia Mihi, Vinaka, Fa'afetai,  
Tangkyu Tumas, Kia Orana, Tank iu Tumas