

Introduction to Cooperative Management

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Key concepts, principles, and practical tools for running successful cooperatives

1. What Is a Cooperative?

Aspect	Definition
Legal Form	A member-owned, member-controlled enterprise that operates for the mutual benefit of its members.
Core Goal	Provide goods, services, or economic benefits to members rather than maximizing profit for external shareholders.
Typical Sectors	Agriculture, retail, housing, finance (credit unions), energy, health care, worker-owned firms, digital platforms.
Member Types	• Patrons – consumers of the cooperative's services (e.g., grocery co-op). • Producers – suppliers or workers (e.g., farmer co-op, worker co-op). • Both – hybrid models (e.g., platform co-ops).

2. Fundamental Principles (ICA, 1995)

1. **Voluntary & Open Membership** – No discrimination; open to anyone who can use the services and accept the responsibilities.
 2. **Democratic Member Control** – One member, one vote (regardless of capital contribution).
 3. **Member Economic Participation** – Members contribute equitably to capital; surplus is allocated to members in proportion to their transactions, not capital.
 4. **Autonomy & Independence** – Cooperative is self-governed; external funding does not compromise autonomy.
 5. **Education, Training & Information** – Ongoing development for members, elected representatives, managers, and employees.
 6. **Cooperation among Cooperatives** – Networks, federations, and alliances strengthen the movement.
 7. **Concern for Community** – Sustainable development and social responsibility are integral.
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3. Governance Structure

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Level	Typical Body	Main Responsibilities
General Assembly	All members (annual meeting)	Approve strategic plan, elect board, amend bylaws, review financial statements.
Board of Directors	Elected representatives (often 5-15 members)	Set policy, oversee management, ensure compliance with principles, approve budgets.
Management Team	CEO/General Manager + staff	Day-to-day operations, implement board decisions, manage finances, staff, and member services.
Committees (optional)	Finance, Audit, Membership, Education, etc.	Provide specialized oversight, prepare reports for board/assembly.

Best practice: Keep board size manageable (7-9 members) and rotate membership to maintain fresh perspectives while preserving institutional memory.

4. Key Management Functions

Function	What It Involves	Cooperative-Specific Considerations
Strategic Planning	Vision, mission, long-term goals, SWOT analysis.	Align goals with member needs and cooperative principles; involve members in the planning process.
Financial Management	Budgeting, cash-flow, accounting, capital acquisition.	Use member equity and retained surplus; limit external debt to preserve autonomy.
Member Services & Relations	Product/service delivery, customer support, member education.	Measure success by member satisfaction and usage rather than sales volume alone.
Human Resources	Recruitment, training, performance, compensation.	Emphasize democratic participation; many cooperatives adopt profit-sharing or patronage-refund structures.
Marketing & Outreach	Branding, communication, market research.	Highlight cooperative values (fairness, community impact) to attract like-minded members.
Legal & Compliance	Regulatory filing, bylaws	