



International
Labour
Organization

Think. COOP

AN ORIENTATION
ON THE COOPERATIVE
BUSINESS MODEL

TRAINING GUIDE

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Think.COOP



Think.COOP has been developed as a low-cost, easy to use training tool for those interested in establishing or joining a cooperative. It draws on technical content from existing materials in different ILO cooperative training tools and peer-to-peer, activity based learning methodology from the ILO's Community-Based Enterprise Development (C-BED) programme, Think.COOP provides simple information on the basics of cooperatives.

At the end of the one-day orientation, participants are expected to:

- Understand what a cooperative is (values and principles, differences from other forms of organizations and enterprises etc.)
- Understand the specific benefits and challenges related to cooperative model compared to other types of enterprises or economic organizations; and
- Be able to make an informed and conscious decision of whether a cooperative might be a suitable business option for the participant.

To learn more about the ILO's work on cooperatives visit www.ilo.org/coop or email: coop@ilo.org

To learn more about the ILO's peer-to-peer, activity based learning methodology visit www.cb-tools.org

Acknowledgements

Think.COOP was developed collaboratively by the ILO Decent Work Team Bangkok and the Cooperatives Unit of the Enterprises Department of the ILO. Text was drafted by Marian E. Boquiren.

Think.COOP

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MESSAGE TO THE GROUP

Think.COOP is designed for people like you who are interested in joining or starting a cooperative. During this orientation, you will analyse how supportive relationships and cooperation can help you pursue opportunities to improve your livelihood, learn about the fundamentals of a cooperative business, and understand the conditions under which the cooperative is a better way to doing business or your work. At the end of this orientation, you will be better able to decide whether the cooperative business model is right for you.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step- by-step instructions for discussions and activities in your training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training you will be asked to complete a knowledge survey to understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some participants may also be contacted in the future after 3, 6 or 12 months after the training for another survey to learn about the steps they took after the training.



Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



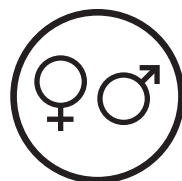
This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially



The sign indicates a good practice in identifying and meeting the different needs of women and men, promoting active participation of women, and making strategic use of the distinct knowledge and skills women and men have.

Getting Started

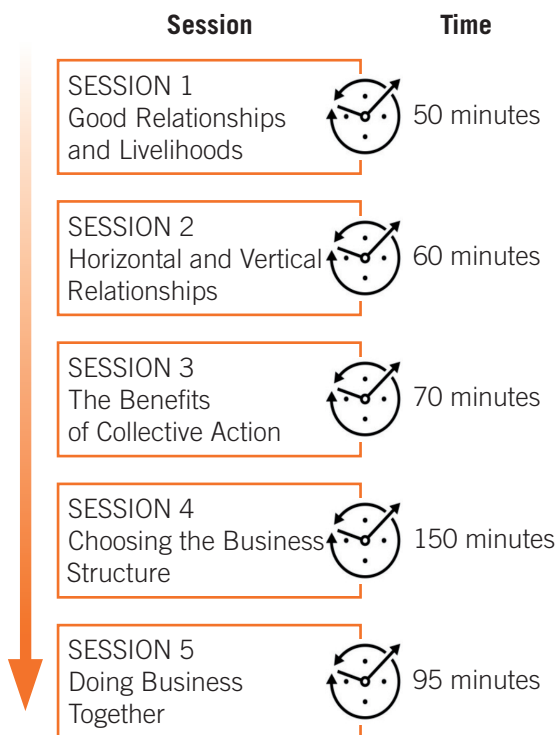
Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training knowledge survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5-7 maximum. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time but one group member should be nominated for each session to remind the group when the suggested time for an activity/ step has been reached. You do not strictly need to follow the suggested timing but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive this training guide. Individual as well as group work can be completed in this guide.

Learning Process



SESSION 1: GOOD RELATIONSHIPS AND LIVELIHOODS

Session Overview



You interact with people every day. No matter what you do for a living or aspire to become, it involves working and interacting with people. In this session, you will get to know each other, become familiar with the style of this training, and increase your appreciation of the importance of cooperation. The goal is to learn from each other as you complete the activities in each session. You should help each other by sharing your different ideas and experiences, and ask questions to the group and/or the facilitator if you do not understand a concept or activity. Learning together is a form of cooperation where participants work together to maximize their own and each other's learning. Whenever people work together for mutual benefit, you have cooperation.

Activity 1A: Getting to Know Each Other



In this activity, you will get to know each other as a first step in building good relationships and cooperation. First, you will read through all the instructions before starting the activity at Step 1.

Steps



STEP 1 Write your name and livelihood in the circle in the worksheet.

STEP 2 From the list, encircle the 3 persons (women and/or men) who are helping you the most in the pursuit of your livelihood. These people comprise the 'supportive' or 'good relationships'. A relationship is the way in which two or more people are connected or the state of being connected. (5 minutes)

STEP 3 You will introduce yourselves and share your list. (15 minutes)

Worksheet for Activity 1A

Write your name and work. →

Name:

Work:

PEOPLE WHO HELP AND SUPPORT ME IN MY WORK

Neighbours	Peers – people in same work as me	
Relatives	People who lend me money	Siblings
Parents	People who work for me	Children
People who help me get new customers		Suppliers
Husband/wife	Boss	Others (specify)

← Encircle 3 persons who help you the most



Think carefully when selecting the 3 persons. Sometimes the activities undertaken by women are taken for granted and are not given their real value, but they are actually key in earning livelihoods. For instance, unpaid care work or domestic chores that are most of the times the primary responsibility of women, may be essential for the family's well-being and livelihood.

ACTIVITY 1B: IMPORTANCE OF RELATIONSHIPS



20 minutes

As you have seen from the lists, you need other people to achieve results in whatever you are doing. You need the cooperation of various women and men in order for your initiative to succeed.

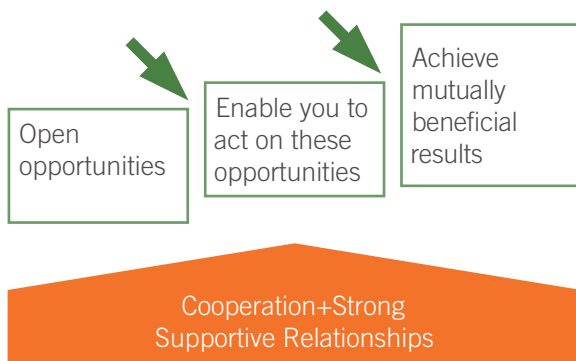
Good relationships keep you happier, healthier and make your work easier to accomplish. In addition to skills, the cooperation and relationships you have with your women and/or men co-workers, peers, and the communities where you are working and living provide the means for achieving your goals.



Your relationships give meaning and richness to your work and to your lives. Oftentimes, relationships are key to solving a problem, opening new opportunities, and getting the job done.

With good and strong supportive relationships, people have the power to make real change. It does not make sense though to form relationships just to get people to do work for you. This will not work because people will feel used. You form relationships because you genuinely like someone, because you have something to offer to that person, or because you share some common goal(s).

Benefits of Cooperation and Strong Supportive Relationships



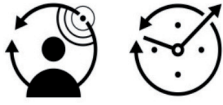
Now, look again at the list you made. You will choose one relationship and share with the group why it is very important especially in relation to your livelihood.

Important relationship: My relationship with

This relationship is important because:

SESSION 2: HORIZONTAL AND VERTICAL RELATIONSHIPS

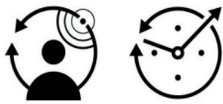
Session Overview



5 minutes

Every relationship is different, but they all matter. Activity 2A will help you understand the difference between horizontal and vertical relationships. In Activity 2B, you will look into the importance of horizontal relationships in sustaining and improving your livelihoods. You will first read through the instructions before you start working on the activity.

ACTIVITY 2A: IDENTIFYING VERTICAL AND HORIZONTAL RELATIONSHIPS

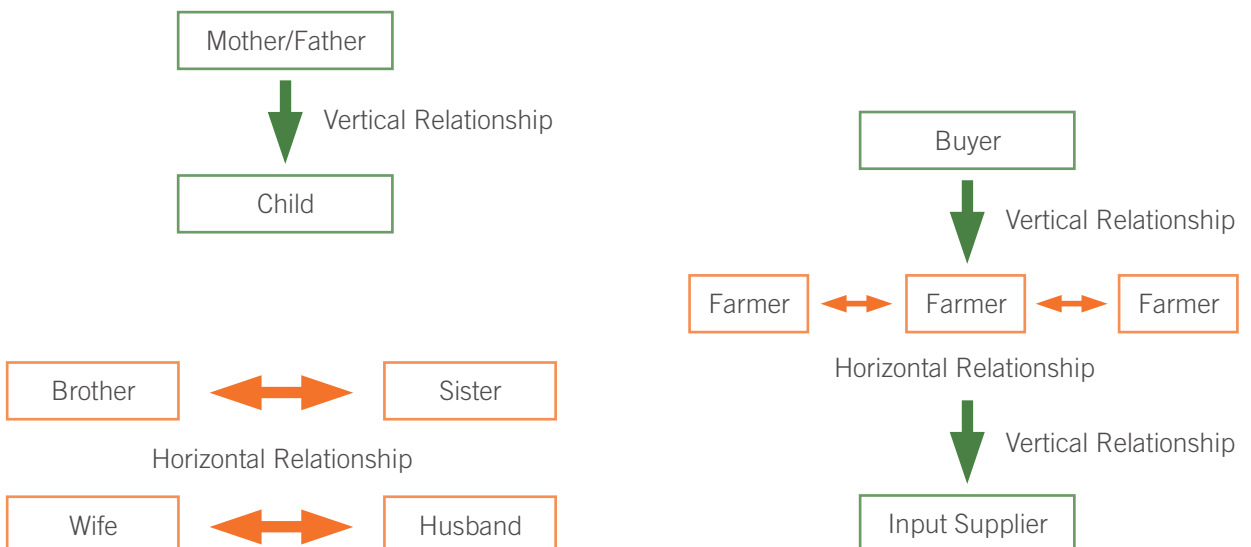


10 minutes

Vertical relationships refer to linkages between people performing different functions. In your personal lives, an example of a vertical relationship is between a parent and a child. At work, this can be between an employer and employee.

Horizontal relationships refer to linkages between people performing the same functions. In a family, this may be the relationship between brothers and sisters. While vertical relationships are hierarchical (up down relationships), horizontal relationships involve collaboration and cooperation between and among peers (equal position and social power).

Examples of Horizontal and Vertical Relationships



Steps



20 minutes

STEP 1

Below is a list of relationships outside of family ties. As each relationship is read, you will discuss whether the relationship is horizontal or vertical. As soon as you agree on the answer, you will shade the appropriate button. (10 minutes)

Relationship	Horizontal Relationship	Vertical Relationship
Farmer selling to a trader	<input type="radio"/>	<input type="radio"/>
Workers helping each other	<input type="radio"/>	<input type="radio"/>
A shop owner consulting a peer regarding a new technology	<input type="radio"/>	<input type="radio"/>
Fertilizer supplier and farmers	<input type="radio"/>	<input type="radio"/>
Fish vendors who set up an informal savings and credit scheme	<input type="radio"/>	<input type="radio"/>
Vendor borrowing stock from another vendor	<input type="radio"/>	<input type="radio"/>
Neighbours building a community water pump	<input type="radio"/>	<input type="radio"/>
Construction worker and contractor	<input type="radio"/>	<input type="radio"/>

Answers are on page 32

STEP 2

You will share one example each of a vertical and horizontal relationship based on your experience or what you have seen in your work or community. Think on relationships you have with both women and men that make it possible to earn your livelihood. (10 minutes)

Vertical relationship:

Horizontal relationship:

ACTIVITY 2B: TOGETHER WE STAND, DIVIDED WE FALL¹



25 minutes

Horizontal cooperation also lays the groundwork for development of win-win vertical relationships. When workers for example, group together and cooperate with each other for their mutual benefit, they can better advocate for good working conditions. Similarly, when taxi drivers band together, they can form a member-based enterprise engaged in savings and credit scheme to help each other cope with emergency expenses, school fees, and other financial needs. When you come together, you are stronger and are able to achieve tasks that you would ordinarily not be able to do alone and, therefore, can achieve more.

For this activity, you will perform the step as it is read.

Steps

- STEP 1** Tear the blank page (next page).
- STEP 2** Fold the paper into two equal halves.
- STEP 3** Tear the paper from the centre fold. Put the two pieces together into a pile.
- STEP 4** Repeat the process until the paper can no longer be torn because the paper bundle is too thick to be torn.

The paper is easiest to tear when there is a single sheet or only a few. The more sheets of paper there are, the more difficult to tear the paper becomes. Similarly, in business, when a farmer works alone he/she may find that traders have more power in negotiations. But when farmers work together they are stronger.

Imagine a farmer is working alone and wants to sell their produce at \$ 1/kilo but the trader says he is only willing to pay \$ 0.75/kilo. Do you think the farmer will be able to get the price that he wanted? Why or why not?

Now imagine that the farmer come together with other farmers and they work together to negotiate with the trader. Do you think they will more likely to get a better price than the individual farmer? Why or why not?

Paper for Activity 2B: Please tear.

SESSION 3: THE BENEFITS OF COLLECTIVE ACTION

Session Overview



Collective action refers to action taken together by a group of people whose goal is to enhance their status and achieve a common objective. Whenever people work together for mutual benefit, you have cooperation. The purpose of this session is to help you identify opportunities for group action and the conditions where group action may be more beneficial than an individual initiative.

ACTIVITY 3A: OPPORTUNITIES FOR GROUP ACTION



To gain some insights on the range of group activities that you can undertake, read the story of Oliver.

Oliver grows vegetables in his small plot. A trader in his village buys his harvest at a very low price because he only has small quantities to sell. The trader also knows that Oliver cannot bring his produce to another village because the transportation cost are so high and will eat up his profits. Likewise, he has to pay a high price for the fertilizer since he only buys small quantities.



One day, his neighbour Maria, who is also a small farmer, invited him to attend her group's meeting. During the meeting, Oliver learned that Maria is a member of a collective enterprise well known as a cooperative, made up of small women and men farmers like him. The cooperative is looking for other farmers to join them so that they can increase the volume of produce they sell directly to vendors in the town.

With their combined number they are able to meet the minimum requirement of the vendors, get a better price for their produce, and lower the transportation cost per unit of produce. They also buy inputs together. Because of this, they are able to get good quality inputs at cheaper price. The cooperative has also accessed the government's extension programme, which has supported the members in efficient use of fertilizer.



20 minutes

The table below summarizes the constraints faced by Oliver and the solution proposed by Maria and her cooperative. In Column 3, write down how the solution will help Oliver improve his livelihood. Share and discuss your answers with the group.

Oliver's Constraints Column 1	Solution/Group Action Column 2	In what ways will the solution help Oliver improve his livelihood? Column 3
<i>Small quantity of harvest for selling resulting in low price and no bargaining power</i>	<i>Farmer sells product to the cooperative; the cooperative supplies product directly to market vendors skipping the middlemen</i>	
<i>High transportation cost per unit of product due to small quantity</i>		
<i>High cost of fertilizer</i>	<i>The cooperative buys fertilizer in bulk and resells in retail to farmer at a fair price</i>	
	<i>The cooperative conducts training</i>	

ACTIVITY 3B: HELPING MYSELF, HELPING OTHERS

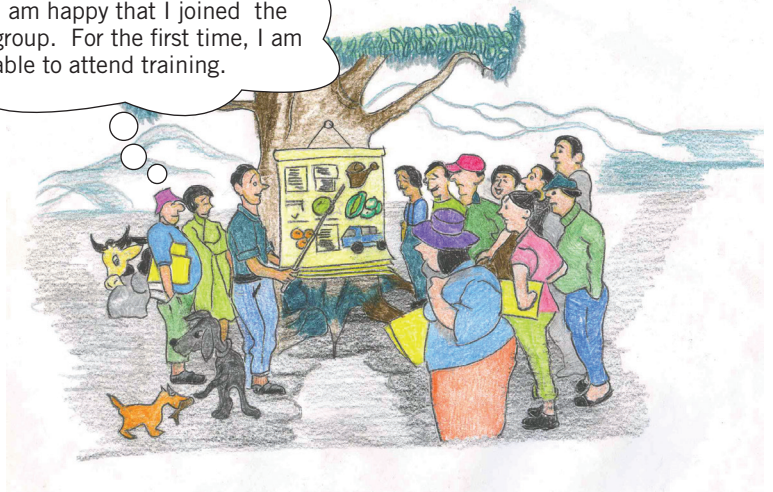


15 minutes

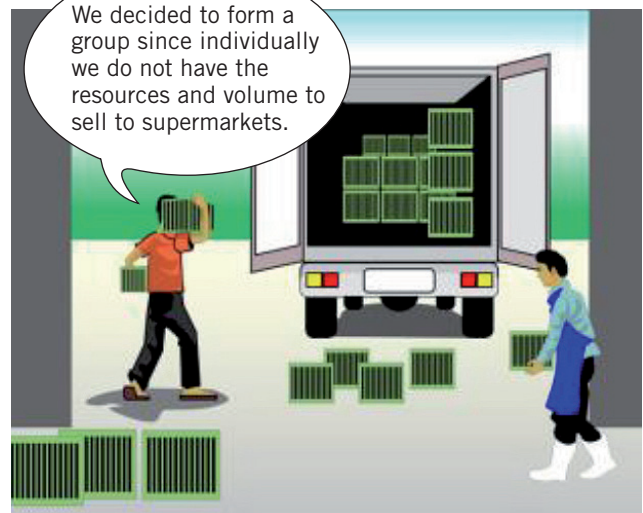
Here are key guidelines for when you should consider group action to solve a problem or take advantage of an opportunity:

- The resources that you need are more than what you can individually supply or afford. Maria and her group, for example, wanted to process some of their vegetables, but individually they could not afford to buy the equipment that they needed. They **pooled their money** and bought small equipment for vegetable processing. Each of the **members can use the equipment** for a small fee to cover the cost of maintenance.
- You want to reduce costs by **buying in bulk** to get a discount. For example, by buying the fertilizer in bulk, suppliers gave Maria and her group the wholesale price which was about 30% lower than the retail price. Instead of buying one or two bags of fertilizer individually, they took turns in buying all the supplies needed by all the members. This resulted in savings on transportation costs.

I am happy that I joined the group. For the first time, I am able to attend training.



We decided to form a group since individually we do not have the resources and volume to sell to supermarkets.



- **Access to a wide range of services** to improve skills and knowledge as well as **acquire the resources** (e.g. finance, equipment, etc.) to grow your business. Extension agencies and microfinance institutions are often willing to serve groups, but not individuals.
- You need to increase your bargaining power. Horizontal cooperation makes it possible to **negotiate, demand services, and influence desired changes in policies**. By **selling in bulk**, collective groups can attract new buyers and negotiate better prices.

Look at the constraints and/or opportunities you face yourselves in your work or livelihood. You then determine the advantages of addressing these individually and through group action. Please look below at the example provided in the first row of the worksheet for Activity 3B for your reference and guide

How I wish I can sell at the town proper where there are more customers. Rental for stall there though is very expensive. Perhaps I can convince my neighbors to join me and we can share the rent.



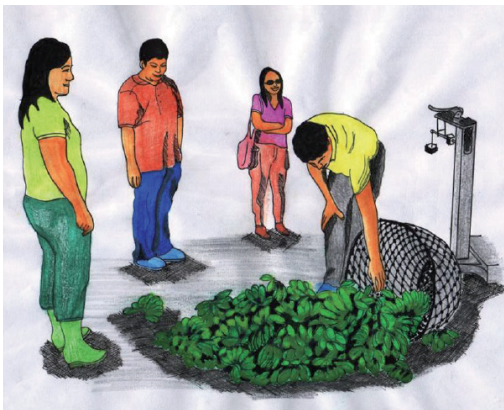
Steps



20 minutes

- STEP 1** List down at least 3 constraints you face in your work, business or livelihood.
- STEP 2** Identify possible solutions to your constraints. Remember that when you address your constraints with sustainable solutions, you are creating opportunities for improvement for yourself and others.
- STEP 3** Determine the advantages of undertaking the solution individually or through group action. Keep the guidelines in mind to help you decide.
- STEP 4** Identify which option (individual or group action) is a better option for you.
- STEP 5** Share and discuss with the group.

Example of Transforming Constraints into Opportunities



Value Addition
Job Generation
Access to bigger market

→ Increase in income

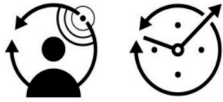
Solutions:
Set-up of common service facility for banana chips processing. Bulk marketing agreement with buyers

Worksheet for Activity 3B

Constraints	Possible Solution	Advantages Individual	Advantages Group Action	Which option is better for you? Individual or Group Action?
<i>Example: Not able to buy stocks at wholesale price because I only buy small quantities each time</i>	<i>Since there are many vendors like me who are selling the same product, we can combine our purchases</i>	<i>Fast; does not have to cooperate with other vendors</i>	<i>Can buy stocks at 20% less than current buying price; may also be able to ask the supplier to deliver stocks in our stall</i>	<i>Group Action</i>

SESSION 4: CHOOSING THE BUSINESS STRUCTURE

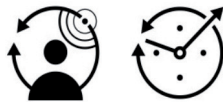
Session Overview



5 minutes

Many times, small groups of individuals or friends come together informally to share resources, support each other in finding work or selling their produce together to save on transportation costs and get a higher price. Informal enterprises face limitations such as lack of legal form to transact with banks and institutional buyers (e.g. supermarkets), workers not enjoying employment benefits, loose commitments and obligations among participating individuals, etc. As these informal groups meet and work together more regularly, they may want to transform it into a formal organization in order to have legal status, access loan from banks, and sell to large buyers like supermarkets, hotels, and the like. In moving from informal collaboration to formal businesses, you have an important choice to make regarding the ownership and structure of your business. In Activity 4A you will look at the different business structures. Activity 4B will walk you through the factors to consider when choosing a business structure. In Activity 4C you will look into the principles of a cooperative and assess whether these are aligned with your own aspirations.

ACTIVITY 4A: UNDERSTANDING BUSINESS STRUCTURES²



5 minutes

A business may be owned and managed by a single individual or a group of individuals. Such arrangement of ownership and management is termed as business structure. The business structure influences everything from day-to-day operations to the capital that one needs to personally raise, personal liability, and taxes. To gain an understanding of the common business structures, perform the steps as they are read. It should be noted though that allowed business legal structures vary from country to country.

² There are different types of business structures depending on the country. You may ask the facilitator for additional information on business structures allowed in your country.

Steps



45 minutes

STEP 1

Take turns in reading aloud the descriptions. After each description is read, identify two to three businesses in your area that fit the description. (15 minutes)

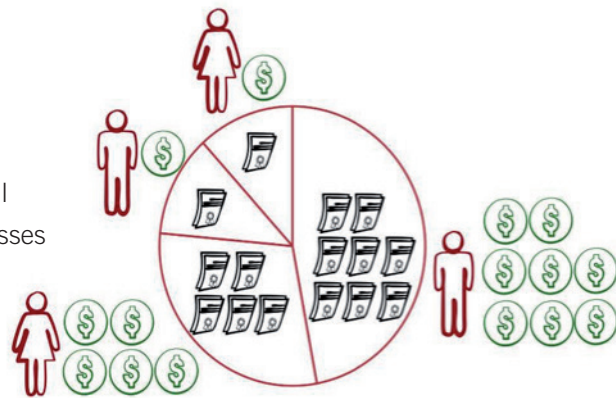


INDIVIDUAL PROPRIETORSHIP

- Single ownership
- Owner provides labour, capital, and management
- Entitled to all profits; liable for all losses
- Objective: Earn income and be one's own boss
- Examples: Mostly small businesses

INVESTOR-ORIENTED CORPORATION

- A way to raise large amounts of capital
- Ownership share and control depend on amount invested
- Owners only provide capital
- Objective: Earn a return on invested capital
- Examples: Most medium and large businesses



Source: The ICA Group

COMPANY LIMITED BY GUARANTEE

- Initial funding raised through grants and donations
- Has no share capital or shareholders, but instead has members who act as guarantors. The guarantors agree to contribute a sum of money (typically very small) which will be collected in case the company faces financial difficulties
- The financial liability of members is limited to committed guarantee
- Members do not earn profit; profit is reinvested into the company
- Objective: Support company's advocacies rather than benefit financially
- Examples: Non-profit organizations, charity organizations



COOPERATIVE

- Owned, managed, and controlled by members
- A way to provide "service at cost" to groups of individuals and/or firms
- Members/owners/patrons provide capital and oversight control
- One member, one vote
- Objective: Provide services with members getting back part of the profit from their own purchases
- Examples: Farmer cooperative, worker cooperative, vendor cooperative



STEP 2

Individually read the stories and identify the type of business structure. Discuss and compare your answers with your peers. (20 minutes)

a) Maya runs a grocery shop in the village. She buys from Alan and other traders from the wholesale market in the city. By doing so she earns some profit. She started her business five years ago by investing US\$ 300 which she borrowed from the cooperative in which she has been a member for ten years. Today, she is running her business successfully, earning a good profit, and has been able to pay back the borrowed money. She has also employed two persons to help her in the shop. What type of business structure is the grocery shop that Maya runs?

b) Sophia earns just enough to pay the rent, provide decent food for her family of two, and send her two children to school. What sets Sophia apart though is that she owns three grocery stores together with 20 other individuals like her who want affordable but chemical free food for their family. In 2010, they each invested US\$ 100 and set-up their first store. With her membership and corresponding payment for her share, Sophia has the right to vote for their board of directors and weigh in on important policies and governance issues. If she wanted to, she could even run for the board! What Sophia particularly likes in her business is that all the owners of the stores have one vote only regardless of the number of shares that each one holds. When Sophia buys food from her store, most of the money she spends goes back to the local community via local producers from which they source their stocks and to the workers they hire from the neighbourhood. Likewise, she also receives at the end of the year a share of the profit proportionate to how much she spent in her stores. What is the structure of the business that Sophia owns?

c) Adam and Maricel own a grocery store together with three other shareholders. Each of the shareholders invested money and expects to earn a return for their investment. Adam has 50% share of the company. In other words, he provided 50% of the capital. The remaining 50% is shared by the four other shareholders with Maricel accounting for 20%. Since Adam has the largest share, his opinion and vote matter most. At the end of each year, Adam gets 50% of the profit that the business has decided to distribute to shareholders. Adam likes this structure because it enables him to proportionately earn from his investment and, at the same time, his personnel assets are not at stake in case the company fails to pay its creditors. What type of business structure did Adam and his friends have?

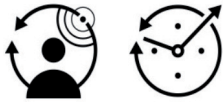
d) Instead of individually renting or setting up their own stores which is expensive, thirty small scale fruit processors decided to form XYZ Marketing Limited. Through the company, the 30 processors were able to get 10 stalls in an organic trading centre in the city. To pay for the rent of the stalls, power and water utilities, and salary of the salesperson, the company receives 5% commission from each member based on their gross sales. The company also uses the 5% commission to run promotional campaigns. The members do not receive any share in the profit that may be generated by the company. Likewise, at the time of establishment, the members pledged to give US\$ 5 each in case the company runs into financial problems and would be unable to pay its obligations.

Answers are on page 32

STEP 3

Of the four types of business structure described in Step 2, which did you like best and why? Discuss your answer with your group members. (10 minutes)

ACTIVITY 4B: FACTORS TO CONSIDER WHEN CHOOSING A BUSINESS STRUCTURE



5 minutes

In choosing the business structure for your business, the following are the key factors to consider:

- a) Motivation for setting up the business: What challenges, issues, or problems are you trying to resolve? What do you expect to get from the business?
- b) Ownership: Will you be working alone, or will the business have multiple owners?
- c) Participation and control: Who participates in management and policy decisions?
- d) Profit sharing: How will the profit be shared?
- e) Resources: What is your ability to acquire resources such as land, working capital, building, facilities, etc.?
- f) Liability: To what extent would you want to be personally liable for the debts of the business?

When making your choice on the business structure, make sure that you highlight what is most important to you and your plans for the future. Remember though that not one single type of ownership may give you all the features you desire. Your task is to decide which type of business entity offers the features that are most important to you.

Steps



30 minutes

STEP 1

Individually, read the question in Column 1. Choose and encircle the answer (Columns 2 to 5) that is closest to what you feel and think is the best for you. (10 minutes)

Question Column 1	Choose and encircle your answer			
	Answer 1 Column 2	Answer 2 Column 3	Answer 3 Column 4	Answer 4 Column 5
<i>What is your main objective for setting up the business?</i>	Earn profit for myself	Earn profit equivalent to my investment	Access services that would help me and my peers improve our livelihood while also earning surplus/profit as additional income	Access services that would help me and my peers improve our livelihood; support an advocacy
<i>How much control do you want in running the business?</i>	100% control	Control based on investment	Equal control for all members with shares	Equal control for all members
<i>How do you want profits to be shared?</i>	100% profit to person who provided the capital	Profit shared according to investment	Profit shared based on use of service or in proportion to the business I conducted with the enterprise	Profit not distributed among the members but reinvested into the business
<i>Do you have all the skills and resources to run the business?</i>	I have the resources and skills to set-up and run the business. I can also hire workers and get a loan whenever necessary.	No but the shareholders will provide the capital to secure all skills and resources needed	No and I do not have the capacity to hire employees and get a loan.	No and I do not have the capacity to hire employees and get a loan.
<i>How much liability exposure are you willing to take?</i>	I am willing to accept all responsibility for debts, losses, and other liabilities.	I am not willing to put my personal assets, not connected to the business, at risk	I am not willing to put my personal assets, not connected to the business, at risk.	I commit to give the amount (nominal) I pledged when I became a member in case the business gets into financial problems

STEP 2 Which column of answers describes: (5 minutes)

- a) A cooperative? _____
- b) An individual proprietorship? _____
- c) An investor-oriented corporation? _____
- d) A company limited by guarantee? _____

Answers are on page 32

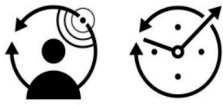
STEP 3 Sandra is a construction worker. Over the years, Sandra and her women and men friends have been working together in various construction projects. Every time one of them learns of a new project, they also share the opportunity with their friends. Oftentimes, they had to pay commission to an agent to get work in a construction project. Working conditions and pay depend mainly on the agent. Sandra and her friends are thinking of creating an enterprise which could act as a manpower pool agent and, perhaps, in the near future also engage as direct contractor in construction projects. The group believes that if they can present themselves as an enterprise, they can negotiate directly with the construction company and provide the required manpower instead of being hired individually by the agent. Individually, they have very little cash to set up a business but they have the skills and some contacts in the construction sector.

If you were one of Sandra's friends, which type of business structure would you choose? Review your answer in Step 1 and use this as your basis in choosing the business structure. (5 minutes)

Proposed type of business structure _____

STEP 4 Discuss your answer with the group. (5 minutes)

ACTIVITY 4C: PRINCIPLES OF A COOPERATIVE



15 minutes

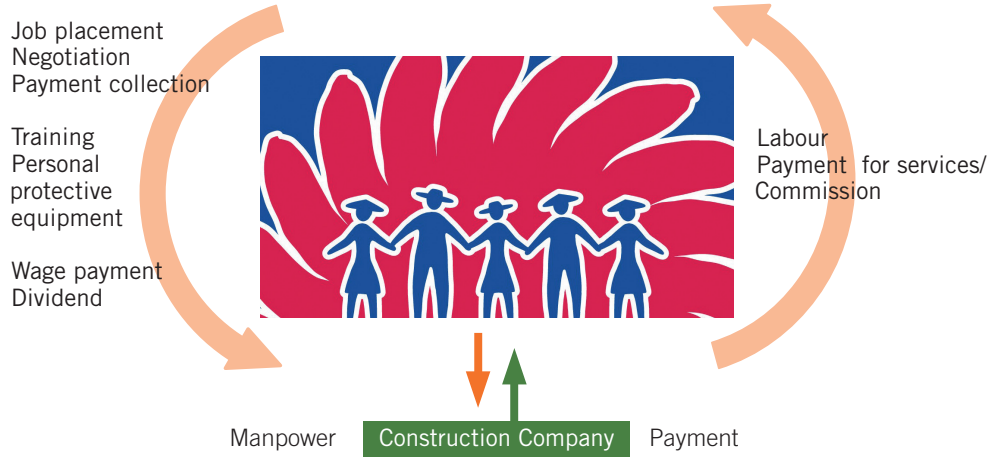
This could be how our worker cooperative would look like

Cooperatives are businesses owned by women and men members to meet their mutual needs. Regardless of the goods and services provided, cooperatives contain the following elements:

- Cooperatives are businesses
- Cooperatives are owned and controlled by those who use their services (the members)
- Cooperatives are democratically governed
- Cooperatives exist to serve their members



Cooperative Members



The cooperative is both an enterprise and an organization of collective action. The cooperative provides services and/or goods required by the members, taking into account the interests and needs of both women and men members as well as the entrepreneurial objectives and financial sustainability of the organization. Members act as both users and owners in the development of cooperatives through participation at three levels:

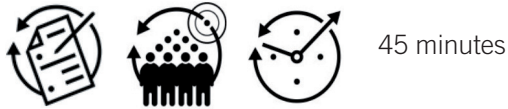
- Participation in the provision of resources (e.g. contribution of capital, labour, delivery of services or produce)
- Participation in the decision-making processes of the cooperative
- Participation in the sharing of profits earned by the cooperative in the form of a patronage refund. A patronage refund is payment to a member from profits earned by the cooperative based on quantity or value of business done with or for the member.



- It is important that particular and unique interests, needs and contributions of women and men are taken into account in the cooperative.
- Both women and men are encouraged to actively participate in the group discussions to express their particular interests and needs, and propose ways in which they can contribute from their respective realities.
- You may want to take into account particular situations that women face such as legislation that does not allow them to own land or be economically independent, the burden of family responsibilities, pregnancy, etc.
- More specific strategies to ensure women members' active participation in the cooperative will be provided in Start.Coop.

Now, look more closely into the seven principles that guide or govern the establishment and operations of a cooperative and assess their relevance to your own goals and objectives particularly with regards to your livelihoods. Note that the principles are descriptive of what a cooperative should be rather than prescriptive.

Steps



STEP 1

After each principle is read, identify as a group which action is a violation of the principle. Encircle the letter of your answer. (30 minutes)



Principle 1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Members may also withdraw whenever they wish.

Which of the action below is a violation of the principle?

- Practices are free from discrimination
- Removes physical and procedural barriers that limit members' access to services
- Harasses members who want to terminate their membership
- Open to all individuals interested in joining the cooperative

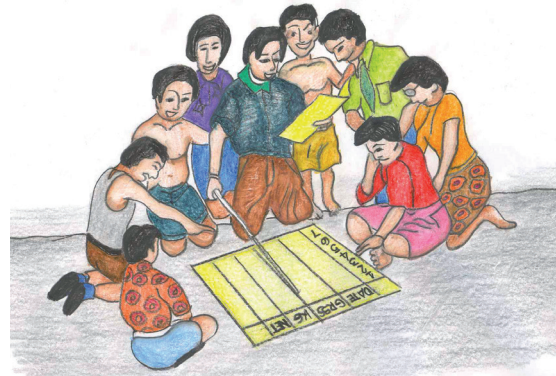


Principle 2. Democratic Member Control

Each member has equal voting and decision-making power in the governance of the cooperative. Each member gets one vote, regardless of the level of her or his investment in the cooperative. Women and men serving as elected representatives are accountable to the membership

Which of the action below is a violation of the principle?

- Only invites to meetings the members who always agree to the proposals of the President
- Honours equal voting rights for all
- Open in sharing information to all members
- Encourages all owners to give their feedback on the services of the cooperative



Principle 3. Member Economic Participation

Members provide the money and/or in-kind resources needed to start and operate the business. Decisions on how the capital and funds of the cooperative will be used are made democratically and not based on the amount invested. The benefits that members get from the cooperative are in proportion to the business they conduct with the cooperative rather than on the capital invested.

Which of the action below is a violation of the principle?

- Allows members to contribute fairly to the cooperative's capital
- The use of capital and funds is decided by those who have provided the larger chunk of working capital
- Allocates surpluses equitably for all members
- Utilizes capital to achieve cooperative's long term goals



Principle 4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Which of the action below is a violation of the principle?

- a. To the extent possible, cooperative follows the “wishes” of the politicians to gain their favour even if it is detrimental to the interest of the majority of members
- b. Enters arrangements with governments or other organizations only when terms respect its autonomy
- c. Acts as independent organization through members’ control
- d. Uses independence as a differentiating factor in the market

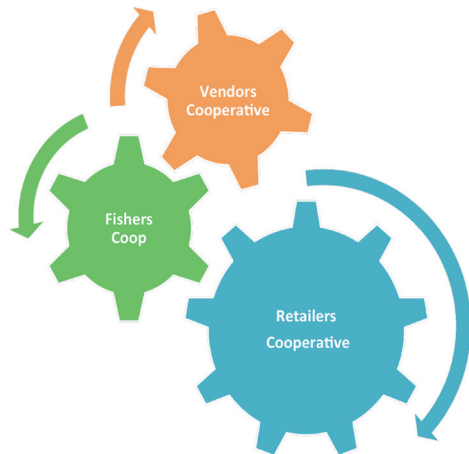


Principle 5. Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

Which of the action below is a violation of the principle?

- a. Provides training and education to allow members and employees to perform their responsibilities satisfactorily and to promote active participation in the cooperative
- b. Conducts awareness campaigns on the benefits of cooperation and the cooperative model
- c. Enhances knowledge of members on the cooperative business model
- d. Only board members and the manager are provided opportunities to participate in training



Principle 6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Which of the action below is a violation of the principle?

- a. Builds relationships with local cooperatives to protect local economies and create increased member value
- b. Avoids sharing information and working with cooperatives perceived to be competitors
- c. Participates in cooperative knowledge sharing events
- d. Learns from other cooperatives



Principle 7. Concern for the Community

Cooperatives work for the sustainable development of their communities through policies and actions approved by their members.

Which of the action below is a violation of the principle?

- a. Treats all people with respect and dignity
- b. Utilizes local resources and skills
- c. Implements community programs that benefit members and the community
- d. No conscious consideration on environmental impact as biodiversity conservation is not among its focus

Answers are on page 32



- Participation in and provision of services by the cooperative based on the seven principles should target women and men with equity.
- Adaptations could be made to allow full participation of women members in the cooperative's activities. For example, provision of training should be planned during suitable hours that do not interfere with family responsibilities that oftentimes are largely assumed by women and constraints their participation in meetings in the evenings.

STEP 2 Assess the importance of each principle in your choice of an organization to help you improve your livelihood and general well-being. Rate each of the principle using the scale: (5 minutes)

1	Not at all important
2	Not very important
3	Somewhat important
4	Very important
5	Extremely important

Principle	Rating
Voluntary and open membership	
Democratic member control	
Member economic participation	
Autonomy and independence	
Education, training, and information	
Cooperation among cooperatives	
Concern for the community	

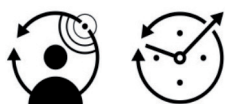
STEP 3 Based on your rating, select the top most important principle for you and discuss with the group why you consider it very important. (10 minutes)

Most important principle: _____

It is important because: _____

SESSION 5: DOING BUSINESS TOGETHER

Session Overview



5 minutes

In Activity 5A, you will look into the different types of cooperatives and the range of services offered by a cooperative. You will end this module by listing the advantages and disadvantages of a cooperative. This will help you further decide whether the cooperative is the right business model to respond to your needs and aspirations.

ACTIVITY 5A: TYPES OF COOPERATIVE AND RANGE OF SERVICES



10 minutes

Products and services offered by cooperatives depend on the needs of their members, taking into account gender imbalances in accessing resources and skills. In many cases, the activities of cooperatives are aimed at addressing constraints that members face in their livelihoods and/or helping them take advantage of opportunities that they could not possibly do so on their own. The table below shows basic types of cooperatives and their function, divided by membership type. It may be possible for a cooperative to have multiple functions (e.g. production and marketing). When cooperatives perform more than one function, they are called multipurpose cooperative.

Type of Cooperative	Description
Users' Cooperative	
Consumers Cooperative	Owned by its customers. The cooperative sells retail products (food, clothing, hardware, and other consumer goods) to their customer members and other consumers at affordable prices
Financial Cooperative	A financial institution that is owned and operated by its depositors and borrowers, with the intent to offer transparency in lending and investment practices for all members. The most common kind of financial cooperative is the credit union. Examples: credit unions, insurance cooperatives
Housing Cooperative	Provides affordable homeownership and rented social housing.
Utility Cooperative	Provides utility services to members, such as water or electricity.
Worker Cooperative	Provides jobs for their members. Example of sectors: agriculture, garments, arts and entertainment, construction, home care and nursing services, mining, manufacturing, transportation, etc.

Type of Cooperative	Description
Producers Cooperative	
Purchasing Cooperative	Purchases products and services in bulk to reduce or share costs for individual members. Example of sectors: agriculture, fisheries, handicrafts, etc.
Marketing Cooperative	Builds markets for members' products and services, improves bargaining power of members, facilitates delivery of products to market, and improves product quality. Example of sectors: tourism, taxi/transportation, arts and crafts, education, food service, dairy, etc.
Value Added Processing Cooperative	Adds value to product of members through common service facilities for e.g. post-harvest, storage, and processing. Example of sectors: forestry, artisanal mining, agriculture, fishery, livestock, etc.

To have a better appreciation of the different services of a cooperative, follow the steps below.

Steps



45 minutes

STEP 1

As each example is read, identify as a group the services provided by the cooperative and benefit/s derived by the members. (25 minutes)

Example 1.

MGV Cooperative is composed of fish farm harvesters, haulers, and sorters. Prior to the formation of the cooperative, wages paid to workers doing the same task varied widely depending on the negotiation ability of the worker and generosity of the farm owner. Workers who were shy and those with limited contacts in the industry also had difficulties in getting jobs. In many cases, workers did not have sufficient protection from the sun and other hazards during harvesting. It was also a problem for some workers to report to the work site especially when harvest was scheduled very early in the morning since motorcycles for hire only start their operations at 6:00 am, and many women had to stay at home to take care of their children since schools and day care centers do not open before 8:00 am. Today, the cooperative does the placement and scheduling of workers as well as the negotiation with farm owners, taking into account women's family responsibilities. The cooperative also provides workers with the necessary personal protective equipment and it also bought small tools and equipment to improve safety and efficiency of workers. The group has also been able to access a grant from the government which enabled them to buy a small truck to offer hauling services as well as provide transportation for workers. Wages have already been more or less standardized and work is distributed fairly among all women and men members. With improved income, the members save a small amount of money into a pot. Each month, two workers can borrow money from the pot.

MGV COOPERATIVE

Cooperative provides services to members and patronage refund



Members: Capital contribution
Labour 2% of wage to cover overhead costs and for investment

Services provided by the cooperative: _____

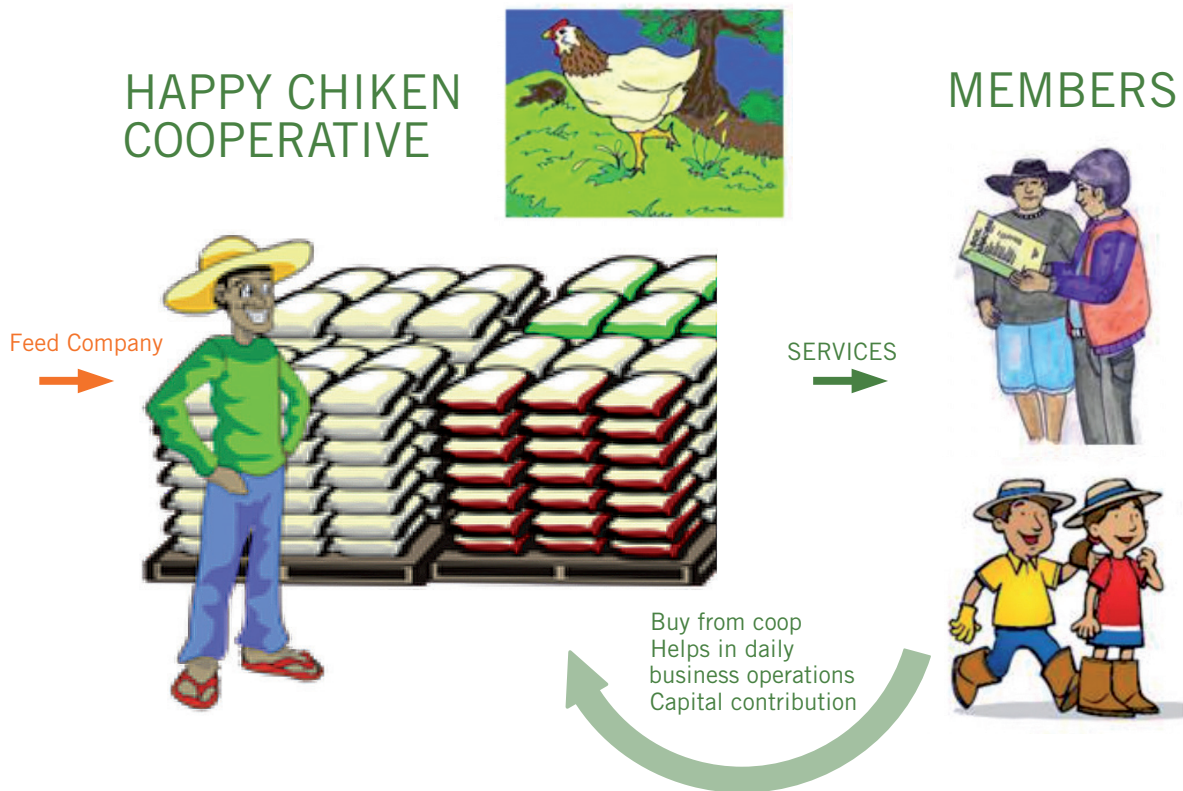
Benefits received by members: _____

Example 2.

Happy Chicken Cooperative is comprised of small scale poultry raisers. A major cost in poultry raising is the feeds. Before they formed the cooperative, they bought the feeds from the agrivet store in the town proper. Since they only bought one bag per trip, the price of the feeds was higher for them than for those who were able to buy at least five sacks. Likewise, transportation cost was the same for one bag of feeds and five bags of feeds. Because of the high difference in the cost of feeds including transportation, the raisers were not able to compete with the large scale poultry farms. The small poultry raisers decided to form a cooperative so that they could buy the feeds in bulk and resell these to members at a price lower than the usual retail price. Three members of the cooperative attended a training on organic feed production provided by an NGO. These three members then disseminated the information to their peers. Starting last year, the cooperative is engaged in bulk procurement of feeds and has built a small plant for the production of organic feeds.

Services provided by the cooperative: _____

Benefits received by members: _____



Example 3.

For five years now, Leyla has been making woven wallets and bags to augment her income. During the first three years, she was doing the production and marketing alone. However, after three years of hard work she found herself having real hard time to access buyers and markets outside of her neighbourhood, limiting not only her sales, but risking her very limited capital. Leyla talked to her friends who are also into the production of woven products and convinced them to join her in forming a cooperative. In 2015, the Mountain Craft Cooperative was established.

Instead of selling their products individually to souvenir shops in the neighbouring villages, the cooperative decided to rent a space and set up their own store. The cooperative adds a 15% mark-up on the price from the members to cover operations cost and rental. With their own store, members are able to get a bigger share of the price despite the 15% commission paid to the cooperative. Likewise, members are assured that their products are properly displayed and promoted. After a year of operation, the cooperative decided to purchase three hi-speed sewing machines which members can use for a small fee. With the sewing machines, members are able to produce more products at reduced time, better quality, and lower cost. Members of the cooperative are now planning to add day care services for their members and the community.

Services provided by the cooperative: _____

Benefits received by members: _____

STEP 2 Below is a list of various types of cooperatives and an example of how they can help meet your needs. Which of these cooperatives do you think would be most relevant to the people in your community? (5 minutes)

- ____ Food cooperative (helps you get food from local farmers and producers)
- ____ Housing cooperative (helps you get a good place to live)
- ____ Artisanal mining cooperative (helps in the formalization of small scale miners)
- ____ Day care cooperative (helps parents get good day care for their children)
- ____ Energy cooperative (helps you get affordable energy)
- ____ Credit Union (helps you get loans)
- ____ Farmer cooperative (helps farmers buy seeds and equipment less expensively and sell their crop at a better price)
- ____ Others (specify) _____

STEP 3

As you have seen in the various examples presented here, groups of people can set up cooperatives to meet their needs. Cooperatives can help you do things you cannot do by yourselves. If you were to join or form a cooperative, what would be the main services that you would be needing? What benefits do you expect to receive from a cooperative? Please share your answer with the group. (10 minutes)

Services that I need: _____

Benefits that I expect: _____

ACTIVITY 5B: ADVANTAGES AND DISADVANTAGES OF A COOPERATIVE



15 minutes

You have learned in the previous sessions that cooperatives have a dual nature, as business enterprises on the one hand, and as membership based associations organized for collective action on the other. The basic difference between a traditional business and a cooperative is that a cooperative is collectively and democratically owned and controlled by the people using its services or products while in a traditional business one person or group of persons make most of the decisions. Customers in traditional businesses are external to the company. In the cooperative, the owners and the users or customers are the same people; they are the members.

In cooperatives, people come together to address constraints or opportunities that they cannot address on their own, and profit generation may not be the only or primary objective of the cooperative. In the case of corporations, profit is the main motivation as such companies have to satisfy the shareholders who have invested in them. In the case of cooperatives, the owners are the same people who are operating the organization and the main goal is to benefit each member equally. This does not mean, however, that corporations are bad and cooperatives are good. It depends mainly on the conditions and objectives of the people who are setting up the business.



The formation of cooperatives or membership in cooperatives is most likely to be beneficial under the following conditions:

- a) Problems and constraints cannot be solved individually. The problem can be better solved by collaborating with people who face the same problem
- b) Assistance needed to address the problem cannot be easily accessed from family, other enterprises, government, and other social institutions. Cooperative is the most promising provider of the solution needed
- c) The advantages of membership (access to services, inputs, financial services, markets, etc.) outweigh the duties of membership (contribution of resources such as money, time, skills, etc.)



Women only cooperatives are established to better address women's needs, concerns and contributions, especially in cultural contexts where men and women do not mix with each other to start a business.

Steps



20 minutes

STEP 1

List down the advantages and disadvantages of forming or joining a cooperative from your own perspective and given the current conditions you face in your work or livelihood. (10 minutes)

Advantages of Joining/Forming a Cooperative	Disadvantages of Joining/Forming a Cooperative

STEP 2

After a thorough analysis, do you think the cooperative is an appropriate business model for you? Why or why not? (10 minutes)

Answers: Activity 2A

Relationship

Farmer selling to a trader	Vertical Relationship
Workers helping each other	Horizontal Relationship
A shop owner consulting a peer regarding a new technology	Horizontal Relationship
Fertilizer supplier and farmers	Vertical Relationship
Fish vendors who set up an informal savings and credit scheme	Horizontal Relationship
Vendor borrowing stock from another vendor	Horizontal Relationship
Neighbours building a community water pump	Horizontal Relationship
Construction worker and contractor	Vertical Relationship

Answers: Activity 4A

- a: Individual Proprietorship
- b: Cooperative
- c: Investor-oriented corporation
- d: Company limited by guarantee

Answers: Activity 4B

- a: Column 4
- b: Column 2
- c: Column 3
- d: Column 5

Answers: Activity 4C

- Principle 1: c
- Principle 2: a
- Principle 3: b
- Principle 4: a
- Principle 5: d
- Principle 6: b
- Principle 7: d

