

# The Co-op Dictionary

**A to Z of Co-operation**

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**Co-operative Federation of Victoria Ltd**

## Introduction

This is a guide for directors, managers, secretaries, employees and managers of co-operatives.

It is a distillation of information and experience and not a substitute for a detailed examination of legislation and regulation and obtaining appropriate professional advice on options.

The dictionary format facilitates the process of checking out facts, ideas and concepts. Throughout The Co-op Dictionary the words **SEE** and **REFER** will appear: **SEE** refers to other relevant entries in The Co-op Dictionary **REFER** refers to other reference material.

The following are essential reading:

- Bosch, Henry Conversations Between Chairmen, Australian Institute of Company Directors, 1999
- Bosch, Henry Conversations With a New Director, Australian Institute of Company Directors, 1997
- Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001
- Co-operatives in the 21st Century: The Co-operative Start Up Manual – The essential field guide for starting co-operatives in Victoria, Co-operative Federation of Victoria Ltd and Department of Natural Resources and Environment, June 2001
- Co-operatives Act 1996

Thanks to Col Bodie for the co-operative cartoons:

[www.cartoonsandcaricatures.com.au](http://www.cartoonsandcaricatures.com.au)

Every effort has been made to ensure that the information is correct. The Co-operative Federation of Victoria Ltd and its employees and agents shall not accept any responsibility for loss or other consequence which may arise acting or refraining from acting as a result of material in this publication.

The Co-op Dictionary is a work in progress. Feedback is welcome and will be used to revise future editions of The Co-op Dictionary – The A to Z of Co-operation. Please forward suggested amendments, additions, corrections and deletions to the Co-operative Federation of Victoria Ltd:

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**David Griffiths**

*Secretary February 20, 2004*

## A

### ACCC

Australian Competition and Consumer Commission is a Federal Government independent statutory authority. The Commission has a legislated responsibility to seek compliance with competition, fair-trading and consumer protection laws. The ACCC also encourages competitive market structures and informed behavior. The ACC is controversial for co-operatives because competition policy does not sufficiently recognise the co-operative difference

### Access

The accessibility of a co-operative to its members. Factors relevant to access include physical access, communication and cultural appropriateness.

### Accidents

The definition of an accident is an unplanned or undesired event that results in injury or illness to a person. This may also involve damage to plant, equipment and/or the environment. The definition of an incident is an unplanned or undesired event that could have resulted in harm. It is often called a 'near miss' or 'near hit' e.g. a container of corrosive is dropped when being delivered but does not break or open.

### ACCORD

Australian Centre for Co-operative Research and Development was established to help research and develop the co-operative, mutual and the broader social economy in Australia. Its services include undertaking feasibility studies, strategic planning, the preparation of business plans, public policy advice and analysis, co-operative legislation advice and analysis, co-ordination and assistance in organizing visits to Australia by overseas co-operators and a co-operative seminar series.

### Accountability

How co-operatives are accountable to their members, and others, on their financial and co-operative performance. What is critical to this is members expecting accountability and the co-operative formally committed to accountability.

### Accounting

Accounting is the identification, collection, classification, recording and reporting of the financial data of a co-operative. The accounting elements are assets, liabilities, equity, revenue and expenses. **SEE** Assets, Expenses, Equity, Liabilities and Revenue.

### Accounting - policies

These are the policies decided by a co-operative in establishing, preparing and reporting on its financial status.

### Accounting - ratios

Accounting ratios are financial shorthand for identifying and measuring the progress of a co-operative e.g. return on total funds employed, net profit percentages, return on shareholder funds, gross profit %, working capital ratio and liquidity ratio.

### Accounting - records

Accounting records are established and maintained to enable day-to-day financial control of the co-operative and facilitate the preparation of annual accounts e.g. payment of any annual subscriptions, payment of accounts. Accounts Payable

This is money that is owed to suppliers for goods and services purchased by the co-operative.

### Accrual Method of Accounting

Revenues and expenses are counted during the time they are earned.

### Acculturation

Refers to the process of learning and adapting to a new culture.

### Act in good faith

The decisions taken by a board and director must not be for personal benefit.

## Antigonish Movement

The Antigonish Movement was initiated by the Extension Department at St. Francis Xavier University in Nova Scotia, Canada in 1928. The Antigonish Movement combined economic co-operation and adult education. The Antigonish Movement was based on six principles:

- (1) The supremacy of the individual.
- (2) Social reform must come through education.
- (3) Education must begin with the economic.
- (4) Education must come through group action.
- (5) Effective social reform involves fundamental changes in social and economic institutions.
- (6) The ultimate objective of the movement is full and abundant life for everyone in the community.

The Antigonish Movement inspired the development of the National Catholic Rural Movement and the YCW Co-operative Movement in Australia.

## Arneil, S.F.

Foundation President of Australian and South Pacific Con Federation of Credit Union Leagues. Accountant and author. Author of *Forming and running a Credit Union* (1971) and *Secrets of the Boardroom: The Credit Union Director in the Eighties* (1980).

## Action Decisions

A decision about what action is to be undertaken. It results in action of some kind.

## Active membership

Members are required to actively participate in the primary activity or activities of the co-operative. The Rules must establish active membership criteria. While the Co-operatives Act requires members of co-operatives to be active e.g. payment of an annual subscription, purchasing goods and services from the co-operative and supplying goods and services to the co-operative. Active membership is fundamental to co-operative philosophy and principles. If members do not continue to be active users of the co-operative, then, they will lose their membership as

provided for in the Rules and the Co-operatives Act 1996. Active membership has two dimensions - economic and political. **SEE** Primary Activity or Activities.

## Admission to membership

The Rules of a co-operative establish who can be members of the co-operative. Co-operatives have to provide certain information to a person intending to become a member – a copy of the rules, a copy of special resolutions applicable to the member and a copy of the last annual report.

## Agendas

The agenda for meetings lists the matters to be discussed at a meeting. Agendas need to be developed by Chair and management. Agendas need to be clear and succinct with supporting written material that is circulated and received sufficiently prior to board and committee meetings. Board documents should be comprehensive and include recommendations. Agenda documents should be tabulated or indexed. Sufficient time should be allowed for board discussion of the agenda.

## Altruism

Refers to an individual, group or organisation willing and/or able to make a sacrifice benefits for themselves for other individuals, groups or organisations.

## Amendments

Amendments are based on inserting, adding or striking out words, phrases and/or sentences from a motion without contradicting the motion. An amendment must be relevant to a motion, not be inconsistent with a motion or revive an amendment already rejected. **SEE** Robert's Rules of Order Revised Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Annual General Meetings

The main meeting for members held by the co-operative each year. An annual report and financial reports are presented, directors elected and rules changed. A common problem for AGM's and SGM's is the dominance of the board and/or management because they come better prepared with a more detailed knowledge of the issues. Annual Reports are useful for marketing a co-operative and for assessing its performance. For directors and members it is equally relevant to ask about the report – whether it could be made more interesting and understandable, is the report clear

and concise, how does the report compare with other annual reports, should the report have a theme and how clear is the analysis of the co-operative's situation. Co-operatives are required to lodge with the Registrar an annual report within 28 days of an Annual General meeting. This is to include the co-operative's accounts and list in a form provided by the Registrar the directors and principal executive officer.

### **Apathy**

Apathy can be a problem for any co-operative – a lack of interest from members participating in the affairs of the co-operative. It is important to understand the contributing factors to member apathy e.g. blockages to member participation, the willingness of managers and boards/committees to involve members, geographical and regional differences and processes for engaging members. The challenge is to make involvement interesting e.g. genuine elections to the board, full and informative annual reports, an interesting guest speaker, organising regional meetings, and a film and encouraging members to ask questions and respond thoughtfully. **SEE** Active Membership.

### **Arizmendi, Jose Maria (1915-1976)**

Founder of the Mondragon Co-operative Movement. First co-operative ULGOR was established in 1956.

### **Assessing Commitment**

Assessing the commitment of co-operators to co-operative values and principles and their application to a commercially viable co-operative.

### **Asset Based Development**

Refers to a business strategy based on the recognition that tangible assets are the key to self-sufficiency and independence – land, buildings and a dedicated income.

### **Asymmetric Information**

Describes the situation where individuals and groups in a co-operative have different information and this influences the willingness and ability of individuals to participate in the co-operative e.g. between executive and non-executive directors and the board and management, the board and members and managers and members. **SEE** Co-operative Democracy and Co-operative Education

### **Audit**

The audit is the process of checking the accounts of a co-operative – checking whether the accounts agree with the records and comply with legal and professional standards. The board should have access the audit report and there must be adequate time for the board to consider the audit. Audits can verify financial conditions, verify cash and security, verify accounts receivable. Investigate internal control procedures and investigate plant property accounts. This would enable the board to consider any necessary remedial actions or changes. Consideration could also be given to the auditor attending the meeting or being contactable during the board meeting. **REFER** Mahoney, Rosemary K Annual Audits Board Responsibility, USDA Rural Development, CIR 41, 1995

### **Audit Committee**

Large co-operatives sometimes appoint Audit Committees. Audit Committees discuss the nature and scope of audits, review audits and the major findings of the audit.

### **Auditing**

Auditing is the review of the financial records and performance of the co-operative.

### **Auditor**

The person or accountancy firm appointed by the co-operative to check its accounts. The auditor has a right to access the books of the co-operative and to require any officer of the co-operative to give the auditor information, explanations and any assistance required by the auditor. An officer of a co-operative has a responsibility to provide any information, explanation or assistance required.

### **Australian Friendly Societies Association**

Peak body for friendly societies throughout Australia. Represents friendly societies in negotiating with government about issues such as product approval, actuarial and accounting standards. There are 44 societies throughout Australia with 1,211,556 members. [AFSA Web Site](#)

### **Australian Prudential Regulation Authority (APRA)**

APRA is a statutory body responsible for the prudential regulation of banks, credit unions, building societies, insurance companies, friendly societies and superannuation funds. [APRA web site](#)

**Australian Unity**

A friendly society formed in 1993 with the merger of the ANA Friendly Society (1871) and Manchester Unity (1840) [Australian Unity Web Site](#)

**Authorisation**

Financial transactions should be properly authorized before they are initiated. This could include, for instance, who is authorized to sign cheques and who is authorized to make purchase orders.

**B**

**Balance Sheet**

A balance sheet shows the financial position of a co-operative at a point of time. It shows the Assets and Liabilities and the difference between these.

**Bank Financing**

Obtaining debt financing from a financial institution. An important source of finance for businesses including co-operatives. Most bank lenders, however, may not understand or agree with co-operative values and principles.

**Base Capital Plan**

A co-operative determines the amount of equity a member should contribute based on current volume of business by members.

**Benchmarking**

Describes a process for co-operatives to assess their performance by comparing it to the performance of other co-operatives and business in a similar industry and of a similar size.

**Board**

The board is elected by members to manage the affairs of the co-operative and acts on behalf of and is accountable to the members. Ultimate accountability to members is vested with the board of directors. The board defines the co-operative's objectives, policies and goals, protects the co-operative's assets, keeps members informed, reviews the co-operative's operations and employs management. The manager of the co-operative is appointed by and accountable to the board. Behavior at every meeting will respect every individual in the room. Each member will be

allowed to speak at the time indicated by the chairperson, without interruption. Time for debate of issues will be allowed following the speaker completing the tabling of their issue(s). A board can delegate day to day management but it cannot delegate its responsibility to the members for the management of the co-operative. The board needs to determine what significant information it needs to be assured of sales operation, what standards it expects of management to maintain in terms of this information and then decide what policy is to be given. The board should adopt a formal statement on its role. to the manager. **REFER:** Meyer, Tammy M Understanding Co-operatives Who runs the co-operative business? Board of Directors, USDA, Co-operative Information Report 45, Section 5, October 1997, 4pp

**Board – and managers**

The relationship between the board and the manager is fundamental to good governance in a co-operative. Is there a clear understanding of the role and responsibilities of the board and staff. It is important to have a clear understanding of this relationship.

Board	Managers
Overall goals and objectives	How to achieve goal and objectives
Selection of manager	Selection of staff (if any)
Manager evaluation	Staff evaluation

Operations are the delegated responsibilities of managers. The manager should be required to submit proposals and recommendations when a matter requires a board decision. Directors are not managers. A critical issue is how directors involve themselves in the affairs of a co-operative. Directors do, however, have an obligation to seek the information and knowledge they need to discharge their responsibilities. Managers, therefore, need to respect the rights of directors to seek information and criticise. It is also critical that written job descriptions clearly articulate and detail the responsibilities of the manager. A key issue for any board is how it assures itself that the co-operative operates at all levels an effective program of management selection, appraisal and development. Are managers being adequately compensated and what is the criteria for adequate compensation. If a board loses confidence in the manager, then, there is an obligation to discharge the manager. Difficulties in board and manager relationships could be because of 1. lack of

definition of board and manager roles. 2. lack of agreement on board and manager roles and 3 inadequate training and education of board members and/or managers. It is critical, however, that there is a degree of independence between the board and management. This is because it is necessary for the board to make decisions independent of management and to exercise their judgement independently directors need accurate, timely and relevant information from management. The board statement on its role should identify those matters reserved to the board and those delegated to management. This division of responsibility may vary over time.

### Board - committees

The appointment of board committees that are delegated to undertake activities and/or decisions on behalf of the board will depend on the workload of the board. The terms of reference of committees need to be established.

### Board - compensation

Co-operatives need to decide whether there will be any financial compensation for directors. The answer depends on the size of the co-operative and the amount of work undertaken.

### Board - control

The board is responsible for controlling the operations of a co-operative. How it does this critically depends on its understanding of this role, its ability to obtain reports from management for informed decision-making and its analysis of the co-operative's business e.g. stock, trading, capitalization, liquidity, credit, earnings power, sales and efficiency.

### Board - decisions

In making decisions it is important for the board to be satisfied that all ideas have been heard, that the board has access to the information necessary to a decision, that additional information is either available or not available and/or relevant, that the impacts of decisions are clearly understood, that there is no point in taking the discussion further and that the board is ready to make a decision. Directors have an obligation to respect board decisions - even if they disagree with those decisions. Directors represent the whole membership. Directors should bring their concerns and those of the membership sector or geographical area that they represent to the board. Once the board has made a decision, however, directors should support the decision. Once the decision has been made, directors should not publicly disagree

with the decision. This is inappropriate because it both undermines the board and the co-operative. A director who decides to publicly criticize a board decision should resign as a director. A former director has every right to oppose board decisions – without revealing the nature and content of board discussion in the process of making those decisions.

### Board responsibilities

Oversight of the co-operative including its control and accountability processes, appointing and removing the manager or Chief Executive Officer, reviewing and ratifying risk management policies and strategies, monitoring the performance of management, approving and monitoring major capital expenditure, approving and monitoring financial reporting, monitoring the co-operative's values and principles and member education and involvement.

### Board – size

The Rules provide for the size of the board – the number of directors. There is no ideal size or limit to the number of directors. Issues to be considered in determining the size of the board include the volume of work, making decisions expediently, the size of the co-operative, the geographical spread of the membership, the member interests to be represented, the skills necessary and available, the cost based on numbers, required board standards, debate quality, factionalism and board efficiency. Whatever the initial size of the board, subsequent general meetings of the co-operative could consider and determine whether or not to increase or decrease the number of directors. REFER Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

### Board Meetings

Board meetings can be effective or ineffective. This depends primarily on:

- The Chairman's role in facilitating board efficiency and effectiveness.
- The commitment of all directors to understanding and discharging their responsibilities.
- The role of the CEO/Manager in preparing and presenting thorough reports.
- The distribution of these reports before meetings.
- The willingness of directors to read reports before meetings.

REFER Resource 10 Map your Board's Performance and Resource 17 Checklists for effective meetings Co-op Advantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001

## Board - frequency

Boards should meet as often as possible consistent with effective and efficient decision-making and legislative requirements. The Co-operatives Act requires boards to meet at least once every three months. **REFER:** Co-operatives Act.

## Board - performance

An effective board is essential for all co-operatives. The effectiveness of the board is enhanced by qualified and experienced individuals, cohesion and trust between the board and management and board orientation and training. Boards need to address four basic questions: What are the board's strengths? What are the board's weaknesses? How well are the directors carrying out their duties? and How can the board improve its performance? Issues to be covered include policies and planning, finance, relationship with management, member relations and co-operative values and principles. **SEE** Resource Book Resource 10 Map Your Board's Performance and Resource 1 Indicators of a Well-informed Board in Co-op Advantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001

## Board – procedures

Because of its small size compared with a meeting of members, meetings procedures at a board meeting can be more flexible e.g. Chair participates in debate, motions do not necessarily have to be seconded, alternative affirmative and negative speakers may not be required. Decisions, however, have to be recorded either through the formal adoption of resolutions or the Chair summarising the issue and a decision.

## Board meetings - quorum

Each co-operative has to determine a quorum for board, committee and general meetings consistent with legislative provisions.

## Bonus shares

Trading co-operatives may authorize in their Rules the issue of bonus shares to members subject to conditions required under legislation.

## Bookkeeping

Bookkeeping is the regular recording of the transactions of the co-operative e.g. salaries paid and cheques received.

## Brady, Edwin James (1869-1952)

Author and journalist. Books included Australia Unlimited (1918) about primary industries in Australia. With L. Rubinstein, co-authored Dreams and Realities (1944) that contrasts an Australia that has been and an Australia that could be through the application of co-operation to rural settlement.

## Brainstorming

This is a problem-solving technique at meetings. The idea is for members, directors and/or staff to generate ideas without criticism and judgment e.g. "we've tried that" and "it won't work." The ideas can be anything – about problems, causes and/or solutions. People are invited to contribute ideas and these are recorded in full and not paraphrased. No criticism or comment on the ideas is allowed. Evaluation of the ideas is subsequent to and not during the meeting.

## Break even

Refers to a co-operative whose income just covers its costs. A profit is not generated.

## Bridging Finance

Short-term funds provided to bridge the gap between the need for funds and securing a long-term loan.

## Budgets

Budgets are statements of expected results expressed in numerical terms – planned receipts and expenditures over a period of time particularly over a 12 month period. A critical responsibility of boards is to adopt and monitor realistic budgets. In establishing a budget, it is critical that the board does not endorse unrealistic revenue targets and expenditure cuts that ignore adequate resourcing costs such as technology requirements. A cash budget can identify the possibility of future liquidity problems in the short term – a shortage of funds at a particular point of time.

## Business Consultants

From time to time co-operative will require and employ various consultants to provide financial, marketing, feasibility study and other services. When necessary appropriate independent professional advice should be sought on a as required basis. It is important, however, to develop guidelines on the use of consultants. It is crucial to understand that the role of consultants is to advise and educate – not make policy. Consultants do not necessarily agree with and/or understand the nature of co-operatives and, therefore, their advice may not recognize this difference. Co-operatives should understand that the experience of and views of consultants about co-operatives provide a critical framework for their consultancy advice. **REFER** Part 111 Appendix C Tips From the Experts in The Co-operative Start Up Manual, 2001

## Business Judgement Rule

Business Judgement Rule refers to whether or not directors meet the statutory requirements of duty of care and diligence. A decision must be made honestly and is not a totally irrational decision for the director to make. What is relevant to this, therefore, is the director has made a judgement in good faith for a proper purpose, the director does not have a material personal interest in the subject matter, the director has taken steps to be informed of the subject matter that the director believes to be appropriate and that the director rationally believes that the judgement is in the best interests of the co-operative.

## Business Plan

A business plan is a written document that outlines the resources and proposed strategies for a co-operative – sales projections, marketing strategies, key personnel and organizational structure. The business plan is the key document for the management of a co-operative and is necessary for use in applying for funds and is used to assess the co-operative's progress. The business plan enables the co-operative to clarify its goals and these are compatible, identify the resources necessary to achieve these goals and identify the strategy necessary to achieve these goals. An incomplete or over optimistic plan will be useless for managing the co-operative and securing funding. The key contents of a business plan will include a business description, a market analysis, products and services, marketing strategy, operations, management and organization and financials. A business plan is never perfect. Its development and implementation is influenced by misjudgment, miscalculation, poor skills and inadequate understanding and communication. It has to be seen as a dynamic and evolving document. **REFER** Part 111 Appendix A Business Planning in The Co-operative Start Up Manual, 2001

## C

### Capacity Notes

A loan to co-operative from members.

### Capital

The capital requirements of a co-operative depend on the business activities and the industry. Capital can be in two forms – owned capital and loan capital. Owned capital is the share capital contributed by members and any surplus from trading transferred to reserve funds. Loan capital is capital borrowed from members or other sources that has to be repaid on demand or at a definite date in the future. Capital is used for four basic purposes – fixed assets, investments, current assets and expenses. Capital can be a problem for co-operatives if members do not have an incentive to supply capital. Proper capitalization is essential if members are to continue to benefit from their co-operative. If members want to continue to control the co-operative, then, they will have to continue to provide the necessary capital. Sources and types of capital are various and include bank financing, member shares, unallocated equity, subordinated debt, base capital plan, capacity notes, compulsory share contribution schemes, retained patronage refunds, issue of bonus shares out of profits, members' retirement funds, revolving equity plans or revolving capital retains, revolving loans and co-operative capitalization units.

### Capitalism

An economic system based on the private ownership and control of business with control based on property/wealth i.e. the number of shares owned.

### Capital Shortfall

Refers to the capital shortfall of a co-operative when capital expenditure is necessary to modernize equipment and/or invest in new areas and the co-operative does not have the necessary capital.

### Case Studies

Case studies are summaries and assessments of co-operative experiences are important for co-operatives to learn from these experiences. Case studies are important in helping us learn about the history and experiences of co-operative.

**No 1: Co-operative Purchasing – Local Government**

Co-operative Purchasing Services Ltd. – a co-operative established by local government. Author: Ian Holden

Date: August 2000

**No 2: Co-operative Energy**

Co-operative Energy Ltd. Author: David Griffiths

First published: April 2001 Revised: February 2004

**No 3: Co-operative Pastoral Agent**

Victorian Producers' Co-operative Company Limited – a co-operative that failed and why. Author: John Gill

Date: December 1998

**No 4: Co-operative Retailing**

Warrnambool Co-operative Society Ltd. Author: Graeme Charles

Date: September 2003

**No 5: Co-operative Fibre**

Australian Alpaca Co-operative Limited Author: Australian Alpaca Co-operative Limited.

Date: January 2003

**No 6: Co-operative Herd Improvement**

Gippsland Herd Improvement Co-operative Ltd. Author: Gippsland Herd Improvement Co-operative Ltd.

Date: January 2000

**No 7: Co-operative Telecommunications**

North East Telecommunications Co-operative Ltd.

First published: July 2003 Revised: 19 December 2003

**No 8: Co-operative Timber**

SMARTimber Co-operative Ltd. Author: Gib Wettenhall.

Date: July 2003

**No 9: Co-operative Pigs**

Primeat Co-operative Ltd. Author: David Griffiths and James McKenzie

First published: November 2003 Updated: February 2004

**No 10: Co-operative Purchasing**

Farming United Farmers Co-operative Company Limited Story

Paper presented at Co-operative Federation of WA Inc Conference, 25 September 2003 Author: Rod Madden

Date: September 2003

**No 11: Co-operation Maleny**

Co-operatives and the "Triple Bottom Line" The co-operative movement in Maleny, Queensland. Paper presented at Co-operative Federation of WA Inc Conference, 25 September 2003. Author: Jill Jordan

Date: September 2003

**No 12: Co-operative Hotel**

Devenish Community Hotel Co-operative Ltd. Author: Graeme Charles

First published: May 2001 Revised: February 2004

**No 13: Co-operative Hospital**

Yeoval Community Hospital Ltd. Author: Graeme Charles

First published: May 2001 Revised: February 2004

**No 14: Co-operative Pea**

Peagrowers Co-operative Ltd. Author: Graeme Charles.

First published: May 2001 Revised: February 2004

## Cash flow

Refers to a co-operative's actual receipts and expenditure over a period of time.

## Casting vote.

This is when the Chairman has a second or casting vote if the decision of a meeting is equal i.e. four votes each. It is sometimes the convention that if a second or casting vote is necessary it should be to maintain the status quo and against change.

## Catholic Social Theory

Key themes identified by the Catholic Church in response to issues based on biblical orientation and reflections. Between 1947 -53 Catholic Bishops issued a series of social justice statements on industrial relations, education, foreign policy, migration, agriculture and socialisation.

## Chairperson

The chairperson must ensure that the board acts effectively and efficiently. The Chairperson can be appointed by the board or a general meeting as provided for in the Rules. The Chairperson presides at board and general meetings, ensure that the agenda for meetings is adequate and act as a spokesperson for the co-operative. The Chair should make decisions within the board's reserved scope of authority. Is there a clear understanding of this reserved scope of authority? The Chairperson's specific responsibilities include board participation in establishing the co-operative's strategy, ensuring the board establishes appropriate policies accountabilities and limitations to guide management, ensuring the board has access to timely and relevant information for effective and efficient decision-making, ensuring an adequate reporting process to the board, facilitating board discussions, maintaining a productive relationship with the CEO/Manager and representing the board's views. REFER Bosch, Henry Conversations Between Chairmen, Australian Institute of Company Directors, 1999

## Chief Executive Officer

SEE Manager

## Coady, Father Michael (1882-1959)

A founder of the Antigonish Movement in Canada.

## Code of Ethics

A statement adopted by a co-operative, or any other business, establishing standards of performance and behavior to which the co-operative is committed to observe in its policies and practices. The content of a code of ethics could include conflicts of interest, confidentiality, fair dealing, compliance with laws and regulations, encouraging the reporting of unlawful and/or unethical behaviour, disclosure policies and procedures, co-operative abuse and co-operative values and principles.

## Cole, G.D.H. (1889-1959)

Labour party activist, journalist and political writer whose books included A Century of Co-operation and The British Co-operative Movement in a Socialist Economy.

## Collateral

Marketable properties which a borrower pledges as security for a loan.

## Community

A community can be variously defined and based. It can be a geographical community or it can be a community of common interest e.g. parents of children in child care centres, Aborigines/Koories are communities of common interest.

## Community Buyout

Communities relying on essential services that are about to close get together to purchase and operate these services e.g. bank, pubs, shops and post office.

## Community Development

The process of developing the capacity of a community. Community development, however, has to be bottom-up. Top-down community development is not community development.

## Community Economic Development

The component of community development that has a focus on economic development and viability. Community economic development, however, has to be based on community institutions such as co-operatives.

## Companies

A business owned and controlled by investors committed to maximizing the return on their capital investment. Investor control is usually based on the number of shares owned. Investor owned companies are capital driven.

## Competition

In general describes a situation when anybody who wants to buy or sell has a choice of buyers or sellers.

## Competition policy

Refers to government policy and how it is to be regulated about competition e.g. the structure of industry and the behavior of companies and co-operatives. In Australia the ACCC has been established to enforce competition rules.

## Compulsory share contribution schemes

Members are required to invest in shares on the basis of their patronage. This requirement can be specified in the Rules of the co-operative.

## Conflicts of interest

A co-operative board must ensure that conflict of interest are identified consistent with the Rules and co-operative legislation. **SEE** Minutes – declaration of interests

## Consensus

A process for group to make a decision by agreeing on a course of action. A consensus decision attempts to incorporate different viewpoints and avoid a majority – minority vote. A consensus decision does not mean that everyone thinks it is the best decision or that it will work. Consensus decision-making depends on common values, group process and conflict resolution skills, a commitment to the group and sufficient time.

## Consultants

SEE Business Consultants

## Consumer Sovereignty

The notion that it is the preferences of consumers that determine what goods are provided and purchased.

## Contingent Liability

An obligation that does not become enforceable until a specific event occurs e.g. a guarantor of a loan only has to meet the guarantee if the borrower defaults.

## Contract

A legal agreement between two or more parties.

## Co-op Digest

A newsletter that was published by the Co-operative Federation of Victoria Ltd.

## Co-operation

The act of voluntarily working together to achieve mutual benefits.

## Co-operative

A voluntary organization of people formed for the purpose of meeting their common needs through mutual action and democratic control. The primary purpose of a co-operative is to seek economic benefits for its member owners.

## Co-operative Capital

The capital of a co-operative is the servant not the master of the co-operative. This is because co-operatives are member-driven whereas investor-owned companies are capital-driven. It is the members who control the capital of a co-operative and how surpluses are distributed.

## Co-operative Commonwealth

The idea of a society organized according to co-operative principles and practices.

## Co-operative Democracy

Members not only control their co-operatives but their control is exercised democratically through one member one vote, electing their representatives, managers and employees accepting that co-operatives belong to their members. As co-operatives get larger and/or older, there is a need to continuously develop and reinforce their democratic structures. If co-operatives develop the business and neglect democracy, then, the co-operative character of the business will cease to exist. While individual circumstances differ, the following specific circumstances could individually or collectively undermine co-operative democracy – an ageing membership, a long-term manager that dominates the board, managers who neither

understand nor support co-operative values and principles, the absence of an ongoing co-operative education program, a board of directors that is not subject to election challenges, a board of directors that is committed to demutualization, a proportionately growing membership not involved in the formation of the co-operative, an increasingly geographically dispersed membership and an increasingly heterogeneous membership.

## Co-operative Development

Refers to a process of economic and community development based on co-operative philosophy and practice involving the expansion and development of co-operatives and the co-operative movement.

## Co-operative Education

The critical purpose of co-operative education is to reinforce co-operative values and principles and the sense of common goals among members and encouraging innovation and adaptation. Co-operative education should be a continuous process for members, managers and employees. Ongoing co-operative education is essential to maintaining, strengthening and developing the co-operative character of co-operatives. Education programs to inform co-operative directors, managers, employees and members and others of the principles and practices of co-operation and the skills needed to effectively operate a co-operative e.g. the purpose of co-operatives, the history of co-operatives, the structure of co-operatives, the nature of co-operative democracy and the co-operative principles. Co-operatives are more likely to succeed when members understand their responsibilities to co-operative principles and practices. Co-operative education can be provided in a number of ways – booklets, research reports, newsletters and magazines, videos, workshops and courses. REFER Learning Circles, Session 1 The Big Picture, Session 2 Getting Down to Essentials, Session 3 Development Paths for Directors and Resource Book Resource 3 Co-operative values and principles in Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001

## Co-operative Employees

Employees in a co-operative have the same duties and rights as employees in public and investor-owned enterprises. It is critical that co-operative employees understand and accept that the members own the co-operative and that service to members is the primary function of the co-operative. They have, however, a specific responsibility to understand the purpose and objectives of the co-operative.

This includes understanding the importance of member relations, the role of co-operatives and public understanding of co-operatives.

## Co-operative Failure

All co-operatives need to be aware of how and why co-operatives fail as co-operatives. This is not to be confused with economic failure. It refers to when co-operatives cease to practice co-operative values and principles. REFER Part One Why do Co-operatives Fail? ( p 15) and Keeping it Co-operative, Check List ( pp 15-16) in The Co-operative Start Up Manual, 2001 and Why do co-operatives fail as co-operatives? <http://www.australia.coop/why-fail.htm>

## Co-operative Federation of Victoria Ltd

The Co-operative Federation of Victoria Ltd is the peak body for co-operatives in Victoria. There are also federations in N.S.W., Queensland, South Australia and W.A. All co-operatives should consider membership of the Federation and its relevance to co-operative values.

## Co-operative Fiction

Fiction books and short stories with co-operation and co-operatives as a theme.

## Co-operative Formation

The process of forming a co-operative. REFER Part One Where do I start? Eight basic steps for starting a co-operative in an ideal world (pp 11-14) in The Co-operative Start Up Manual, 2001

## Co-operative Governance

Based on the OECD's definition of corporate governance, co-operative governance is the set of relationships between the co-operative's management, its board, its members and other stakeholders. Co-operative governance also provides the structure through which the objectives of the co-operative are set and the means of attaining those objectives and monitoring performance are performed. Co-operative governance is different from the governance of investor-owned and public enterprises. Good co-operative governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the co-operative and members and should facilitate effective monitoring, thereby encouraging the co-operative to use resources more effectively. OECD Principles of Good Corporate Governance, June 1999

## Co-operative Law

Acts and/or regulations by parliament referring to the structure and operations of co-operatives usually dealing with the structure, Rules, registration and regulation of co-operatives.

## Co-operative Legislation

SEE Co-operative Law.

## Co-operative Managers

Managers who are employed by co-operatives. REFER Manager

## Co-operative Management

Co-operative management is different from management in public and investor-owned enterprises. The co-operative culture of a co-operative makes extra and unique demands on managers in a co-operative. The challenge is to integrate co-operative values and principles into the business and the board and manager have a critical role in integrating these values and principles. Tensions between members and managers and boards and managers can arise if there is not a common understanding of co-operative management and the integration of co-operative values and principles. The successful integration of co-operative values and principles can give co-operatives a competitive advantage. SEE MOCA Davis, Dr. Peter Managing the Co-operative Difference: A survey of the application of modern management practice in the co-operative context, Cooperative Branch, International Labour Office, 1999 Meyer, Tammy M Understanding Co-operatives Who runs the co-operative business? General Manager and Employees, USDA, Co-operative Information Report 45, Section 6, October 1997, 4pp

## Co-operative Movement

The collection of business enterprises that are committed to co-operative principles and practices and whose ownership and control lies with its members. There is debate on the nature of this movement and, in particular, the extent that co-operatives and co-operative sectors are separate and not committed to a practice of co-operation between co-operatives.

## Co-operative Party

Formed in 1919 as a result of a decision by the UK Co-operative Congress. The objective was to secure independent co-operative representation in Parliament and local government and educate people in co-operative principles that will lead to co-operative political action.

## Co-operative Principles

Co-operatives follow seven principles of co-operation established by the International Co-operative Alliance (ICA). The most recent formulation of these was by the ICA in 1995. The ICA's first formulation of co-operative values was in 1937. The second was in 1966.

## Co-operative principles – autonomy and independence

**4th Principle: 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.

## Co-operative principles – co-operation between co-operatives

**6th Principle: Cooperation among Cooperatives** serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures. Examples of co-operation between co-operatives could include:

- Regional intercom-operation
- Sectoral interco-operation
- Commercial interco-operation

## Co-operative principles – co-operatives and the community

**7th Principle: Concern for Community.** Cooperatives work for the sustainable development of their communities through policies approved by their members.

## Co-operative principles – education, training and information

**5th Principle: 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.

**Comment:** Education and training within co-operatives is essential. It is more than just encouraging use of the co-operative by members. It means members understanding the complexity of co-operative principles and practices. It also means, however, that the members of the co-operative have the skills to fulfill their responsibilities.

## Co-operative principles – democratic member control

**2nd Principle: Democratic Member Control.** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

**Comment:** The members of co-operatives ultimately control their co-operative democratically. It is a right and an obligation of members to be actively involved in their co-operative.

## Co-operative principles – employees

The co-operative needs to determine whether or not co-operative employees should be expected to have an understanding of co-operative principles.

## Co-operative principles – member economic participation

**3rd Principle: Member Economic Participation.** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

## Co-operative principles – voluntary and open membership

**1st Principle: Voluntary and Open Membership.** Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**Comment:** Individuals and organisations voluntarily decide to form co-operatives. People cannot be forced to form co-operatives. They must understand and agree with the purpose and nature of co-operatives – and not just go along with the eloquence and charm of a leader who supports co-operation. Membership of co-operatives is open consistent with the specific purposes and capacity of a co-operative. Voluntary and open membership does not mean that membership should be open to everyone who applies for membership.

## Co-operative Council of Australia

The Co-operative Council of Australia is the peak body for co-operatives in Australia. State Federations in New South Wales, Queensland, South Australia, Victoria and Western Australia are members of the Council. The Council meets a few times each year. The primary source of information about the CCA is [www.australia.coop/cca.htm](http://www.australia.coop/cca.htm)

## Co-operativesUK

The peak body for co-operatives in the UK.

Co-operatives UK Web Site: [www.cooperatives-uk.coop](http://www.cooperatives-uk.coop)

## Co-operative values

ICA Statement on the Co-operative Identity Definition A co-operative 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. Values Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The cooperative principles are guidelines by which cooperatives put their values into practice. REFER Section 1 The Big Picture and Resource 3 Checklist for co-operative values & principles Resource Book Co-op Advantage Developing Directors of

Co-operatives, Co-operative Federation of Victoria Ltd, 2001 and Part 111 Appendix B Co-operative Principles and Ideals in The Co-operative Start Up Manual, 2001

## Co-operativism

The ideological advocacy of co-operative values, principles and practices.

## COPAC

Committee for the Promotion and Advancement of Co-operatives <http://wwwcopacgva.org/>

## Corporate Social Responsibility

The idea that investor owned companies have a corporate social responsibility and need to examine and improve their corporate social responsibilities – their social, environmental and local impacts on individuals and their communities. There is debate, however, as to whether or not a capital-driven company can consistently aim for social responsibility when this is necessarily subordinate to profit.

## Cost effectiveness

The achievement of results in the most economical way – using resources to produce a result at the lowest possible cost.

## Cost of sales or cost of goods sold

The direct cost of producing an item or providing a service by a co-operative without including overhead costs.

## Credit Care

An initiative in the 1990's by the Commonwealth Government and CUSCAL to assist rural and remote communities to secure access to financial services in response to bank closures.

## Credit Rating

An estimate of the credit worthiness of a co-operative.

## Credit Risk

The degree of risk calculated as involved in providing a loan to a borrower.

## Credit Union Foundation of Australia

Established in 1971 to provide development assistance to credit unions to the neighbouring countries of Oceania and to Aboriginal & Torres Strait Islanders.

## CUSCAL

Credit Union Services Corporation of Australia Ltd – the peak body for credit unions throughout Australia. [CUSCAL Web Site](#)

## Current Assets

Things that are purchased for day to day use in the business and any amount still owed by customers.

## D

### Database

An organised collection of information.

### Debt Capital

This is the money borrowed with a legal liability to repay funds under stated interest rates, terms and conditions. Debt capital can be short-term and long-term.

### Decision Tree

A method of analysing different decisions and the different consequences.

### Declaration of Interest

SEE Conflict of Interest

### Demand-pull

Co-operatives create a demand for its products and services through advertising, promotion and incentive schemes.

### Deming, W. Edwards

An internationally renowned management consultant who developed a comprehensive philosophy for management that embraces quality and productivity. He identified 14 points as the basis for transforming industry – create constancy of purpose towards improvement, adopting a new philosophy, cease dependence on inspection to

achieve quality, end awarding business on the basis of price, improving constantly system of productivity and service, institute on the job training, institute leadership, drive out fear, break down barriers, eliminate slogans and targets, eliminate work standards, eliminate management by objectives, remove barriers to pride of workmanship by employees and managers, education and self-improvement and transforming everybody's job. The two books about his philosophy are *Out of Crisis* (1982) and *The New Economics For Industry, Government, Education* (1993)

## Democratic Control

Democratic control is an issue for all co-operatives. For large co-operatives it is an increasingly significant issue – how to maintain co-operative democracy with business and organizational growth. For large co-operatives the Annual General Meeting (AGM) represents the minorities who attend – not the majority who do not attend. The challenge for large co-operatives is to develop a workable democratic structure that facilitates maximum member control over policies. Members elect directors, change the rules of a co-operative and approve or reject board reports. The ability of members to exercise democratic control is critically determined by members being informed.

## Demutualisation

Refers to the decreased use of mutual organizations to provide services and produce goods and the conversion from mutual to investor ownership. The beginning of demutualization of a co-operative is when the co-operative has lost its co-operative identity and what distinguishes it from investor-owned companies.

Australian resources: [www.australia.coop/cooperative\\_demutualisation.htm](http://www.australia.coop/cooperative_demutualisation.htm)

## Depreciation

Amortization of assets that lose value over a period of time e.g. buildings, equipment and machinery.

## Deputy Directors

Co-operatives have the option of appointing deputy directors. In its Rules a co-operative may provide for Deputy Directors. Deputy Directors can act as a deputy for a director who is absent from a meeting. The Rules have to provide for the term of office, vacating and/or removal from office and remuneration of the deputy.  
SEE Directors

## Differentiation

The recognition that co-operatives are distinctly different in their purpose and structure from private and public enterprises. SEE: Middle Way

## Directors

Directors have duties of stewardship, financial management, planning and evaluation and communication. Directors must put the interest of the co-operative before their own. They must not misuse the co-operative's property or condone illegal or improper acts. Directors of co-operatives have a unique duty and responsibility of representing the members as users of the co-operative and ensuring that the co-operative functions for the benefit of the user-members. If directors are unable and/or unwilling to put in the time necessary to be a director, then, they should either not stand for or resign from the board. Free riders lessen the co-operative's democracy and stability. In Prudential Standard Board Composition APRA has said that individual directors must be fit and proper. In explaining this, APRA has suggested that this involves considering: (a) the person's integrity in the conduct of business activities and reputation within the business and financial community; (b) the person's and experience relative to the duties involved; and (c) the person's business record and other business interests, as well as financial soundness and strength. Fitness, then, is focused on the competencies of directors. Propriety, then, focuses on the integrity and suitability of individual directors. REFER Session 2 Getting Down to Essential and Session 3 Development Paths For Directors in Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001 and Bpsch, Henry Conversations With a New Director, Australian Institute of Company Directors, 1997

## Directors and Managers

Avoiding conflict between the board and the manager depends on each knowing the difference in their respective roles, respecting each other's different roles and accepting each other's roles. Conflict occurs when either or both the board and management don't know or understand and/or accept the separate and divisible roles. Managers, however, must be able and willing to provide answers to questions asked by directors e.g. whether plans support objectives, whether manager explanations are satisfactory, whether predicted trends and forecasts have been achieved, whether recurring problems have been identified and what has been proposed and undertaken. Directors are dependent on managers raising operational and policy issues and seeking board advice. At board meetings questioning of managers is integral to manager accountability.

## Directors - and business consultants

SEE Business Consultants

## Directors casual vacancies

The board has the authority to fill casual vacancies.

## Director kits

It is useful for directors to be provided with Director Information Kits. These could include a copy of the Rules, an organizational chart, the policy manual of the co-operative and a description of director duties and responsibilities. **SEE** Resource Book Resource 18 What to put in the Board Manual or Website in Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001

## Directors - election

The Rules of a co-operative must provide for the election of directors consistent with co-operative legislation.

## Directors - independent

SEE Independent Directors

## Directors - and members

The board should regularly review all aspects of membership including the number of members joining and leaving the co-operative, the number of members attending general meetings, the number of members attending workshops, contested elections for the board and the number of members participating in elections. **REFER** Session 2 Getting Down to Essentials in Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001

## Directors - nomination

The Rules of the co-operative have to provide for the process of nomination, qualification, removal, remuneration and term of office of members for election as directors consistent with co-operative legislation.

## Directors - recruitment

The recruitment of directors should be based on capacity to work as part of a team, open-minded in approaching issues and making decisions, knowledgeable about co-operatives, able and willing to protect sensitive and confidential information and decisions and preparing for and attending all board meetings. Director recruitment is an important issue for all directors – encouraging members to stand for the board to replace existing directors. Does the co-operative have a plan to identify and recruit new directors.

## Directors - training

The issue of training for directors of co-operatives is critical but not what is not always recognised is the need for co-operative specific director training. In the UK co-operatives provide in their Rules for appropriate training for directors. Should the co-operative require director training and development. Director training can be problematic, however, if it is divorced from co-operative values. Director training is not value-free and there is always the threat of director training reflecting and reinforcing the values of investor ownership and control. Director training should include briefing on the scope and operations of the co-operative, a director's manual and a clear distinction between board and manager roles.

## Discrimination

Treating one or more members of a specified group unfairly compared with other people.

## DotCoop

.Coop provides co-operatives with distinct competitive advantages. It is a new top-level internet domain. .Coop went live on the Internet on January 9 2002. Registration opened to all co-operatives worldwide on January 30 2002.

## Due Diligence

An investigation to confirm that the financial statements and others prepared by a co-operative are true and no material facts are omitted.

## Duty of Care

A director has a duty of care. Refers to a constant and earnest effort and to demonstrate competence expected of a reasonable person in focusing on both members and creditors. Directors must act with due care, skill and diligence. Directors must trust managers to act appropriately but also must act if inappropriate practices are suspected. Section 180 (1) of the Corporations Law requires that directors must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they: (a) were a director or officer of a corporation in the corporation's circumstances and (b) occupied the office held by, and had the same responsibilities within the corporation as, the director or officer.

## E

### Economic Democracy

Democratic ownership and control of the economy.

### Education

SEE Co-operative Education.

### Elections

Election requirements and procedures need to be clearly stated in the Rules. A co-operative should consistently review its elections – the number of vacancies, how many candidates stand for election, whether elections are contested and how many members vote. **REFER** Co-operatives Act 1996 Part 9 Management and Administration of Co-operatives Division 1 The Board

### Employee

Employees are appointed by and responsible to managers. Board members should not attempt to manage employees. This would only create confusion and uncertainty. **SEE** Co-operative Employee

### Employer

An individual, company, co-operative or government that pays an employee to work for them.

## Employment

Refers to individuals being paid to work for somebody else.

## Equipment and vehicles

Register should be established and maintained and equipment and vehicles should be kept in working order and up to date. Policy necessary regarding responsibility of employees and procedures if equipment lost and under what circumstances.

## Equity

Equity is the money a co-operative acquires for acquiring assets without assuming a legal obligation to pay it back at a stated time and under stated conditions. **SEE** Member Equity

## ESOP

An employee share ownership plan developed by investor-owned businesses primarily that allow significant employee ownership and participation in the business (not necessarily control).

## Emergency Procedures

Every co-operative has a duty to minimize risk, have an emergency response plan and the necessary resources.

## Entrance fee

This is a payment a co-operative may require its members to pay. An entrance fee is a payment for admission and it is not refundable unless admission is refused.

## Equity

Equity is the financial stake contributed by members to a co-operative. Refers to the residual value of a co-operative. This value is determined by deducting total liability from total assets. Equity includes shares issued and reserves.

## European Union (EU)

Established in 1957 by the Treaty of Rome. It is currently composed of 15 European nations. The EU attempts to unify and integrate by establishing common economic policies. The European Commission is the secretariat of the EU and represents the EU at the WTO.

## Evaluation – board

The process of a board evaluating its performance. REFER:Wadsworth, James J Assessing Performance and Needs of Co-operative Boards of Directors, USDA, RBS Co-operative Information Report 58

## Evaluation – managers

The process of a board evaluating the performance of the manager. REFER: Rapp, Galen W Appraising Manager Performance, USDA Research Report 136, 1994

## Expelling members

The process of expelling members from a co-operative as provided for in the Rules and consistent with co-operative legislation.

## Expenses

Refers to the cost of running a business – a net decrease in assets or increases in liabilities resulting from operating activities. Examples of expenses include salaries and wages, depreciation, rent, energy costs, cleaning, repairs and maintenance, production and marketing costs.

## External Environment

Describes the external environment to the co-operative e.g. legislation and regulation and political policies.

## F

### Factoring

The taking ownership of a co-operative's debts. The factoring company buys the debts at a discount.

### Feasibility Study

It is important to understand what is and what is not a feasibility study. Initially, therefore, a report that claims to be a feasibility study is not necessarily so. The claim to be a feasibility study depends on meeting certain criteria as to what constitutes a feasibility study.

The purpose of a feasibility study is to enable a decision to be made on the viability of a proposed co-operative. A feasibility study is not a business plan and it is important to understand the differences between a feasibility study and a business plan. A feasibility study provides the information and analysis to enable a decision to be made on the viability of a proposed co-operative. The business plan follows the feasibility study and is developed if viability is indicated. The business plan is the blueprint for implementation of the co-operative business. A good feasibility study must encompass all of the following:

- The context for and justification for the co-operative business.
- The market potential for the co-operative business - including a demand and competitor analysis.
- Technical characteristics and specifications for the co-operative business.  
Capital requirements for the co-operative business.
- Sales plan and revenue expectations.
- Projected operating costs and net revenue.
- Financial plan for the co-operative business – including the member equity contribution.

A study that does not encompass all of the above is not a genuine feasibility study and should not be called a feasibility study. Any “feasibility” analysis and conclusion, therefore, is political - rather than economic. Otherwise, decisions based on bogus “feasibility” studies have little economic merit.

The differences between a good and bad feasibility study can be illustrated by these examples:

Issue	Good Feasibility	Bad Feasibility
Business Options	Clear analysis of the character, benefits and limitations of each option e.g. ownership control and ownership obligations.	Imprecise and selective analysis of the options and a selective analysis of benefits and limitations for each option.
Co-operative Risks	A clear analysis of the risks Co-operative of the co-operative option Risks and how these impact on the business option.	An emphasis of business risks and a denial of or limited analysis of the co-operative risks e.g. active membership and member equity.
Business Risk analysis	A clear analysis of the Business business risks for each Risk analysis option.	A selective and superficial analysis of the business risks of each option.

There are, then, two key issues to be understood by any co-operative:

What is the purpose and nature of a feasibility study?

Do those undertaking the feasibility study understand its purpose and nature?

What is a co-operative feasibility study?

[www.australia.coop/e\\_%20feasibility\\_study.htm](http://www.australia.coop/e_%20feasibility_study.htm)

### Fiduciary Duty

This requires that directors acting in good faith honestly, exercise reasonable care and skill, act in the best interests of the co-operative and understand their fiduciary responsibilities.

### Financial Control

See Financial Management.

### Financial Management

Financial management is the effective deployment of resources (cash, labour and materials) expressed in money terms. Financial management is how a co-operative analyses and interprets its financial statements.

### Financial Participation

Refers to practices that provide financial incentives and rewards for employees e.g. profit sharing, productivity sharing and employee share ownership.

### Financial Planning

The process of evaluating financing and investing opportunities for a co-operative including consideration of future performance and financial consequences.

### Financial Ratio.

The process of dividing one financial statement item by another. Ratios focus on specific relationships.

### Financial Records

Keeping records of business transactions serves basic purposes – how much is owed from customers and for how long, how much is owed to suppliers, identify GST owed, record stock, identify what is selling and what is not and identify current and future cash flow situation.

### Financial Reporting Standards

The standards imposed by legislation and accounting bodies on what financial records should be maintained and what should be shown in account statements.

### Financial Reports

The purpose of financial reports is to generate information for decision-making by members of a co-operative and by interested parties external to the co-operative. The board should receive financial reports on a regular basis that are understandable, accurate and timely. These financial reports need to compare the results for the year to date compared with budget and the previous year. Financial reports are critical if directors are to measure and monitor the co-operative's progress and achievements. It is critical for the board to insist on regular financial reports to monitor and determine the co-operative's financial health. **SEE** Balance Sheet and Profit and Loss Accounts.

## Financial Year

The financial year of the co-operative as provided in the Rules and consistent with co-operative legislation.

## Fixed Assets

The purchase of things you mean to keep and use for a long time.

## Fixed Capital

Fixed capital is the funds that are invested in buildings and equipment such as equipment, furniture and vehicles.

## Fixed Costs/ Expenses

Fixed costs are those costs that are incurred whether or not the co-operative does any business. These could include rent, insurance and interest on capital.

## Forecasting

Predicting how many units of service or product will be sold over a period of time and at what cost to the co-operative.

## Formation meeting

The foundation meeting of a co-operative. **SEE** Co-operative Formation. Co-operative formation resources [www.australia.coop/cooperative\\_formation.htm](http://www.australia.coop/cooperative_formation.htm)

## Free Riders

Free riders are members or directors who contribute nothing or very little to a co-operative and/or the board and benefit from the contributions of others. This creates a free rider problem.

## Friendly societies

Formed from the mid 19th C to provide sickness, medical and death benefits for members and their families. Today friendly societies in Australia operate primarily as health insurance societies.

## G

### Gearing

The debt/equity ratio of a co-operative.

### ICA ROAP

General Manager **SEE** Manager

### Gilmore, Mary Jean (1865-1962)

Author and journalist. Between 1895-1898 was a member of the New Australia utopian settlement in Paraguay.

### Goals

The co-operative's vision and mission - what the co-operative wants to achieve by going in what direction.

### Good Faith

Refers to the duty of directors to act in good faith. A director is required to act for the benefit of the co-operative and not harm the co-operative to further the individual interests of individual directors. Directors must not be in a position where their duties as a director and their individual interests do not conflict. Disclosure of interest by individual directors are critical.

### Good Will

An intangible that enables a business to operate beyond the normal or basic rate of profit earned by similar businesses. The factors contributing to this could include: co-operative values and principles; the reputation of the co-operative; member involvement and satisfaction; the quality of the co-operative's products and services; the quality of employer and employee relationships.

### Grievance procedures

The Rules of a co-operative must set out grievance procedures for dealing with any disputes between a member and another member or a member and the co-operative.

### Gross Income

The sales income of a co-operative before expenses, depreciation and taxation.

## H

### History

Co-operative history is the history of co-operation and co-operatives. The importance of co-operatives knowing about their own history for this has shaped their identity. REFER Resource 5 Co-operative History Resource Book Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001 and Part One What is the history of co-operatives in Australia and other countries? (pp 3-5) in the Co-operative Start Up Manual, 2001

### Honesty

SEE Fiduciary Duty

## I

### ICA

The peak body for co-operatives throughout the world. The ICA was established in 1895. The ICA has more than 230 members from 100 countries representing more than 760 million individuals. The ICA has consultative status with the United Nations Economic and Social Council. [www.coop.org](http://www.coop.org)

### ICA ROAP

The ICA Regional Office for Asia and the Pacific.

### Idea Decision

An decision about an idea without specifying specific action.

### Independent Directors

Co-operatives have the option of recommending to general meetings the appointment of independent directors if this is provided for in the Rules of the co-operative. The benefits and limitations of having independent directors needs to be carefully considered. A benefit of independent directors is to provide the co-operative with expertise and qualifications that are not otherwise available within the co-operative's membership. While independent directors are independent of the co-operative in not being members, this does not mean that their views are independent. SEE Directors REFER The Board Koinzan, Steven D The Role of Outside Directors, National Council of Farmers Co-operatives NICE Conference,

July 2000 and Peterson, H. Chris The Role of Outside Directors, National Council of Farmers Co-operatives NICE Conference, July 2000

### Interest Cover

A ratio to assess whether a co-operative has the ability to repay its loan commitment.

### Internal Environment

Describes the internal environment of the co-operative e.g. workplace processes, the management culture, the industrial relations culture and the commitment to co-operative values and principles. The internal environment can be controlled by the co-operative.

### Industrial Relations

The relations between co-operative management and the workforce in a co-operative including relevant trade unions.

### Insurance

Insurance is the payment of an agreed amount to an insurer who undertakes to make payments if certain events occur. Board needs to ensure that there is adequate liability insurance to cover board members and staff.

### Internal Controls

Internal controls refer to those policies and procedures implemented by a co-operative to safeguard assets, to deter and/or detect fraud or other irregularities, facilitate efficient and effective operations and ensure events and transactions are properly recorded and accounted for. Internal controls are important to ensure the co-operative complies with statutory and regulatory requirements. Internal control procedures would include each cheque requiring two authorized signatures, approval of overtime by a supervisor and daily cash register counts. The board and management should regularly review internal control systems.

### International Co-operatives

Co-operatives that operate on an international basis with operations and/or trading in more than one country.

### Inventory

Manufactured available stock that has not been sold.

## Investor Owned Companies

The primary owned characteristic of an investor-owned company is investor ownership. The primary purpose is to make a profit for its investors.

## ILO

International Labour Organization [www.ilo.org](http://www.ilo.org)

## Investments

Things which gain value or earn income.

## Issue-based participation

Refers to management involving employees in decision-making in particular issues e.g. technological change, occupational health and safety and equal employment opportunity.

## J

### Joint Consultation

Refers to management of a co-operative seeking the views of employees and taking these into account in making decisions.

### Joint Venture

An association of two or more participants carrying on a specific economic operation, enterprise or venture.

## K

### Kaagawa, Toyohiko (1888-1960)

Educator, social reformer, labor organiser, co-operative leader and author.

### Key performance indicators

These are developed to enable a co-operative to realistically measure its performance. KPI's could include employee turnover, absentee records, performance reviews, profitability ratios, liquidity ratios, solvency ratios and grievance reports.

## Kibbutz

Name for collective agricultural and/or industrial settlements in Israel.

## L

### Lane, William (1861-1917)

Socialist and journalist. Founder of the New Australia and Cosme utopian settlements in Paraguay between 1893-1899.

## Leasing

A co-operative taking out a lease (the lessee) pays a number of instalments over an agreed period of time to the financier (the lessor) who retains ownership of the asset e.g. printer, photocopier and motor vehicle.

## Legislation

Co-operative legislation is critical to defining and protecting the co-operative difference. REFER Session 1 The Big Picture and Resource Book Resource 2 Co-operation Act in Co-op Advantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001

## LETS

Refers to Local Exchange Trading Schemes – community networks where individuals and organizations exchange goods and services without the use of money.

## Leverage Ratio

A measurement of a co-operative's outstanding debt relative to its equity. It is also known as the debt-to-equity ratio.

## Liabilities

Refers to the amounts arising from past transactions which the co-operative is obliged to pay eventually e.g. employee entitlements such as accrued annual, long-service and sick leave, bank loans, payable taxation, bank overdraft and accounts payable to creditors.

## Liquid assets

Cash and property that can be quickly and easily converted into cash.

## Liquidity

The total value of assets that are readily convertible to cash.

## Local Co-operatives

Co-operatives that operate in a defined geographical area serving a local community.

## Load Management

Describes how a co-operative seeks to control its usage of energy. Load management may be in liason with energy suppliers.

## Lodgement of Annual Report

The legislative requirements for lodging copies of the annual reports of co-operatives with the Government.

## M

### Management

A decision-making role in a co-operative – directing operational policies and practices.

### Management contracts

The board should develop a contractual agreement with the manager and specify how performance management will apply to the contract. A critical issue for management contracts is management compensation.

### Manager

The manager is appointed by and accountable to the board. The manager is responsible for defining operational or management level objectives goals and policies, selection of employees and preparation of budgets. Managers of co-operatives need to recognize that there is no distinction between the co-operative “business” and the co-operative’s “values”. Management in a co-operative must be subordinate to co-operative values. If this does not occur, then, it is unlikely that there will be a distinct co-operative management. If co-operatives use management methods and techniques inconsistent with co-operative values, then, they will undermine the co-operative purpose. Without this understanding and insistence, the co-operative board and management will assume the desirability and necessity of

profit maximization and adhere to conventional management. Managers must learn to accept that a board may make a decision that varies from the recommendation of a manager because the board was not persuaded by the manager’s reasoning. Board decisions must be supported irrespective of any reservations the manager may have about those decisions. The manager must support the decision as if it was his or her own. The manager must be able and willing to provide information and recommendations that enable the board to make an informed choice and decision – and not manipulate the board decision through selective reporting.

### Manager Appointments

Formal letters of appointment should be given to managers or CEO’s. These letters should include the term of appointment, the powers and duties of the manager, remuneration and expenses, superannuation arrangements, indemnity and insurance arrangements, continuing co-operative education arrangements and the protection of co-operative values and principles.

### Manager recruitment

A co-operative’s manager must have the technical skills necessary for an effective management style. For a co-operative, however, co-operative governance, co-operative business issues and organizational styles are also critical factors. A manager of a co-operative must be willing to not only work with members but enjoy working with members. Sometimes, co-operatives and their boards perceived the co-operative to be in a “turn around” situation and are tempted, therefore, to commit themselves to recruiting outside the co-operative and, indeed, from outside the co-operative movement. An outsider, however, may have an adverse impact on the existing co-operative culture and management. The issue about internal candidates, however, is that they do not have the broad and general management experience of outside managers. The board has to be clear and confident that it can find the right person. If the board is not confident, then, it should get assistance from a recruitment specialist. It is important, however, that the recruitment specialist understand the co-operative’s needs and priorities. Key ingredients for a CEO/Manager interview: a previous CEO/Manager should not be involved; questions that cannot be answered with a yes or no;encouraging applicants to use their own knowledge in responses and questions about “what if”

### Managerialism

The threat of managerialism has been identified within the co-operative movement as the process of managers within co-operatives undermining co-operative values and

principles by using their knowledge and power to promote and facilitate privatization and demutualization and their own enrichment. **SEE** Managers

### Marketing

Marketing is getting the right goods or services in the right quantity to the right place at the right time profitably. Marketing needs to be based on what factors that could influence a customer to buy a product or service. Issues relevant to the consumer could include – price of the good or service, the quality of the good or service, the way in which a product or service is provided and follow-up service provided to purchasers of goods or services. The marketing of a co-operative should not only be based on the co-operative's products and/or services but also on the nature of the co-operative itself. **SEE** Marketing Our Co-operative Advantage

### Marketing Contracts

An agreement between a member and a co-operative to market the member's products through the co-operative. Co-operatives and members have a built-in interest in the success of marketing contracts. It is important, therefore, to give consideration to the design of marketing contracts and what is appropriate will depend on the specific co-operative. A marketing agreement should contain all the general rights and obligations of members and the co-operative including - delivery obligations of the member, warranties as to quality, service guarantees. accommodating all members fairly, well-defined payment arrangements, method of calculating payments. duration and termination provisions. defaults and remedies and dispute resolution

### Marketing Our Co-operative Advantage

Marketing Our Co-operative Advantage is based on co-operatives identifying their competitive advantages because they are co-operatives and marketing the advantage of doing business with a co-operative. The concept has been popularized by Tom Webb of Global Co-operation Consulting. Marketing Our Co-operative Advantage (MOCA) is based on a belief that there is an enormous opportunity to be had by co-operatives if their marketing reflected their pride, not only in the particular products and services they sell, but in who they are as co-operatives. In any transaction to meet our needs, the transaction should be different if it is based on co-operation. Marketing is no different. The co-operative nature of the transaction is its strongest value added. Co-operative marketing programs based on marketing

the co-operative advantage are the "hi Neighbour" campaign of Cabot Creamery Co-operative, Touchstone Energy - The Power of Human Connections of electric co-operatives and America's Credit Unionse People are Worth more than Money.

### Marketing Environment

A co-operative exists in a marketing environment - demographic, economic, technological, natural, political, legal, cultural and competitive.

### Marketing Plan

A marketing plan is a core component of a business plan. The marketing plan covers what products and services will be provided by the co-operative and whether there is a market for these products and services. This includes having the right product in the right place promoting to the right people at the right time at the right price.

### Market Promotion

Activities concerned with promoting sales including personal selling, exhibitions, trade shows, advertising and sponsorship.

### Market Failure

Refers to the failure of the market to either provide needed goods or provide goods that are unaffordable and not accessible.

### Market Forces

The forces of supply and demand that determine what happens in the market.

### Market Research

Market research is used by co-operatives to gather and analyze the market in which a co-operative is or plans to provide goods and services. Market research enables a co-operative to identify the potential demand for a product, who might buy the product or services, the possible preferences of the market that could result in changing the products and/or services. Market research can be of two kinds – secondary market research and primary market research. Secondary market research is research that is compiled and analysed from existing data. Primary market research is the collection of original information and data e.g. through observation techniques, surveys and focus group meetings.

## Market Segmentation

Market segmentation is breaking down a market into groups and/or segments including geographic, socio-economic, income, benefits sought, life style, usage and brand loyalty.

## Market Share

A co-operative's or its products portion of the total market for that product. The share of a market held by a co-operative and competing companies. The share depends on the definition of the market.

## Market Structure

The number of enterprises in a market, the type of enterprises and their market share.

There needs to be planned efforts to maximize member attendance at general meetings. Members need to be notified adequately in advance of the time, date, place and purpose of general meetings. Members should also be encouraged to raise questions and make comments at general meetings. If members stop attending meetings and/or asking questions, it is time to decide how to better inform and involve members. **REFER** Resource Book Resource 17 Checklist for effective meetings Co-opAdvantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001 and Tucker, Vincent Co-op Guides: Co-op Meetings, Center for Co-operative Studies, University College of Cork, 1986 Renton, N.E. Guide for Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Mathews, Dr. Race

Politician and author who has written extensively on co-operation: Jobs Of Our Own - Building a Stake-Holding Society (1999), Australia's First Fabians: Middle Class Radicals, Labour Activists and the Early Labour Movement (1994), Employee Ownership: Mondragon's Lessons for Australia (1987) and Building the Society of Equals: Worker Co-operatives and the ALP (1983).

## Meetings – agendas

The agenda for meetings should be circulated in advance of meetings to give participants adequate time to review the agenda. The Agenda should include the title, date, time and place of the meeting; minutes of the previous meeting, matters

arising from the previous meeting, other items to be discussed and for information or decision. For Annual and Special General Meetings the Co-operatives Act specifies

## Meetings – Annual General Meeting

The AGM is the most important meeting organized each year for members.

## Meeting Chairperson

The Chairperson is responsible for starting meetings, guiding the meeting through the agenda, summarising any decisions made by the meeting as it goes through the agenda and ensuring agreement on any action decisions, facilitating the participation of all participants and making sure that there is a written record of decisions. Facilitating participant involvement includes involving all participants, encouraging different views and perspectives and allowing extensive debate if warranted that is focussed on the issue and making a decision on an agreed course of action. The Chairperson has to facilitate discussion and this includes dealing with typical difficulties such as someone who extends a discussion beyond the topic under discussion, someone who becomes muddled and confused about the issue and what they are saying about the issue, someone who rambles on, someone who tends to make vague suggestions that need to be clarified and someone who persists in chatting to their neighbour.

## Meetings checklist

Was the meeting necessary? Was the meeting useful? Are the meetings held at the right frequency? Are the meetings length too short, too long or about right? Do the appropriate people attend the meetings? Are the agendas appropriate? Do the participants have the necessary information for informed decision-making? Is the decision-making process effective and efficient? Is the meeting room adequate? Is timekeeping satisfactory? How are interruptions and distractions handled? Are refreshment arrangements adequate?

## Meetings – confirmation

Minutes of meetings are subject to confirmation by subsequent meetings. A motion needs to be moved and seconded to confirm the minutes by persons who were at the meeting. This is also the time to propose any amendments to the minutes. Such amendments are to exclusively focus on inaccuracies in the minutes and not re-debate the merits of an issue. Minutes can accurately record a decision. An objection to the decision cannot be the basis for an amendment.

## Meetings – decisions

Decisions are binding and remain in force until they are formally rescinded. A new board, therefore, does not have to confirm the previous board's decisions. In general, a decision-making process should be based on an agreed course of action supported by at least a majority. Getting to an informed decision includes agreement on the issue or problem that is being examined, if appropriate separating the issues or problems into categories and agreeing on a sequence for discussion, identifying and providing known facts relevant to the issues and problems, participants discussing their interpretations of the issues/problems and the facts, considering alternative courses of action, deciding on a course of action and clearly identifying who is responsible for following-up the decision.

## Meetings – dissent

Members, directors or committee members overruled by the Chair have a right to request that their dissent is recorded. Members, however, need to formally request the recording of this dissent. Dissent does not have to be recorded unless it is formally requested. Members are also entitled to have their opposition to a motion carried to be recorded. In both instances a formal request needs to be made for recording dissent.

## Meetings – interruptions

Meetings can be interrupted for the following purposes – raising a point of order, calling for a quorum, moving the closure of the meeting, moving that a speaker no longer be heard and moving that strangers be excluded. The Chair must respect these interruptions and make a ruling or put the point of order to a vote whichever is applicable.

## Meetings – notice of

Meeting notices should include the name of the co-operative, the type of meeting to be held (e.g. board, annual general meeting, special general meeting and committee meeting), the date, the time, the place of the meeting and the business of the meeting including any motions of which notice has to be given. Notices of meetings should be in plain English and avoid legal archaisms and repetition and a structure and format that facilitates readability and understanding.

## Meetings – procedures

Rules for the conduct of meetings are based on facilitating adequate and fair participation and clear decision-making.

## Meeting Reports

Reports presented to meetings for information and/or decision should include the following common elements: issue and background - an outline of the issue for discussion; options - the various options - their costs and benefits; a recommendation for decision by the meeting.

## Meetings – speaking limits

These are designed to keep the length of meetings within reasonable bounds. Usually the proposer of motions have a right to speak for the motion and again before a vote is taken. The Rules of co-operatives should provide for these speaking limits.

## Member Equity

This is the risk capital contribution by members of the co-operative. As a rule of thumb, however, member equity should finance at least 50% of the operation of a co-operative. Member equity can be paid-up or partially paid-up. The issue of equity is fundamental to member ownership and control. **SEE** Member Expectations and Equity

## Member Expectations

Member expectations of a co-operative must be based on their use of the co-operative rather than a return on their investment in the co-operative. If members expect a return on their investment, then, this creates a basis for co-operative failure.

## Members

Co-operatives are created for the use and benefit of their members. Co-operatives are member driven - owned and controlled by their members. Co-operatives need to be clear about why co-operatives need members and what members want from their co-operative. A primary interest for members is how they benefit from their membership. The members are those persons or organizations who are eligible to be members according to the rules of the co-operative. Members have obligations to their co-operatives. These obligations vary from co-operative to co-operative but they are based on active membership and include participation in co-operative meetings, using the co-operative's services, providing capital and exercising their voting rights. **REFER** Session 1 The Big Picture Co-op Advantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001 and Part One What are members' responsibilities? (p 10), How does a member benefit from

a co-operative? (p 10), How do members make co-operatives work? (p 17) and Member Education (p 18) and Meyer, Tammy M Understanding Co-operatives Who runs the co-operative business? Members, USDA Co-operative Information Report 45, Section 4 October 1994, 4pp

### Members – age

Co-operatives have the choice of determining in their rules whether people under 18 can be members.

### Member – applications

Applications for membership are referred to each board. Boards have a right to refuse membership. Co-operatives must have membership application forms.

### Member – commitment

Membership commitment is critical to all co-operatives. Declining member commitment is a concern expressed by many large and long-established co-operatives. The key to retaining and restoring member commitment is co-operatives continuously differentiating themselves from investor-owned companies and ongoing member education and involvement.

### Member – consultation

Soliciting the views of members about the co-operative including governance, policies, products and services.

### Member – control

SEE Democratic control

### Member – corporate

Co-operatives need to decide whether the Rules will provide for body corporate members and decide whether to impose any restrictions on the appointment of a representatives by body corporates. REFER Co-operatives Act Part 4 Membership Division 1 General

### Member – involvement

The ongoing involvement of members is critical to the viability of a co-operative. Co-operatives need to develop strategies and processes for member involvement. These could include surveys, electronic feedback, in store feedback forms, focus

groups, workshops, information meetings, delegate meetings, committees and task forces, member visits and presentations, special mailings and social audit reports. SEE Active Membership

### Member – kits

Co-operatives have to have information for new and potential members. A convenient and organized way to achieve this is through the development and provision of a membership kit. Membership kits should be prepared for forwarding and providing to potential members. The kit could include a brochure about the advantages of membership, a membership application form, a list of recent activities, a list of future activities, a copy of the Rules and a copy of the last annual report. Potential members also need to be advised of any financial obligations of membership.

### Member – number

Co-operatives are required to have a minimum number of members. Co-operatives need to ensure that they maintain the minimum membership level. Co-operatives are guilty of offences if they carry on business if the membership has been reduced beyond this minimum number.

### Member – obligations

Members have obligations towards their co-operative – use the co-operative, provide capital necessary for the co-operative's operations, participate in general meetings of the co-operative, participate in selecting and evaluating directors and being informed about the co-operative. SEE Member Rights and Member Commitment

### Member – records

What information is contained in membership files, right of members to access and copy. SEE Privacy

### Member Relations

The relationship between members and their co-operative. A co-operative should empower its members by communicating effectively with them, giving members access to understandable and balanced information and facilitating member participation in meetings. This includes consideration of the use of meetings, a newsletter, electronic communication and a web site. Does and how could the board encourage and provide for member involvement in the co-operative. Does the board ensure that the resources are available to promote for member involvement. Does

management adequately inform the board of member needs. Does the board have planned member contacts.

## Member Retirement Funds

Retention of funds in proportion to members level of trade. Funds are distributed when member retires from the co-operative.

## Member - rights

These are the rights members have as members of co-operatives – attend general meetings, elect the board, be elected to the board, ask for a general meeting, see and receive copies of the rules and the annual report and inspect their accounts with the co-operative. The rights and responsibilities of members to participate in meetings should be clearly communicated. Special interest groups in the co-operative should also be given the opportunity to voice their opinions at general meetings. It is important that members support their co-operative. Taking their ownership responsibility seriously, however, also means being willing to ask tough questions and offer their own ideas. **SEE** Member Obligations

## Member Shares

The shares that a member must take up to be a member. In a shareholding co-operative, members are required to purchase a minimum number of shares.

## Member - subscriptions

For a co-operative with an annual subscription, it is unrealistic to expect that members will automatically forward their subscription each year. A notice should be forwarded to each member together with an invoice. It may also be useful to include self-addressed envelopes with invoices. Unpaid subscriptions need to be followed-up and this could include by telephone. Not following-up could give members the wrong impression – that they are not important, that it is not a priority and that the co-operative is inefficient.

## Member – surveys

Member surveys are a useful way of securing the views of members. It is important, however, that surveys are statistically valid and objective. The anonymity of surveys also allows members to comment when they would not publicly.

## Member – termination and expulsion

The co-operative's Rules must include provision for the termination and expulsion of members.

## Members and demutualisation

In considering proposals for the demutualization of a co-operative members need to satisfy themselves whether there are options to demutualization such as structural and operational changes. The co-operative principles are central to this consideration and the impact demutualisation would have on user ownership, control and benefit.

## Members – values

The co-operative needs to decide whether or not to establish and maintain a well-run program to inform members of the advantages of the co-operative way of doing business. **SEE**

## Mergers

Boards may sometimes consider that merger with other co-operatives is necessary. Withheld and/or inaccurate information will only create controversy, anger and negative perceptions and suspicions. Members need to be informed about why a merger is necessary, what it will achieve and how it will impact on the co-operative.

## Middle Way

Refers to co-operatives as a middle way of enterprise organization and development as a middle way between public and private ownership. **SEE** Social Economy

## Minutes

Minutes of meetings are the permanent records of meetings. They provide records of appointments and policy decisions. They provide documentary evidence for audit purposes and inform members not able to attend meetings.

## Minutes – accessibility

The accessibility of minutes depends on whether the minutes are for a board, committee or general meeting.

Decision-making group	Access Rights
Board	Directors of co-operative
Committees	Members of committees
General meetings	Members

### Minutes – accuracy

The minutes of meetings are a permanent record that provide documented evidence of decisions and appointments. This is why their accuracy is important.

### Minutes – and members

Minutes of general meetings must be available for inspection by members. Co-operatives may also distribute the minutes of general meetings to members. This is practical for small co-operatives. Minutes of board and committee meetings may be available for inspection if provided for in the Rules. REFER Co-operatives Act 1996 Part 8 Voting Division 4 Meetings

### Minutes – confirmation

Minutes are the permanent record of meetings. It is important, therefore, that minutes are confirmed at subsequent meetings of the board, committee or members.

### Minutes – content

Minutes of meetings should at a minimum record the date of the meeting, the time of the meeting, location of meeting, name of chair, names of those present and apologies, who chaired the meeting, any rulings made by the chair, all motions including mover and seconded, the results of votes taken if agreed, the names of any person abstaining, any decision taken on each proposal and a list of reports and documents considered at the meetin and the time, date and location of thenext meeting.

### Minutes – declaration of interests

Disclosure of interests is a critical obligation for participants in meetings. Conflicts of interest are inevitable and, therefore, conflicts are not a problem. What is a problem, however, is if directors and managers do not declare, acknowledge and respond appropriately to conflicts of interest.

### Minutes of previous meetings

Subsequent meetings must confirm the minutes of previous meetings.

### Minutes – promptness

Minutes of meetings should be prepared and distributed as soon as possible after board/committee meetings. Minutes should be issued within days of meetings to provide quick feedback on board/committee decisions at the meeting. The sooner minutes are prepared after a meeting, the more likely the minutes will be accurate.

### Mission Statement

The co-operative's stated purpose and reason for being - identifies the co-operative's values and desired future. It addresses three issues - who the co-operative serves, what the co-operative provides and how this is provided.

Having established a mission statement, it is important to be clear as to whether the mission statement is appropriate for the organization and whether the policy decisions and services reflect and/or reinforce the mission statement.

### Mission Vision

A clear statement of what a co-operative hopes to become – a clear basis for the integration of co-operative values and principles.

### MOCA

Marketing Our Co-operative Advantage All co-operatives have a responsibility to market their co-operative's advantages – to contribute to their member and public education by facilitating a understanding of co-operatives as a familiar and credible model and raising and maintaining awareness of the possibilities for co-operatives in their communities. The marketing strength of co-operatives is their co-operativeness.

### Motion

A motion is a proposal that is put to a meeting for debate and decision. A motion should be specific and unambiguous. It may incorporate an explanation as a preamble to the motion itself. There are broadly two types of motion – a main or substantive motion and a procedural motion. SEE Substantive Motion and Procedural Motion and Resolution REFER Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Motion – rejection

The Chair can reject a motion or amendment that is inconsistent with the Rules, disrespectful wording, substantially restating a resolution and /or is the opposite of a resolution.

## Mutualisation

Refers to the increased use of mutual organization to provide services through the establishment of new mutuals or the conversion of public and private enterprises to mutual ownership. In the UK, for instance, local government is either providing new services or existing services through mutual enterprise.

## Mutuals

A term used to describe businesses owned and controlled by their members. In Australia this includes building societies, co-operatives, credit unions, friendly societies and many associations.

## N

### National Catholic Rural Movement

Formed in 1939 with B.A. Santamaria as its Secretary. Publisher of Rural Life.

### National Co-operative Bank

A co-operative bank providing banking services for co-operatives in the USA. Established in 1978.

### National Co-operative Business Association

The National Cooperative Business Association (NCBA) is the national peak body for co-operatives in the USA. Established in 1916, the NCBA represents the majority of U.S. 48,000 co-operatives and their 120 million members.

### National Co-operatives

Co-operatives that operate in more than one State. Bonlac Foods Limited is an example of a national co-operative.

### National Rural Electric Co-operative Association

The peak body for electric co-operatives in the USA. Established in 1942.

### National Rural Utilities Co-operative Finance Corporation

A financing organisation for co-operative utilities in the USA owned by the co-operatives it serves. Established in 1969.

### National Telephone Co-operative Association

The peak body for co-operative and independent telephone utilities in the USA. Established in 1954

### Negative cash flow

The situation when a co-operative's expenses are greater than its cash income.

### Net income

Income left to a co-operative after expenses, depreciation and taxes.

### Net worth

The difference between the liabilities and assets of a co-operative.

### New Generation Co-operatives

Refers to a new form of agricultural co-operative in Canada and the USA in particular. The focus of new generation co-operatives is on value-added processing rather than just the marketing of commodities. The characteristics of NGC include – closed membership, tradeable equity shares linked to delivery rights and large up-front capital investment by members. New generation co-operatives in the USA and Canada have three classes of shares:

Membership – the right to vote and purchase equity shares.

Equity – allocates delivery rights to the co-operative and raises the capital necessary for the co-operative.

Preferred – allows the co-operative to involve investment from non-producers. Preferred shareholders generally do not vote except in certain circumstances.

### Nominal value of shares

Rules of a co-operative must state the nominal value of shares that members may be required to purchase.

## Non-trading co-operatives

Co-operatives in Victoria can be registered as trading co-operatives or non-trading co-operatives. A non-trading co-operative does not give return or distribution on surplus or share capital.

## Not-for-profit

A term used to describe businesses that do not distribute profits but seek to generate a surplus.

## Number of directors

Co-operatives need to decide how many directors will comprise their boards. In considering this the relevant issues include what experience and skills are required on the board, what interests need to be represented on the board and the complexity and size of the co-operative.

## O

### Objectives

The ends towards which activity is aimed. Objectives are based on goals. They are short-term and practical - identifying what needs to be done to reach a goal.

### Open membership

Membership of co-operatives is open to all persons who meet the qualifications as defined and detailed in the rules of the co-operative.

### Organisational Structure

A co-operative's organizational structure should be consistent with the co-operative's mission and objectives. The organizational structure should also clearly indicate the respective responsibilities of members, the board and management. In particular, the organizational structure should clearly indicate the scope and nature of member control. Members also need to be aware of their responsibilities for approving changes in the organizational structure and why changes are being proposed and their relevance to co-operative growth and member benefit. Organisational structures and charts need to be well document and defined so that everyone in the co-operative can recognize the point of authority and decision. REFER Session 1 The Big Picture and Resources Book Resource 6 Business Structures in Co-opAdvantage Developing Directors of Co-operatives

## Outcome

The impacts of what a co-operative does e.g. improving health services and providing affordable housing.

## Output

What a co-operative does e.g. provide health services and housing.

## Overdraft

Describes financial institution allowing a co-operative to spend more money than is in their account.

## Over-investment in fixed assets

Perponderance of fixed assets.

## Over-investment in receivables

Perponderance of debtors and receivables in current assets.

## Over-investment in stock

Low stock turnover. Perponderance of stock in current assets.

## Owen, Robert (1771-1858)

Established New Lanark Mills and New Harmony settlement in Indiana, USA.

## P

### Patronage-based capitalization

The co-operative decides how much equity a member should invest based on their volume of business with the co-operative. Needs member understanding and support. Links member use and investment.

### Performance appraisal

Performance appraisal is a tool for assessing performance of boards, managers and employees.

### Performance Improvement

Performance Improvement is when the board and the manager or the manager and employees work together to identify opportunities for improving performance

– specific improvements, how these improvements will be measured, what training will be provided and a timetable for achieving the improvements.

## Performance – managers

There are various aspects that need to be considered in appraising the performance of managers. Integral to this appraisal are the aspects that reflect and reinforce co-operative philosophy and practices

e.g. using services of and involving members on committees and programs, promoting adherence to co-operative philosophy and values, maintaining effective relationships with co-operatives and keeping in close contact with members to get their advice and support and keep them informed and to improve their understanding of co-operative affairs. REFER Rapp, Galen W. Appraising Manager Performance, USDA, Research Report 136, 1994

## Performance plans

The plans established between a board and a manager and managers and employees a statement of what is to be achieved in an agreed time period, performance indicators for each objective, the appropriate factors that will be considered in assessing each indicator and the expected performance standards.

## Performance reviews

Boards should be committed to continuous improvement – assessing their individual skills and abilities and potential areas for improvement and the performance of the board including its effectiveness and efficiency. The essential elements for performance reviews are job descriptions, standards of performance, evaluation forms and appraisal interviews.

## Planning

Planning is based on achieving a co-operative's goals and objectives and involves collecting information, synthesizing the information, evaluating the information and developing a plan of action with required resources and anticipated outcomes. Planning, however, must be dynamic and not static.

## Point of information

A point of information is raised at a meeting REFER Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Point of order

A point of order is raised at a meeting about alleged irregularities in the conduct of a meeting and requires the Chair to make a ruling e.g. the absence of a quorum, that a speaker no longer be heard, that strangers be excluded and that the meeting close. REFER Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Policy

Policies are general statements or undertakings that guide or channel the decisions of members. Policy is the responsibility of the members and the board. The manager is responsible for carrying out the board's policies. The manager cannot set policy but his or her advice will assist the board in the development of policy. Care needs to be taken that the manager does not develop policy through default because of board neglect. Policy should be reviewed periodically to ensure policy is being implemented by management and changing conditions that might require policy changes. Policy has four basic dimensions - formulation, determination, execution and control.

## Policy making

A board needs to be wary of either through its own default or management hijack surrendering policy making to the manager.

## Poptel

A UK internet service provider that provides technical registry services for .coop

## Postal ballots

Co-operative determine through their Rules whether or not to allow for postal ballots. REFER Co-operatives Act Schedule 1 Matters for which Rules must make provisions Co-operatives Act 1996 Schedule 3 Co-operatives Regulations 1997

## Price

The amount charged and paid for a good or service.

## Price Discrimination

Charging different prices to different customers.

## Pricing Strategy

There are three basic pricing strategies - cost plus, competitor-based and what-the-market-will-bear.

## Primary activity (is)

This is the primary activity or activities of the co-operative. **SEE** Active Membership

## Privacy

The Commonwealth Government's Privacy Act introduced new provisions which came into effect on 21 December 2001 and these apply to co-operatives whose turnover exceeds \$3 million per annum. The Act incorporates a set of National Privacy Principles relating to the collection of personal information, its use and disclosure, data quality, data security, access and correction, unique identifiers, anonymity, transborder data flows and sensitive information. Information sheets are available from the Office of the Federal Privacy Commissioner.

## Procedural Motion

A procedural motion is directed at the conduct of the meeting e.g. closure, proceeding to next meeting, refer the motion to a committee, adjourn the meeting, tabling of a motion and time limits. **REFER** Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Producer Co-operatives

Co-operatives owned by producers of farm commodities or crafts that join together to process and/or market their products.

## Profit

The excess of receipts over expenditure over any period.

## Profit and Loss Accounts

A profit and loss account is a financial history of trading that shows the sale and costs of goods or services provided by the co-operative. This statement enables a co-operative to determine its profitability – how much profit/loss was generated from the operations of the co-operative.

## Profit Margin

How much a co-operative makes on the sale of its products. Net profit margin is net income divided by net sales. Gross profit margin is gross profit divided by net sales.

## Profit Motive

The desire for gain as a motive.

## Proprietary limited company

A company registered with the Australian Securities and Investment Commission. The companies must lodge annual returns. It can be a one person business or have up to 50 non-employee shareholders.

## Proxies

A vote exercised by one person on behalf of another person. A proxy is when a member appoints another member to exercise a proxy on their behalf. A proxy is to be exercised at the discretion of the proxy holder unless specified otherwise.

## Public companies

Public companies can have any number of shareholders and can raise funds by offering shares to the public. It has to have at least three directors.

## Public Interest

Refers to the good of the general public as opposed to the good of individuals and enterprises.

## Public Relations

A planned program by a co-operative to promote its services and values. Co-operative public relations needs to be based on the co-operative difference. **SEE** Marketing Our Co-operative Advantage.

## Purchasing Co-operatives

Associations of individuals, organisations and businesses who join together to enhance their individual purchasing power.

## Q

### Quadragesimo Anno

The Reconstruction of the Social Order - Pope Pius XI 1931 encyclical letter on social issues and reconstructing the social order that influenced the Antigonish and YCW Co-operative Movements.

### Quality Control

A system for checking the quality of products, services and procedures.

### Quorum

This is the number of directors or members that need to be present at a meeting so that business can be legally transacted at a meeting and decisions made. The rules provide for quorum numbers. Minimum quorum numbers are provided for in legislation. In the absence of a quorum, an informal meeting can be held and it has no constitutional standing. Decisions made at the meeting would need to be ratified to become valid.

## R

### Regional Co-operatives

A co-operative serving a defined region incorporating local communities.

### Registered Office

All co-operatives are required to establish a registered office where the registers of the co-operative are lodged and maintained. If changing the registered office, the Registrar must be given written notice within the required time period.

### Registers

Each co-operative has to maintain a series of Registers - members, directors, shares, loans to, securities given by, debentures issued by and deposits received, names of persons who have given loans or deposits to or hold securities or debentures, loans made by or guaranteed by the co-operative, memberships cancelled and notifiable interests.

### Registration

Registration is basically the recording of the name, purpose and rules of a

co-operative in a register. This register can be consulted by anyone. Co-operatives have to register in Victoria. A registered co-operative means that anyone can consult the register to know the nature of the co-operative as a legal person.

### Registry of Co-operatives

The State Government body responsible for registering and monitoring co-operatives as required under co-operative legislation.

### Reports

Reports for directors or members should be sufficient to enable directors or members to exercise control at board or general meetings. What is critical to this process is a board determining what information it needs to meet its obligations as a board. At a minimum this involves the board is fully informed of the co-operative's state of affairs and the board is satisfied that internal control systems are adequate. All reports should basically provide a background to the issue, the findings, the options and a proposal with anticipated costs including time/dollar costs. Key questions about reports include is the report dependable, how do we know that it is reliable, can we get more information and are other figures available.

### Reports - correspondence

At a minimum correspondence reports should provide date of letter received, date when letter received, author of letter, subject matter of letter, whether a reply has been sent and when and whether any other action undertaken or to be undertaken as a result of the correspondence.

### Rerum Novarum

The Condition of Labor - Pope Leo XI 1891 encyclical letter about the condition of labor that influenced the Antigonish and YCW Co-operative Movements.

### Reserve funds

Reserves are the most important part of the capital resources of a co-operative. Reserves are a cheap form of capital because the co-operative pays no interest.

### Resolution

A resolution is a formal determination of a meeting – a motion that has been passed. REFER Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Retained Earnings

Refers to the income that is surplus to costs and is retained at the end of a financial year.

## Retained Patronage Refunds

Part of the profits to members is paid in ordinary shares usually based on patronage.

## Revenues

Refers to increases in assets or decreases in liabilities resulting from operating activities. Examples of revenue include donations, grants, bank interest and sales.

## Risk

The amount of uncertainty involved in any action – the variance of possible options. A co-operative has to identify, assess and monitor risk. A risk profile should be prepared to identify the financial and non-financial risks for the co-operative. The co-operative will also need to ensure that it has an adequate risk management system. **REFER** Session 2 Getting Down To Essentials and Resource Book Resource 15 Risk Rating Checklist in Co-opAdvantage Developing Directors of Co-operatives

## Risk Aversive

Minimising the risk involved in decisions and projects.

## Risk Capital

Investing capital in new and untried projects where there is a chance that the capital could be lost.

## Risk Management

Risk management is about the need for a co-operative to ensure that it has the policy and processes necessary to identify, assess and respond to risk within the co-operative e.g. capital adequacy, compliance risk, data risk, credit risk, regulatory risk and market exposure.

## Rochdale Pioneers

Established a model for retail co-operation in Rochdale, UK, in 1844. The Rochdale Pioneers established principles of co-operation to guide their co-operative and these formed the originator of the co-operative principles adopted by the International Co-operative Alliance.

## Rules

These govern the actions of the co-operative and are registered with the government.

## Rules – alteration

Alterations to the Rules of co-operative must be approved by members at a general meeting. Proposed alterations must be approved by the Registrar before the general meeting. The exception to this is an alteration passed by the board of the co-operative to give effect to a requirement, restriction or prohibition imposed under the authority of the Act. **REFER** Co-operatives Act 1996

## Rural Life

Magazine of the National Catholic Rural Movement in Australia that included advocacy of the co-operative option.

## S

### Santamaria, Bartholomew Augustine (1915-98)

Catholic intellectual and writer who advocated religious and family values. Created the Catholic Social Studies Movement and the National Civic Council. Foundation Secretary of the National Catholic Rural Movement which advocated co-operation.

## Secret Ballot

A system of voting that does not reveal how anyone voted.

## Secretary

All co-operatives have a Secretary. The Secretary is responsible for preparing agenda and minutes for all board and other meetings, maintain the registers of the co-operative, sending meeting notices to directors and members, have custody of the seal of the co-operative, be familiar with the rules of the co-operative and be responsible for correspondence. In cases where a co-operative does not employ an Executive Officer the Secretary commonly carries out those duties normally considered to be the EO's responsibility.

## Security

Banks usually prefer to lend on assets rather than cash flow.

## Self-Management

Refers to a business that is controlled and operated by its employees e.g. worker co-operatives.

## Shares

The share capital of co-operatives varies according to the nominal value of shares. The share capital of a co-operative is fixed in value as specified in the Rules of the co-operative. The shares may be fully or partially paid up. If shares are not fully paid up, then, the co-operative has a readily available source of capital to call on if required. If not fully paid-up, at least 10% of the share capital has to be paid-up. A co-operative may have more than one class of shares provided it complies with the co-operative principles. If authorized by the Rules, members may be required to take up additional shares. The importance of share capital to a co-operative depends on the nature of a co-operative and its size and capital-raising requirements. Co-operatives with shares need to address the issues of bonus shares, cancellation, purchase and repayment.

## Social Aims

Refers to businesses that have social aims e. g. employment of people with disabilities and community development. The importance of social aims to a business varies and depends on the nature of the business and there is debate about the centrality and/or marginality of social aims. Social aims are central to co-operatives.

## Social Audit

A method for examining, measuring and reporting on social and ethical performance. Social audit refers to the practice of a business reporting on their policies and actions that socially, economically and politically impact on society apart from their primary business. A social audit is a tool for a co-operative to examine its mission, objects, policies and values.

## Social Capital

Refers to the social capital of a communities – the networks of individuals, organizations and institutions that enable collective action. Co-operatives are an organized form of social capital. This is not always recognised by analysts of social capital.

## Social Cohesion

The sharing of a sense of common purpose and of working for a common good while acknowledging and respecting difference and diversity. Co-operatives depend on social cohesion for their formation and development.

## Social Economy

See The Middle Way

## Social Enterprises

Describes types of business that utilized commercial businesses to serve a social purpose – combining business efficiency and success with social aims. Ownership and control models differ. Social enterprises are not to be confused as an extension of the voluntary sector. Social enterprises aim to be self-sufficient and not grant dependant. The term includes co-operatives.

## Social Entrepreneur

A term used to describe the initiators and managers of social enterprises. The term can also be broadly defined as a leader for social change.

## Social Ownership

Describes ownership and control of business based on community rather than investor ownership – ownership by society rather than investors. The term has been broadly applied, however, and includes co-operatives and public enterprises.

## Spence, Catherine Helen (1825-1910)

Activist for female suffrage, welfare reform, proportional representation and co-operation. Authored five novels and two other books.

## Stakeholders

Anyone who has a stake in an enterprise such as a co-operative. Individuals, groups, organizations and communities that have a particular interest in a co-operative e.g. the workers who are employed, the community in which the co-operative is located, the members who supply the co-operative and the customers who purchase from the co-operative.

## Standing Orders

Standing Orders are the rules and regulations of the board, committee and general meetings of the co-operative. REFER Renton, N.E. Guide For Meetings and Organisations Volume 2 Meetings, The Law Book Company Limited, 1994

## Start-up capital

The amount of money, resources and property that a co-operative needs to support it until sufficient income is generated to cover costs.

## Statewide Co-operatives

Co-operatives that operate throughout a State in more than one region. Co-operative Purchasing Services Ltd is an example of a co-operative that is a statewide co-operative.

## Strategic Alliances

One way for a co-operative to achieve its objectives is to form a strategic alliance with another co-operative or an investor-owned company. A strategic alliance is an association between people or organizations that has mutual benefits for both parties. The reasons for forming a strategic alliance could include access to capital, markets, processing and expertise.

## Strategic Plan

Strategic planning is a long-term step-by-step process to use assets through long-term planning and development. It differs from short-term or annual planning. Key content of a strategic plan process are vision, mission statement, external factors, internal factors, strategic options, choose directions, goals and action. The strategic plan is a series of tasks, who is responsible for the tasks and when the tasks are to be completed. The board needs to adopt a strategic plan. While not essential for very small co-operatives, strategic plans are an important planning tool. Strategic plans guide management and the board. If there is a strategic plan, this needs to be reviewed and updated on a regular basis. Strategic plans will need to change over time to protect and develop the co-operative's position in the marketplace and subsequently communicate the rationale to members. REFER Resource 14 Planners Checklist Book Co-op Advantage Developing Directors of Co-operatives, Co-operative Federation of Victoria Ltd, 2001 and Jerry C. Namken and Galen W. Rapp Strategic Planning Handbook For Co-operatives, USDA, Rural Business Cooperative Service, CIR 48, October 1994

## Subordinated Debt

A loan or security that ranks below other loans and securities in any claims on assets or earnings. Lenders regard it as riskier because it is subordinated and, therefore, it is usually expensive.

## Subsidiary

A business that is organised, owned and controlled wholly or partly by a parent co-operative.

## Substantive Motion

An expression of an opinion, deciding on a course of action, endorsing a course of action and ordering a course of action.

## Supply-push

A co-operative ensures that products and services are readily available and accessible in adequate quantities to meet demand.

## Surplus distribution

The profits of a co-operative are often called a surplus. In essence, a surplus is the same as a profit – income generated that is a surplus or profit after all operating costs have been met including the servicing of any loans. Co-operatives have often preferred the term surplus because it distinguishes co-operatives from investor-owned companies – being service-driven rather than capital-driven. Co-operatives may resolve to retain all or any part of a surplus for the benefit of the co-operative. A trading co-operative may allocate part of the surplus to members as a rebate on the basis of business done with the co-operative, the issue of bonus shares or the issue to members of a limited dividend.

## Suspending members

Rules must provide for the suspension of members consistent with co-operative legislation.

## SWOT Analysis

A Swot analysis - Strengths Weaknesses Opportunities and Threats provides a framework for analysing the position and choices for a co-operative.

## T

### Tariff

This is a tax imposed on imported products by government either a fixed charge per unit imported or a fixed percentage of value.

### Tennant, Kylie (1912-1988)

Novelist whose books included *Ride on Stranger* (1943), *Australia: Her Story* (1953) and *Evatt* (1970). *Speak You So Gently* (1959) was about the work of the Reverend Alfred Clint, the Director of Native Co-operatives for the Australian Board of Missions.

### Trade Union

An organization of employees formed to bargain for employees with employers.

### Trade Practices

Co-operatives and companies in Australia are subject to the Trade Practices Act 1974. The Act regulates competition.

### Trading co-operatives

Co-operatives in Victoria can be registered as a trading co-operative or a non-trading co-operative. A trading co-operative gives returns or distribution on surplus or share capital.

### Types of co-operatives

e.g. agricultural, consumer, craft, credit union, dairy, education, fishing, food, forestry, fuel, funeral, hardware, health, housing, insurance, irrigation, media, multipurpose, multi-stakeholding, producer, utility and worker.

## U

### Unallocated Equity Reserves

A co-operative retains a portion of net earnings to increase capital. This may be specified in the Rules or be subject to a decision by the Annual General Meeting.

### Under-capitalisation

A co-operative that has insufficient capital.

### Underlying assumptions.

These are assumptions that are made as given whether they are assumptions about the co-operative or the economic environment in which the co-operative operates.

### United Nations

Formed in 1945 as an international association of states to promote international peace and co-operation.

### Uruguay Round Agreement

A trade agreement that is designed to open up world markets. The negotiations for the agreement began in Uruguay in 1986 and concluded in Morocco in 1994. The WTO was established as a result of the Uruguay Round.

## V

### Values

Values are beliefs of a co-operative and its members - beliefs about certain types of behavior, processes and outcomes that are perceived to be socially and personally desirable e.g. open membership and one vote per member.

### Variable Costs

Variable costs are those that either rise and fall proportionate to business activity and are controllable.

### Victorian Co-operative News

Newsletter of the Co-operative Federation of Victoria Ltd. **SEE** Co-operative Federation of Victoria Ltd

### Voluntarism

Based on voluntary membership of co-operatives. Individuals are not required to become or remain members of co-operatives.

### Voting

Members have one vote irrespective of the number of shares they own and the amount of trading they have with their co-operative.

### **Voting – Simple majority**

A simple majority is when the most votes wins e.g. 4 to 3 and 8 to 7.

### **Voting – proxy**

A proxy vote is a vote cast on behalf of a member.

### **Voting – qualified majority.**

A qualified majority is when more than the most votes is required for a motion to be passed. A Special Resolution, for instance, requires a two-thirds majority e.g. 6 to 3 and 10 to 5.

## **W**

### **Website**

All co-operatives should consider the development of a website. A web site gives members, suppliers and customers and others 24 hour access to information about the co-operative. The website could include all relevant announcements about the co-operative's activities and developments, notices of meetings and explanatory material, media releases and financial reports.

### **WOCCU**

The central co-ordinator for the international credit union movement – representing 40,258 credit unions in 80 countries with over 118 million members.

### **Working Capital**

Working capital is the excess of current assets over current liabilities - fund that is used to cover the operating costs of a co-operative. Working capital comprises stock, debtors and cash. Stock is the amount of money tied up in stock. Debtors is the amount of money owed by customers for goods and services.

### **Work Redesign**

Redesigning the nature of jobs. This can be aimed at increasing employee autonomy and responsibility.

### **World Trade Organisation (WTO)**

Established on 1 January 1995. The WTO replaced GATT as the institutional and legal basis for the multilateral trading system of member countries.

## **Y**

### **YCW Co-operative Movement**

The YCW Co-operative Movement was established and developed by the Young Christian Workers' in Melbourne, Victoria, Australia. The YCW Co-operative Movement began in 1945 with the establishment of a housing co-operative. In 1948 a trading co-operative was established. In 1956 the first credit union was established. In 1961 a Co-operative Development Society was formed to provide co-operative education and promote co-operation. The YCW Co-operative Movement adopted the six principles of the Antigonish Movement. The YCW published a quarterly magazine on co-operative news for members and a quarterly discussion bulletin for directors and employees.