

Module 6 Factsheet

Overview

Module 6 focuses on key operational aspects of a co-op including governance, interactions with other organizations, and how co-ops handle crises. The module ends with a re-cap of the key features that set co-ops apart and why this business structure holds an important place in the Canadian economy.

Governance in co-operatives

Governance in a co-operative is similar to other types of businesses. A co-operative's member-ownership and local operations lead to three unique governance trends:

1. **Decision-making:** All co-operatives use 'one member, one vote' decision-making to preserve the interests of members.
2. **Responsiveness:** Because board members are ordinary co-op members, they have unique insights into their members and how to respond to member needs.
3. **Unique board dynamics:** Elected from the members, co-op boards tend to better reflect the communities they serve in terms of demographics, interests, and business acumen.

Some co-operatives create partnerships with other organizations for operational and governance support. Creating **co-op federations** is a common solution for similar organizations that want to network or leverage greater purchasing power.

Annual compliance

To comply with legislation, co-operatives complete four steps beginning with their financial year-end:

1. **Annual audit:** Co-operatives that don't issue securities can waive an annual audit (depending on provincial regulations), but many undergo some form of financial review to present to members.
2. **Annual general meeting:** A co-operative's board must report to the co-op's membership each year at the AGM. The meeting is held to approve the annual report, elect directors, and appoint an auditor. AGMs are held 4-6 months after the end of the co-op's fiscal year, and information from the meeting isn't disclosed to the public.
3. **Annual return:** Following the AGM, the co-operative must file an annual return to confirm it is still operating and update its corporate information with the government.
4. **Tax filing:** Co-operatives, like other corporations, must file a T2 tax statement and pay the appropriate corporate tax.

Assessing the success of co-operatives

The module highlights some important impacts achieved by co-operatives including:



- **Resiliency:** Co-operatives are better at operating in challenging markets like remote communities, where a monopoly could exploit local consumers.
- **Stability:** Co-operatives provide stability in key industries including agriculture where they support a larger food ecosystem and retain profits for Canadian farmers.
- **Local Impacts:** Co-operatives provide baseline services in their communities which can improve business investment and retention.
- **Surviving crises:** Research shows that co-operatives are better at surviving crises, because they can draw on member support and are willing to endure losses better than other businesses.

The Government of Canada’s Special Committee on Co-operatives stated that “one way to assess the impact of co-operatives is to ask the hypothetical question: what would the consequences be if co-operatives did not exist?” The following questions can be helpful when assessing the success of a co-operative:

- What impact does the co-operative have on the broader regional economy?
- What skills are people gaining as a result of the co-operative’s operation?
- Is the co-operative trading financial performance for other member benefits?
- How much money is circulating the local economy as a result of the co-op and its financial processes?
- Is the co-operative correcting a market failure?
- If the co-op did not exist, how would members and the local economy be affected?

Recommended resources

Johnston Birchall and Lou Hammond Ketilson’s paper [Resilience of the Cooperative Business Model in Times of Crisis](#)

The Special Committee on Co-operatives’ report [Status of Co-operatives in Canada](#)

