

How a Co-operative Works

Structure of a Co-operative

A co-operative is both an association of people and an enterprise. It therefore has two different structures:

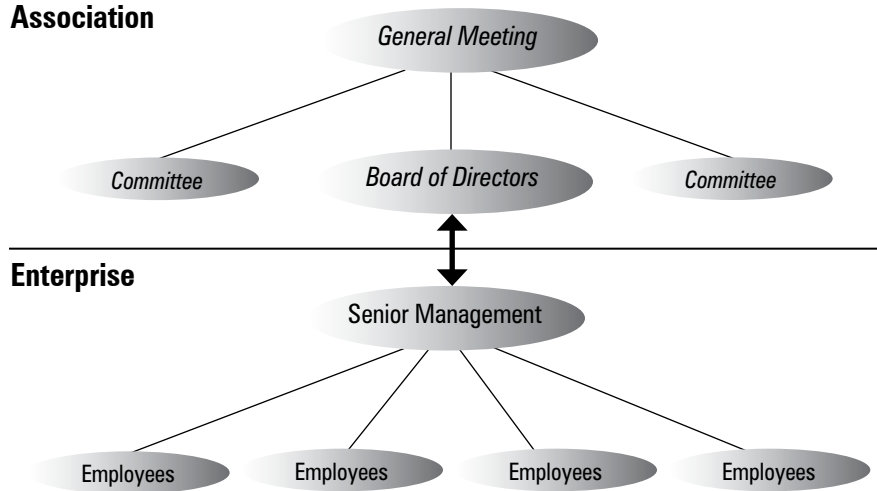
- the association of people requires a democratic structure (general meeting, board of directors, other boards and committees) in which members or their representatives can participate directly or as delegates of groups of members;
- the enterprise structure may be simple or complex, depending on the scale and nature of the economic activities, but it will likely be similar to that of other private enterprises.

The association of people is directed by a voluntary board of directors. The co-operative is governed by the board of directors and managed by the person holding the position of chief executive officer, general manager, or executive director. An Executive Director usually heads up a non-profit co-operative or an association.

Articles of Incorporation

A co-operative's articles of incorporation may vary according to the particular provincial or federal legislation. For example, it may or may not be necessary for them to contain the objectives and purpose of the co-operative, as well as the share structure.

Association



Source: Alain Bridault, *Managing the Democratic Process in a Co-operative*, from the collection *Managing a Co-operative*, Sillery, Quebec, ORION research and consulting co-operative March 1998, p. 36.

By-laws

A co-operative's by-laws are like a government's constitution. They define the rights and obligations of each member of the co-operative, and they constitute a legal document. In many cases, they may only be amended by a majority of two-thirds of the members at a general meeting.

Depending on the legislation, the by-laws must include provisions such as:

- the co-operative's mission and its fields of activity;
- requirements for becoming a member (including the number of co-op shares) and for terminating membership (withdrawal or expulsion);
- the procedure for calling the annual general meeting, special general meetings, and meetings of the board of directors.

- the powers and responsibilities of the board of directors, the executive committee, and other committees and boards;
- the powers and responsibilities of the chief executive officer/executive director.

The Democratic Structure

A co-operative operates according to the rules of parliamentary democracy.

Annual General Meeting

The board of directors must call and organize an annual general meeting. The by-laws may provide for a quorum (number of members or percentage of total members), without which a general meeting may not be held. One member may not vote on behalf of another member (no proxy voting).