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The Inclusive Economy: Power by co-ops

Doug O'Brien — p4

The Boardroom: Why governance matters in the inclusive economy

Judith Hermanson — p20

From the Ground Up: Growing cooperatives in Madagascar

Pamela Karg and

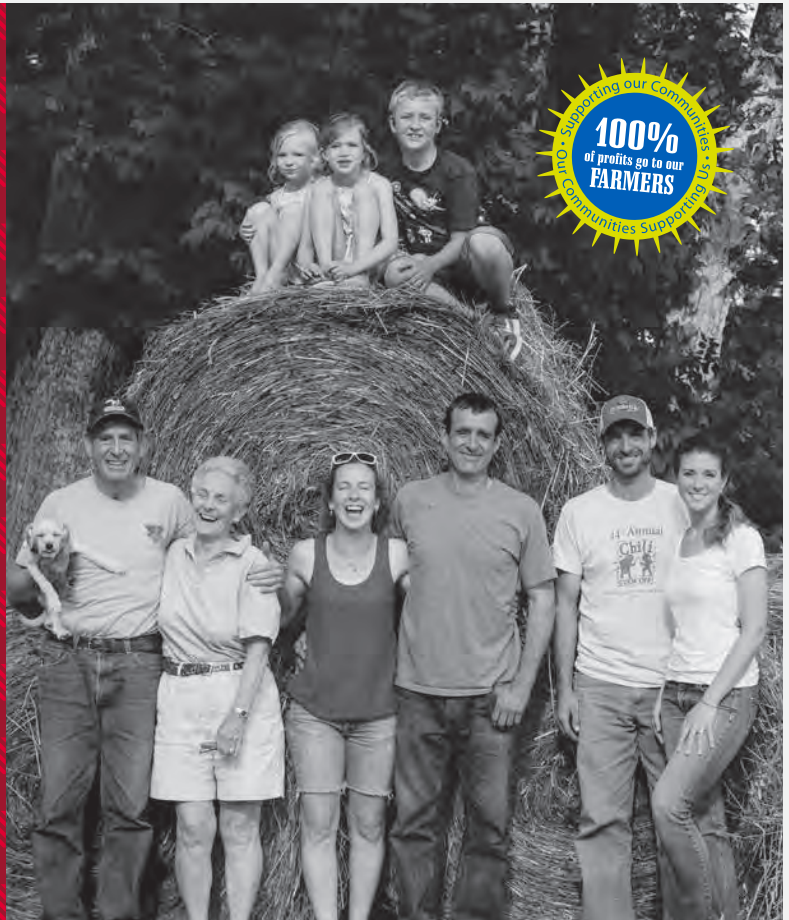
Adam Schwartz — p28





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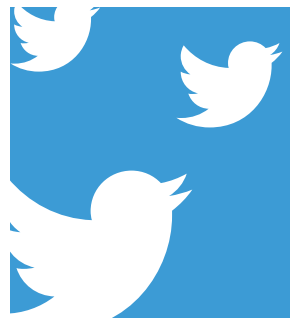
THE COOPERATIVE BUSINESS JOURNAL

C O N T E N T S

- 3 Perspectives**
By Judy Ziewacz



- 4 The Inclusive Economy –
Powered by Co-ops**
The best business
model to drive economic
change
By Doug O'Brien



- 12 #GoCoop**
How the #BuyTwitter
campaign could signal a
new co-op economy
By Danny Spitzberg



- 20 The Boardroom**
Why governance
matters in the inclusive
economy
By Judith Hermanson



- 24 From the ground up: Growing
Cooperatives in Madagascar**
*By Pamela Karg and
Adam Schwartz*

Perspectives

"For generations, our economy has enabled people to dream big dreams and work hard to achieve them. Today, our economy seems to work for the benefit of those at the very top. But what if we turned today's exclusive economy into a more inclusive economy—one with more opportunities for more people?"
– Rockefeller Foundation

In today's society, the burden of income inequality, the rapidly changing face of work and the uncertainty of the job market are leaving families feeling increasingly vulnerable to economic instability. In an exclusive environment where the top 3 percent of the population holds 50 percent of the wealth in the U.S., is it even possible to move the needle in the direction of an economy that draws people together rather than pushing them apart?

A year ago, as NCBA CLUSA celebrated its 100th Anniversary, the Board of Directors embarked on a strategic visioning process to define our role for the next hundred years of service representing the cooperative movement in the U.S. and in countries around the world. Focusing on cooperative enterprise as a "Force for Good," this endeavor revealed a desire to assert the relevance of co-ops in a contemporary context, while enhancing cross-sector collaboration toward a shared goal.

Today, we are rededicating our efforts to be an advocate for, collaborative partner in, and driver of an Inclusive Economy.

NCBA CLUSA is excited by the boundless prospects of an Inclusive Economy in which people around the world are empowered to contribute to shared prosperity and well-being for themselves and future generations. Cooperatives were created as a method to accomplish this audacious goal more than 150 years ago.

Our Summer 2017 edition of the *Cooperative Business Journal* is dedicated to taking a deeper dive into the Inclusive Economy through the lens of the cooperative movement. Our feature article uses the recent #BuyTwitter campaign to illustrate what it could look like for the cooperative movement to transition to a new norm for economic inclusivity.

As we take a closer look, we find that there is natural integration between the time-tested cooperative movement and the newer work toward building a more inclusive economy. Together, these ideas empower people to take on significant roles in their economy and help advance an environment that is more equitable, participatory, collaborative, stable and sustainable.



Happy reading,

Judy Ziewacz
President & CEO
NCBA CLUSA

The Inclusive Economy: At the core of the co-op business model



"For purposes of this work, NCBA CLUSA defines an Inclusive Economy as one in which people around the world are empowered to contribute to shared prosperity and well-being for themselves and future generations. Within this vision, we propose that NCBA CLUSA focus on leveraging the cooperative model and the shared resources of our movement to engage, partner with and empower communities left behind by a shifting economy and facing the greatest barriers to achieving this goal." – NCBA CLUSA Board of Directors



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The Inclusive Economy: Powered by Co-ops

The best business model to drive economic change

By Doug O'Brien

People are having a harder time finding their place in an economy that in many ways seems to exclude more and more workers, families and entrepreneurs. Trends in inequality, poverty and job availability have prompted researchers, policymakers and society in general to look for strategies on how to meaningfully include more people in an economy that seems to be trending toward decreased opportunity and workplace instability for many. This article points to a proven strategy that has been used by people for generations: the cooperative business model.

This article examines some of the troubling trends that people face in today's economy, explores recent work around envisioning what a more inclusive economy could look like, and then applies the inclusive economy framework to examples within the cooperative movement. The article concludes that by joining forces, the cooperative movement and those working toward a more inclusive economy could make a deeper impact on empowering people in economy and society.

The cost of inequality

A consensus is emerging that inequality not only impairs the livelihoods of the people on the lower rungs of the economic ladder, but also a nation's economy as a whole. Increased inequality tends to depress the gross domestic product, decrease human capital and limit the number of people who can invest in the economy.¹ According to Christine Lagarde, Managing Director of the International Monetary Fund, "excessive inequality makes capitalism less inclusive. It hinders people from participating fully and developing their potential. Disparity also brings division. The principles of solidarity and reciprocity that bind societies together are more likely to erode in excessively unequal societies."²

After several generations of largely declining or holding steady, inequality has increased for the first time in the 1970s so that by 2015 the top 20 percent of people made more than 16 times that of the bottom 20 percent.³ In terms of wealth (as opposed to income), 50 percent of all U.S. wealth is held by the top three percent.⁴

Focusing on those near the bottom of the economic ladder, poverty in the U.S. generally decreased over

"...excessive inequality makes capitalism less inclusive. It hinders people from participating fully and developing their potential. Disparity also brings division. The principles of solidarity and reciprocity that bind societies together are more likely to erode in excessively unequal societies." — Christine Lagarde

the past few years, but is still stubbornly high at 13.5 percent. That means more than 43 million people in the U.S. live in households below the poverty line, defined for a family of four at an annual income of \$24,250. For certain groups, the statistics tell an even starker tale: the child poverty rate is 19.7 percent; African American poverty stands at 24.1 percent; and the poverty rate among Hispanics is 21.4 percent.⁵

What about jobs? We know the dynamic U.S. and global economy is opening new options for the types of work available to many people in the job market. The gig economy is one example, loosely defined as a labor market in which "temporary, flexible jobs are commonplace and companies tend toward hiring independent contractors and freelancers instead of full-time employees."⁶ While the gig economy provides a significant amount of autonomy and flexibility for workers, it also creates instability and generally provides few or no benefits such as health care and retirement savings.⁷ Observers of the gig economy point out that not only do many of these workers lack benefits, they tend to have lower incomes and miss out on a number of tax advantages that traditional employees enjoy.⁸ Perhaps because of these reasons, many workers in the gig economy

1 OECD. In It Together: Why Less Inequality Benefits Us All. May 2015. Printed Report.

2 Forbes. "Finance Less Proud and Industry More Content": London Talks Inclusive Capitalism." Accessed on June 20, 2017 at <https://www.forbes.com/sites/dinamedland/2014/05/27/finance-less-proud-and-industry-more-content-london-talks-inclusive-capitalism/#17a8583c48c0>

3 United States Census Bureau. "Shares of Aggregate Household Income by Quintile: 2015 American Community Survey 1-year Estimates." U.S. Department of Labor. 2016. Accessed on June 20, 2017 at http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?_af=ACS_15_1YR_B19082&prodType=table

4 Center on Budget and Policy Priorities. "A Guide to Statistics and Historical Trends." Nov. 2016. Accessed on June 20, 2017 at <http://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality>.

5 Proctor, Bernadette D., Jessica L. Semega, and Melissa A. Kollar. "Income and Poverty in the United States: 2015." United States Department of Labor. 2015. Accessed on June 20, 2017 at <https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf>; Torpey, Elka *et al.* "What is the Gig Economy?" Bureau of Labor Statistics. 2016. Accessed on June 23, 2017 at <https://www.bls.gov/careeroutlook/2016/article/what-is-the-gig-economy.htm>.

6 "Gig Economy Definition." Investopedia. Accessed Jun 30, 2017 at <http://www.investopedia.com/terms/g/gig-economy.asp#ixzz4jV7ejYWC>

7 Torpey *et al.*, *supra*.

8 Gillespie, Patrick "Gig Economy Workers." CNNMoney. October 27, 2016. Accessed on June 30, 2017 at <http://money.cnn.com/2016/10/27/news/economy/gig-economy-workers/>.

The Inclusive Economy — Powered by Co-ops

would prefer to have full-time employment, but millions can't find better jobs or pay.

While the gig economy may create relatively insecure jobs, researchers note that 47 percent of current U.S. jobs are at a "high risk" of being automated in the relatively near future.⁹ Another potential challenge—and perhaps an opportunity—is the result of an aging population. Baby-boomers are retiring and, as they do, a looming "crisis" is anticipated: mass small business closings. Baby-boomers own about half of all American privately held businesses with employees.¹⁰ Additionally, a vast majority of them (roughly 85 percent) have no plan for the business' continued operation after their retirement. Many of these business owners struggle to find a buyer—particularly a local buyer who wishes to keep the business in or near its current location. With either the direct closing of the business, or its sale to a larger and physically distant competitor, employees will often lose their jobs and the local economy will lose out on the benefits of a locally owned and operated small business.

Envisioning a more inclusive economy

The dynamics around stagnant wages, increased inequality and the uncertainty of many new jobs has increased insecurity for many U.S. families and those around the world. Further, traditional metrics for success in the economy tend to be narrowly focused on indicators around income and wealth, thus minimizing other significant factors that measure the wellbeing of households and the economy. So researchers and policymakers have sought ways to measure the economy that go beyond traditional

income and employment metrics that "suggest the need to consider all dimensions of economic life"¹¹ in the context of a more inclusive economy. The term "inclusive economy" has been defined in a number of ways, but generally captures the notions of opportunity for everyone—no matter their geography or demographic—as well as the ability to live with dignity.¹² As stated in a recent report supported by the Rockefeller Foundation, an inclusive economy is defined as "one in which there is expanded opportunity for more broadly shared prosperity, especially for those facing the greatest barriers to advancing their well-being."¹³

The report's authors, Chris Benner and Manuel Pastor, describe how economic thinking has evolved toward the emerging "inclusive economy" framework. In the mid-to-late 20th century, conventional thinking dictated that inequality was necessary at early stages of economic growth, predicting that wealth would trickle down and eventually the poor would benefit from a stronger economy. More recently some economists have challenged this notion—both theoretically and empirically—pointing to the lack of any evidence that the cycle eventually results in decreased inequality.¹⁴ Economists then focused on lower-income populations, with two of the approaches called "pro-poor growth" and "inclusive growth." The pro-poor growth concept focuses on how the poor benefit in the economy—primarily through income, but in some cases researchers looked to non-income factors such as education, health and nutrition. The concept of inclusive growth goes a step further, asserting that inequality is "bad for things like political stability and social cohesion."¹⁵

9 See Frey, Carl Benedickt & Michael A. Osborne. "The Future of Employment: How Susceptible Are Jobs to Computerisation?" Oxford Martin School, University of Oxford, Oxford, OX1. Sept. 2013. Accessed on June 20, 2017 at http://www.oxfordmartin.ox.ac.uk/downloads/academic/The_Future_of_Employment.pdf.

10 "Small Business Closure Crisis." Project Equity. <http://www.project-equity.org/communities/small-business-closure-crisis/>. Accessed June 20, 2017.

11 Benner, Chris & Manuel Pastor. "Inclusive Economy Indicators: Framework and Indicator Recommendations." Rockefeller Foundation Report. Dec. 2016. p.3. Accessed on June 30, 2017 at <https://assets.rockefellerfoundation.org/app/uploads/20161212162730/Inclusive-Economies-Indicators-Full-Report-DEC6.pdf>.

12 For a simple definition of "inclusive economy" see Murawski, Sara. "Towards an Inclusive Economy." The Broker. May, 2013. Accessed on July 18, 2017 at <http://www.thebrokeronline.eu/Blogs/Spurring-economic-transition/Towards-an-inclusive-economy>. "Inclusive economy means creating more sustainable and inclusive societies that aim at including all members of society in the growth process itself instead of distributing wealth among them after periods of steep growth. Additionally, inclusive economy models are targeted at preventing global economic crises by regulating capital flows and reforming the financial system. Inclusive economies also pay attention to the environment, aiming at a sustainable and green global economy."

13 Benner and Pastor, *supra*, p.3.

14 Benner and Pastor, p.4.

15 Benner and Pastor, p.5. See also Shearer, Richard & Alan Berube. "The Surprisingly Short List of US Metro Areas Achieving Inclusive Economic Growth." Brookings Institution. April, 2017. Accessed on June 20, 2017 at <https://www.brookings.edu/blog/the-avenue/2017/04/27/the-surprisingly-short-list-of-u-s-metro-areas-achieving-inclusive-economic-growth/>; A key statement: "recent failures to achieve inclusive growth, especially in advanced economies like Europe and the United States, helps to explain the political and societal divisions they increasingly face."

Inclusive growth also tends to look not only at outcomes, but also to process so that all members of society are able to participate and contribute to economic growth.¹⁶

Finally, the concept of inclusive economies builds on these earlier concepts by drawing on other fields of study that “emphasize aspects of the economy that are poorly captured in more traditional metrics of economic progress” such as political economy, ecological economics and theories of well-being and social development.¹⁷ These approaches capture benefits and costs to society that more traditional notions of GDP do not, such as contributions of people who do not receive income or the costs of environmental degradation. Benner and Pastor describe five characteristics, along with proposed indicators, of an inclusive economy: equitable, participatory, growing, sustainable and stable.¹⁸

Work around the inclusive economy has tended to focus on people’s place in the broader economy; this article considers an important related question: how do the concepts around the inclusive economy connect to people’s relationships in the firms with whom they do business? Researchers have already begun work on this question. For example, in October 2016, B Lab released a set of metrics designed to help B Corporations move toward a more inclusive economy. In another example, Business for Social Responsibility (BSR) works with many of the world’s largest corporations and “develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.”¹⁹ One of BSR’s areas of focus is the inclusive economy, where it works with companies “to integrate human rights, inclusive supply chain practices, robust stakeholder and community engagement, and transparent



Cooperativa Café Timor’s network of clinics—the largest private health provider in the country—has served more than 2 million people.

Photo: Sarah Crozier

reporting into business practices.”²⁰ While there are examples of the traditional business community expressing the importance of investing in a more inclusive economy so that more people have the tools to contribute to the business’ and the economy’s financial bottom line,²¹ the work is just beginning on what types of business organizations are more likely to empower people in their businesses as a strategy for a more inclusive economy.

Well before the term was coined, people understood and used a particular type of business organization—cooperatives—as a tool to help people obtain a more inclusive economy. For example, in 1961, Congressman Jerry Voorhis, then Executive Director of the Cooperative League of the United States (now NCBA CLUSA), stated: “If...concentration of power is the cause of the present weakness of our society, we can nonetheless show that we know a counteractive to that power which can restore responsibility and hope to the average citizen. ... It is the simple counteractive of cooperation, the method of mutual aid. Any groups of people anywhere on earth can use that same method *both* to raise their living standards *and* enhance their freedom *and* build their human dignity.”²² Voorhis makes clear that the cooperative movement has always been about expanding opportunity for a more broadly shared prosperity,

16 For an extended body of work on inclusive growth, see the Organization of Economic Cooperative Development which has launched an extensive initiative on the subject and defines “inclusive growth” as “economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.” Access at <http://www.oecd.org/inclusive-growth/>.

17 Benner and Pastor, p.5.

18 To see how an early iteration of these factors and indicators plays out in the metropolitan U.S., see the work at Brookings Institution by Berube and Irons that found, among other things, that the most and least inclusive metro areas are both geographically and economically diverse, and that more equitable metropolitan economies exhibit higher levels of participation and stability. Alan Berube and John Irons. “Measuring ‘Inclusive Economies’ in Metropolitan America.” Accessed on June 20, 2017 at <https://www.brookings.edu/blog/the-avenue/2016/05/12/measuring-inclusive-economies-in-metropolitan-america/>

19 See their “About” page, accessed on June 30, 2017, at <https://www.bsr.org/en/about>.

20 See their site at <https://www.bsr.org/en/expertise/inclusive-economy>. Accessed on June 30, 2017.

21 Berube, Alan and Joseph Parilla. “Achieving Inclusive Growth in Cities.” Brookings Institution. July 5, 2016. Accessed July 18, 2017 at <https://www.brookings.edu/blog/the-avenue/2016/07/05/achieving-inclusive-growth-in-cities/>

22 Voorhis, Jerry. *American Cooperatives*. 1961. Harper & Bros. New York.

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primarily by setting up the conditions wherein people are empowered in their business.

For those involved in the cooperative movement, the inclusive economy characteristics are familiar. Many of the same ideas are found in the cooperative values and principles, but not at the macro economic level; rather, the cooperative movement integrates these values and principals into a particular type of business organization.²³ Cooperatives have always been concerned about how people interact with the economy and, in particular, how they own, control and benefit from the businesses that provide them access to critical markets and services. Further, as people-centered businesses, cooperatives have been at the forefront of efforts to use the business model to address critical societal issues such as empowering disenfranchised racial groups²⁴ or ensuring people have access to essential infrastructure.

In her book *Collective Courage: A History of African American Cooperative Economic Thought and Practice*, Dr. Jessica Gordon Nembhard chronicles the use of cooperative principles and the cooperative business model by African American social and economic movements. Dr. Nembhard summarizes the function of cooperatives: "Cooperatives stabilize their communities—increasing economic activity, creating good jobs, increasing benefits and wages, and encouraging civic participation...Cooperatives provide a mechanism for low-resource people with few traditional opportunities to create new economic opportunities for themselves and their co-workers and neighbors."²⁵

In light of the fact that cooperatives have a long tradition of providing people a strategy to use businesses to build a more inclusive economy, this article begins to consider how cooperatives fit into the five characteristics set out by Benner and Pastor with examples of past and current cooperative activities.

Cooperatives in a More Inclusive Economy



Equitable²⁶

"More opportunities are available to enable upward mobility for more people.

All segments of society, especially the poor or socially disadvantaged groups, are able to take advantage of these opportunities." – Benner and Pastor

One of the better-known examples of cooperatives in rural America is the creation of electric cooperatives beginning in the early 1930s when merely ten percent of farms had electricity. Aggressive uptake of the cooperative business model paired with substantial support and partnership with the federal government meant that by 1953, 90 percent of farms were connected.²⁷ This infrastructure transformation was not only about families having access to modern household amenities; it was about whether communities could participate in the modern economy. The unavailability of electricity in rural areas kept their economies entirely and exclusively dependent on agriculture. Factories and businesses, of course, preferred to locate in cities where electric power was easily acquired. For many years, power companies ignored the rural areas of the nation. But since the 1950s, the rural economy has diversified, and while rural areas have recently experienced relatively stagnant economies, the decades after rural electrification saw significant closure of income and GDP gaps between rural and urban places.²⁸

In the 1930s, the creation of rural electric cooperatives focused almost exclusively on simply getting access to electricity. Today, member-ownership of their own electric energy companies and distribution means that people have a much greater stake in the quickly evolving dynamics within the electricity complex—whether that means building out renewable energy capacity or establishing programs to help families and

23 "What's a Co-op?" International Co-operative Alliance. Accessed on July 19, 2017 at <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>.

24 See Jessica Gordon Nembhard, *Collective Courage: A History of African American Cooperative Economic Thought & Practice*. Penn State University Press. University Park, PA. 2014.

25 *Ibid.*

26 Icons throughout article courtesy the Rockefeller Foundation's "Inclusive Economy Indicators: Framework & Indicator Recommendations"

27 "History: The Story Behind America's Electric Cooperatives and NRECA." NRECA. Accessed at <https://www.electric.coop/our-organization/history/> on July 1, 2017.

28 See, e.g., Lewis, Joshua & Edson Severnini. "The Value of Rural Electricity: Evidence from the Rollout of the U.S. Power Grid." Working Paper. April 2015. Accessed at <http://www.economics.illinois.edu/seminars/documents/Edson.pdf> on July 1, 2017.

businesses use energy more efficiently, or even leveraging the rural electric infrastructure to provide high-speed internet in some of the last places in the U.S. to have access.²⁹ Further, rural electric cooperatives ensure rural households have the market strength to effectively participate in the national and global electricity markets.



Participatory

"People are able to participate fully in economic life and have greater say over their future. People are able to access and participate in markets as workers, consumers, and business owners."

— Benner and Pastor

Participation is in the very DNA of the cooperative business model: co-ops rely on members not only to set the course of the business, but also to play a crucial role in the business (whether as a consumer, producer or worker). This higher level of participation makes it more likely that the priorities and values of the people who use the business are expressed as their business interacts in its community—the result of a truly people-centered business. An ICA Group white paper describes how this dynamic plays out in the worker cooperative context: "When workers and owners are one and the same, the interests of the company and the community become aligned and investment decisions are made to ensure the ongoing viability of the company—including measures around job quality and supporting the local economy."³⁰

With increased participation in the business, worker cooperatives not only yield better outcomes for communities; they also show that when ownership is paired with a meaningful degree of employee participation, performance, productivity and firm longevity are enhanced.³¹ For example, the nation's largest worker cooperative, Bronx-based Cooperative Home Care Associates (CHCA), employs well over 2,000 people in the home health care sector, one that experiences notoriously high turnover rates because of its relatively low pay, erratic work schedule and skimpy benefits. Because CHCA is owned and

controlled by its members, the cooperative has focused on a "retention" culture that prioritizes employee development through extensive training, better benefits and a more predictable work schedule.³² CHCA's average turnover rate is now just 15 percent—far from the industry standard of 60 percent. This significantly higher retention rate translates to better care for the clients.



Growing

"An economy is increasingly producing enough goods and services to enable broad gains in well-being and greater opportunity. Economic systems are transforming for the betterment of all, especially poor and excluded communities."

— Benner and Pastor

The history of the Cooperativa Café Timor (CCT) is one of constant growth and diversification. Known for selling high-quality, ethically sourced organic coffee to the most competitive coffee companies in the world—including Green Mountain and Starbucks—CCT was established in the 1990s with NCBA CLUSA support and funds from the U.S. Agency for International Development. The cooperative has survived a war with Indonesia and a civil war to become the country's largest private-sector employer with more than 22,000 farmer-owners and an additional 4,000 seasonal jobs. In 2000, CCT members decided to reinvest Fairtrade coffee premiums into community health clinics for their rural coffee growing regions. Since then, eight health clinics, three mobile teams and 12 community teams have served more than 2 million Timorese. In 2008, Starbucks funded four more community clinics, making the CCT health system East Timor's largest private health provider.

As CCT expanded into regions where coffee can't grow, the cooperative has explored diversifying into new markets. Because East Timor imports more than 90 percent of its wheat flour, CCT decided to pursue milling flour made from cassava, one of the country's staple crops. With the high prices of imported flour,

29 Ibid. See also Kang, Cecilia. "How to Give Rural America Broadband? Look to the Early 1900s." Aug. 7, 2016. NY Times.

30 "What is a Worker Co-op?" International Co-operative Alliance. April, 2015. Accessed on June 30, 2017 at <http://ica-group.org/wp-content/uploads/2015/04/What-is-a-Worker-Co-op.pdf>. p.3.

31 Ibid. p. 2.

32 "Improving the Home Health Care Model." Medium. Accessed on June 30, 2017 at <https://bthechange.com/improving-the-home-health-care-model-8c6dcd9ebe75>

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CCT can buy cassava tubers at up to double the market rate and still be able to sell cassava flour at half the price of imported wheat flour and make 30–40 percent profit. In addition to cassava, NCBA CLUSA is supporting seedling farmers to grow vanilla, Robusta coffee, cocoa and black pepper. By using the cooperative business model, people in East Timor—including many who were in lower income households—have experienced greater well-being for themselves, their families and their communities.



Sustainable

"Economic and social wealth is sustained, maintaining inter-generational well-being. Inclusive economies preserve or restore nature's ability to produce the ecosystem goods and services that contribute to human well-being."— Benner and Pastor

The behavior of food cooperatives naturally reflects their members' priorities. Food co-ops are grocery stores that are owned by people in the community who buy food from the store. For many food cooperatives, the impact that the store has on the environment is important, so food co-ops as a group have put in place practices to improve energy efficiency, increase the use of renewable energy and reduce their carbon footprint.³³ For example, food co-ops outperform their conventional competitors on Department of Energy rankings of energy efficiency: on a scale of 0 to 100 (with 100 being optimal), food co-ops score 82 while the industry average is merely 50. In a related metric, "[c]o-ops generate 50.6 metric tons of carbon dioxide equivalents per million dollars of sales compared to 73.7 metric tons for grocery stores that furnish data to the Carbon Disclosure Project.³⁴

National Co+op Grocers (NCG), a business services cooperative representing close to 150 food co-ops in the U.S., uses a program called Co+efficient to track its sustainability metrics. To offset greenhouse gas emissions associated with employee air travel and ground transportation—as well as electric utilities used in its main office—NCG partnered with an international environmental organization called PUR

Projet to establish the Co+op Forest—a living forest that offsets its carbon emissions. Since 2013, NCG has planted 4,700 native trees in a previously deforested region of Peru and protected an additional estimated 800,000 trees by conserving 1,600 acres in a highly bio-diverse old growth forest.



Stable

"Individuals, communities, businesses and governments have a sufficient degree of confidence in the future and an increased ability to predict the outcome of their economic decisions... Economic systems are increasingly resilient to shocks and stresses, especially to disruptions with a disproportionate impact on poor or vulnerable communities."— Benner and Pastor

In the wake of the financial crisis of 2008, credit unions—financial cooperatives with a focus on long-term benefits for their members—presented an excellent example of how cooperatives provide for more a resilient and stable economy. In the depth of the Great Recession, despite the fact that they tend to serve lower-income populations, credit unions had much lower levels of failure rates than commercial banks.³⁵ In 2008, the rate of commercial bank failures was almost triple that of credit unions (0.60 percent to 0.23 percent), and that increased to almost five times the credit union rate by 2010 (1.86 percent to 0.40 percent).³⁶ These lower failure rates provided greater stability for credit union members and their families while significantly decreasing the burden on the taxpayers through a government agency to absorb the losses of failed commercial banks.

A proven business model

As people look for strategies to create a more inclusive economy, they should consider one of the most important relationships that people have in the economy: the businesses where they work, purchase supplies, sell products or obtain services. The cooperative business model empowers people to own, control and benefit from these businesses. This proven model provides one of the most

33 "Healthy Foods, Healthy Communities: measuring the Social and Economic Impact of Co-ops." Stronger Together Cooperative. 2012. Accessed on June 30, 2017 at http://strongertogether.coop/sites/default/files/wp-content/uploads/2013/07/Healthy_Foods_Healthy_Communities_6.pdf

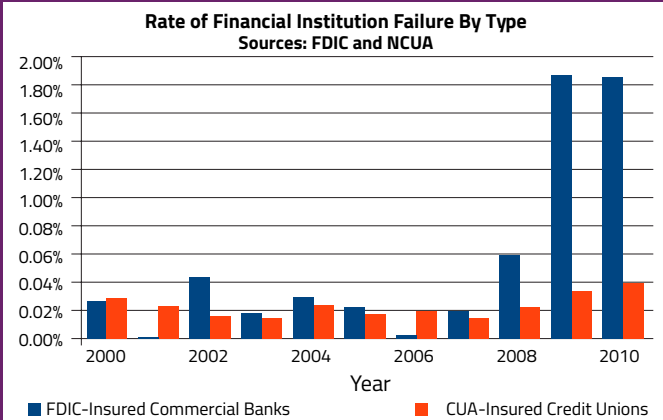
34 *Ibid.* p.15

35 See, e.g., Gold, Jason. "Don't Make Credit Unions Die for Banks' Sins." U.S. News. Sept. 17, 2013. Accessed at <https://www.usnews.com/opinion/blogs/economic-intelligence/2013/09/17/five-years-after-the-financial-crisis-credit-unions-deserve-tax-free-status> on July 1, 2017.

36 *Ibid.*

direct ways for people to help shape their local and national economy. Because cooperatives are people-centered, their outcomes tend to go beyond only the financial bottom line to consider how the business can provide critical goods and services that the members of the cooperative could not obtain individually in a way that reflects the members' values.

As the early precursors to the inclusive economy movement, cooperatives have for generations empowered people to advance both economic and social goals. Meanwhile, researchers, practitioners and policymakers have developed and are beginning to implement policy frameworks that would build a more inclusive economy. Much potential exists if these two movements—the long-standing and proven cooperative movement, and the more nascent and highly relevant inclusive economy movement—combine their efforts. Together, they can contribute a complementary set of experiences and assets toward achieving a common goal: empowering people within the economy to obtain the outcomes they seek, both for themselves and for society. 



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Explore the economic impact of cooperatives, emerging trends and development initiatives shaping the next cooperative decade.

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#GoCoop

How the #BuyTwitter campaign could signal a new co-op economy

By Danny Spitzberg

The fight for a free and open Internet scored a win in 2006, thanks to a bad analogy. Alaska Senator Ted Stevens argued that Internet service providers should have the right to manage traffic from sources that “flood the Internet,” which he likened to “a series of tubes.” Companies like Comcast could filter competitor ads or political content. Worse, they could charge extra for watching Netflix. To prevent this discrimination, users joined the Net Neutrality movement to protect equal, unfettered access to all websites, applications and data.

As silly as Stevens' ideas may sound for the Internet, congestion was a serious cost for newspapers in the early 1800s. News cables could only carry one message at a time. Publishers found themselves in a bidding war to get reports until May 22, 1846, when five of them formed the Associated Press, a joint venture that split costs and shared news.

Much like Internet today and cables before, AP had become a utility. And for decades, it grew to serve its exclusive membership and charge competitors whatever it pleased. It wasn't until 1945 that a Supreme Court ruling intervened to convert AP into a nonprofit media cooperative, opening its membership and adding accountability to the general public.

Today, online news is a very different beast. Net Neutrality legislation barely passed and it is under attack again. The Associated Press has become a lonely source of trustworthy reporting. And Twitter, a website and app where users post 140-character tweets, has become a vital news utility. Twitter, Inc. is a publicly traded company in Silicon Valley valued at around \$12 billion. It has a large proportion of retail shareholders—around 60 percent. However, decisions are left to its executives, board and a few institutional shareholders.

We depend on just a handful of digital platforms for everything from business operations work to our personal life, but have no meaningful control of any of them. Yet inclusive company ownership is key to democracy. If Silicon Valley can disrupt whole industries, why not innovate with company ownership, too? For almost a year, Twitter has been on the edge of acquisition by a major company. Why not consider a conversion to a cooperative, instead?

The cooperative movement has enough history and insight to play a leading role in a more inclusive economy, especially with the success of well-known and much-loved models like AP and REI. However, we've been slow to build the strategic capacity required to convert large enterprises, and especially digital platforms. By organizing a campaign for Twitter to become a cooperative, we can leapfrog to more inclusive ownership of our economy.

On May 22, 2017, the same day that AP marked

“If Silicon Valley can disrupt whole industries, why not innovate with company ownership, too?”

its 171st anniversary, I joined a few dozen Twitter shareholders gathered for the annual general meeting at the company's San Francisco headquarters. Founder and CEO Jack Dorsey shared his belief that Twitter can be “the first place that people go to when they want to find out what's happening.” In other words: a news utility. Myself and thousands of other users and shareholders already knew this, of course. Our interest was to hear the voting results on our proposal to convert the company into a cooperative.


Nine months earlier, Twitter found itself in the news for different reasons. Its stock price fell to around \$14 from a high of \$69, and reports came out about Twitter seeking to sell out in an acquisition. Most articles highlighted the gap between Twitter's valuation on the stock market and its value to society. As a news utility, Twitter plays an outsized role. Its 300 million monthly active users in the first quarter 2017 were far fewer than Facebook (1.9 billion), YouTube (1.0 billion) and even Instagram (700 million). Yet every day, television news anchors read tweets with the same authority that newspapers reference AP stories.

Twitter is unique in how it helps make the news—and shape history, too. The platform's public posting default and hashtag feature make it easy for social movements to amplify their message. In 2015, 14 activists shut down the San Francisco Bay Area subway system by chaining their arms through a subway car stopped at a station in West Oakland. They planned the demonstration for four-and-a-half hours, drawing national attention to the time police in Ferguson, Missouri waited before giving medical attention to Michael Brown, an unarmed black youth shot by an officer. Within minutes, the transit shutdown caused



a social media uproar. Commuters took to Twitter to share views about the delay, many of them using the hashtag that activists printed on their shirts and that tens of thousands of tweets echoed that day: #BlackLivesMatter.

The more we depend on Twitter to get our news or make our voices heard, the more we should care about who owns and controls it. Champions of free press doubt Twitter's ability to play a role as an unbiased news utility. Media analysts believe Twitter tolerates ongoing harassment and bullying to boost use, views and ad revenue. And users understand they have no say in the company downplaying trending topics, refusing to promote specific content, or shutting down controversial accounts.



“The more we depend on Twitter to get our news or make our voices heard, the more we should care about who owns and controls it.”

To say users on Twitter are loud or have strong opinions is a bit of an understatement. But with one-share, one-vote as the norm, users and small shareholders have virtually no voice or influence. And with chaotic stock prices and politics threatening Twitter's survival, there couldn't be a better time to explore innovative alternatives to the ho-hum affair of an acquisition.

Realizing Twitter's immense value to news and social movements, a group of cooperative advocates and researchers decided to start a thought experiment. How might we protect and strengthen the platform in ways a for-profit, publicly-traded company can't? What would it take for users to buy Twitter and form a cooperative?

In November 2014, several hundred technologists and a few dozen leading lights in the free software and open source movement came together in New York around a multisyllabic shared interest: platform cooperativism. The conference culminated in an edited volume, “Ours to Hack and to Own,” a year later, then slowed to a trickle of conversation, mainly via email and on Twitter with the hashtag #platformcoop.

Shortly after reports came out about Twitter, Inc. in conversation about an acquisition, one of the co-organizers, writer and cooperative scholar Nathan Schneider, sent an email to a group asking, What can our movement do? I'd been helping build cooperative platforms for several years, and shared my analysis and analogies. Yes, a multi-billion dollar company could become a co-op. Look at how Green Bay Packers' football fans have kept their team in Wisconsin!

Nathan put the idea in writing, and *The Guardian* ran it as an op-ed on September 29, 2016 with the headline, “Here's my plan to save Twitter: let's buy it!”

The op-ed spread across Twitter almost immediately. Hundreds of users tweeted it, some adding #WeAreTwitter and #BuyTwitter. To keep building critical mass, our group started a Twitter account, @BuyThisPlatform. We clicked ‘Like’ and ‘Retweet’ and replied. Using the decision-making platform Loomio, we also created space for discussion with allies.

It's difficult to specify the reasons why the idea resonated. Based on tweets, articles and conversations in our growing organizing group, my understanding is that people saw a cooperative alternative as equally provocative and sensible. Rachael Lamkin, an intellectual property lawyer, said she saw democratizing Twitter was a stepping stone to overhauling Uber. Coverage in WIRED, a magazine about technology and politics, was predictably positive: “It makes perfect sense,” a November 2016 article said.

Another explanation for the popularity of a co-op buy-out is simply its newness to a mainstream audience. The U.S. business community has a limited

imagination about ownership—even more so in Silicon Valley, where companies aspire to either go public or get acquired. As Twitter’s fate hung in the balance, speculation stuck to one line of thought: What would Twitter become as part of Salesforce, one company to publicly comment about buying it? What about Google or Amazon? In contrast to that guessing game, our group moved the conversation beyond the choice of public or private by pointing to another form of ownership: the people.

We began by talking about how shared ownership and community control could save Twitter from Wall Street. And we argued that the company should share its future with those whose participation make it so valuable: its users. We also knew that any chance of success depended on organizing shareholders. But no small shareholder fools themselves into thinking they have any real power—certainly not on their own, and not even in aggregate without getting organized.

In the 60s and 70s, labor activists Dolores Huerta, Philip Vera Cruz and Cesar Chavez united thousands of California farmworkers and their families to march against—and later boycott—major agriculture companies, including at least one grower cooperative. They demanded basic rights and fair wages. And against all odds, they won.

The farmworker organizing involved many people patiently building relationships across cultures, which activist and now lecturer Marshall Ganz participated in for 16 years. Writing about the social movement that grew in California, Ganz concludes that in David-versus-Goliath fights, the reason David sometimes wins has less to do with charisma or the good graces of a higher power, and more to do with what he calls “strategic capacity.” Effective leadership means creating and utilizing resources, from action plans to political power, as opportunities arise.

The case for Twitter becoming a co-op revolved around the fact that our news utility was under threat, but for the average user, their livelihood and financial investment was a separate matter. Our week of frenzied tweeting had turned into a month of organizing with nearly 200 individuals. Our more

financially-minded allies urged us to ground the idea in reality. Rachael Lamkin, the lawyer, did back-of-the-envelope math about how many of Twitter’s 300 million users we would need to crowdfund \$7 billion, a majority share of the company. Many critics did the same math. There had to be other ways to influence Twitter.

“...our group moved the conversation beyond the choice of public or private by pointing to another form of ownership: the people.”

Maira Sutton, a former digital rights policy analyst, suggested we create our first piece of strategic capacity: a two-page plan. We’d drafted a petition, but didn’t know what it should accomplish. So we decided to make the case for Twitter to become a user-owned co-op, or else persuade Twitter to develop its own alternative to Wall Street. We would do this by uniting users and shareholders who believe Twitter has yet to realize its full potential—and value—as a news platform. The document outlined ways to apply pressure on Twitter, Inc. and escalate over time.

For many of the organizers in our collective, this campaign was their first experience facing a company as large as Twitter, Inc. We had the challenge of setting expectations while sustaining excitement. Trying to decide on a minimum number of signatures for our petition helped us clarify that we needed to focus at least as much on political power as financial capital. Did we need 10,000? 100,000? Even 10 million is less than 1 percent of user accounts on Twitter. More than score signatures, we aimed to earn coverage in major press outlets.

Within a month of posting our petition, we had



collected just 3,000 signatures urging Twitter not to “sell its users to Wall Street,” and sign-ups were slowing to a trickle. But we caught media attention across the board, from the *Financial Times* to *Vanity Fair*.

Unsurprisingly, as December rolled around, nobody from Twitter responded. The initial excitement had subsided. Nathan’s op-ed remained the high note of our campaign. And half of our early organizers returned to other work or faded away, including one former stock market trader who seemed a bit too excited to help set up a checking account where we could deposit the \$7 billion people would crowdfund for co-op shares.

In movement organizing, a petition is barely the beginning of a conversation. Organizers typically find who they want to influence and deliver the stack of signatures in-person, hoping to raise a ruckus.

“For many of the organizers in our collective, this campaign was their first experience facing a company as large as Twitter, Inc. We had the challenge of setting expectations while sustaining excitement.”

We didn’t have any plans, or motivation, to do that. Instead, in early December, we created more strategic capacity by evolving our petition into a proposal.

Proposals are the building block of any cooperative. Ours sprang out of a conversation with housing activist Sonja Trauss, who knew little about co-ops but had petitioned Twitter a year ago. She thought #BuyTwitter made limited sense. More users owning shares means more voters, but Twitter is already publicly traded. And any shareholder can speak their mind to the CEO at the annual general meeting. Why make Twitter a co-op, Sonja asked, when it’s pretty much already there?

I hope you, dear reader, take pause with this question. Easy answers like “democratic power” or “one member, one vote” are not enough. Even as bumper stickers, they leave something to be desired. And co-op slogans like “we own it” do little for Sonja or other people outside the movement.

On Loomio, I relayed my conversation with Sonja to the organizing group, proposing we start organizing with shareholders in earnest. One of our organizers immediately recruited a friend and publisher of CorpGov.Net, Jim McRitchie. Jim has spent two decades submitting shareholder resolutions that improve company performance. Jim has a handlebar mustache not unlike a Wild West sheriff. He’s also a Twitter shareholder. By early December, #BuyTwitter had amassed several thousand signatures, email subscribers and followers. It seemed like we might have what it takes. Jim, Sonja, credit union expert Matt Cropp and a dozen others joined in-person and online to collaboratively write a first draft of our proposal. Finally, we had something tangible to hand Twitter. To participate in the process and vote, a few of us bought shares in Twitter, too.

As predicted, Twitter’s legal team tried to block our proposal. They filed a no-action request to the Securities and Exchange Commission with the argument that studying democratic user ownership amounted to micromanagement and a distraction, essentially claiming Twitter’s stock would soon bounce back.

At this point, our organizing group had amassed many reasons and scenarios explaining why a cooperative conversion would save Twitter and increase its value, too. Using that, Jim drafted an appeal to the SEC stating that studying new ownership models was the opposite of business-as-usual, and in no way interfered with day-to-day operations. In a year when many companies have rolled back shareholder rights, democratic governance deserves critical attention.

To our amazement, the SEC ruled in our favor. They directed Twitter to put our proposal to a vote by shareholders. Twitter released its annual proxy statement, a document providing shareholders with

information to vote on proposals. The proxy included the text of our proposal, and Twitter's written opposition that urged shareholders to vote against it.

As a high-profile company with its stock in flux, Twitter's proxy document was highly anticipated by journalists. #BuyTwitter received another wave of press with a mix of interest and amusement. One headline read, "Of course, a bunch of Twitter users want to buy the company and turn it into a co-op." Even more amazing, dozens of users and shareholders tweeted with enthusiasm and rational self-interest. @johnrobb's tweet represents the best balance: "Yes. Twitter would be an amazing co-op. I'd buy into it"

After nearly nine months of patient, volunteer organizing, #BuyTwitter could finally live up to its reputation as a movement.

Voting on our proposal opened in early April, and would close at midnight before the annual general meeting on May 22, 2017.

To get out the vote, our three working groups for campaign strategy, business analysis and digital organizing went into action. We launched buytwitter.org to continue signing up shareholders, wrote a three-step voting guide, posted a full list of our press coverage, and featured tweets from shareholders committed to voting Yes.

Winning votes, however, required that we more fully explain why a cooperative model might deliver returns to shareholders of a tech company. Albert Wenger of Union Square Ventures, one of Twitter's early major investors, wrote a blog post supporting #BuyTwitter. He recognized that Twitter's value depends on maintaining a dominant network, adding that "this also has the potential for setting up a deep conflict between companies that operate networks and the participants in those networks: the value to shareholders can be increased through rent extraction from the network. And with many network effects companies reaching near monopoly status the potential for harmful rent extraction has grown." Clearly, he wrote, experimentation with ownership models is essential for enterprises like Twitter.

"...user commitment that stems from real co-ownership can be far more powerful than any "sense of ownership" an investor-owned company can offer."

After eight months of organizing, and seeing many steps along the way where we might fail, our group had prepared for wherever we might face next. And so, we published ideas to win over shareholders that we could also play forward to converting the next online platform.

With shareholders in mind, we wrote an FAQ to respond to skepticism. "You might be wondering," it began, "Can't users buy Twitter stock already? We mean 'buy' as in, buy-out or acquisition. But, we're proposing a step before that—to explore models through which [Twitter] could sell to its users and other stakeholders, with broad-based ownership and accountability." And, in the spirit of cooperation, we posted four scenarios Twitter could study: a full buy-out that creates a user's trust, a partial buy-out that puts users on the board, a news consortium, and even a crypto-token offering that would move Twitter's value onto the blockchain.¹


We also explained why cooperative models promise to increase Twitter's value in general. First, user commitment that stems from real co-ownership can be far more powerful than any "sense of ownership" an investor-owned company can offer. Companies owned by workers tend to be more productive than their competitors. Second, when a company's users are also its owners, information sharing can happen more freely; users feel more trust in sharing information about themselves, and the company can be more transparent about what it shares with its users. And third, a more diverse set of stakeholders

¹ In the "token" economy, companies or startup ventures can fund their operations by offering units of cryptocurrencies like bitcoin instead of shares to investors.



with more varied incentive structures can result in greater resilience for cooperative businesses.

If Twitter and the Internet have one dark side, it's the den of trolls. These are users who feed on stirring up controversy, often targeted hate speech and abuse against, for example, #BlackLivesMatter. But here, too, cooperative organizing holds out hope of a more inclusive economy. In April, we hosted another webinar to sustain momentum, this time with three governance experts. New solutions to prevent trolling emerged, including improved accountability through electing users to the board and sortition, a process of selecting a representative set of stakeholders to weigh in on decisions. We also have faith that people would steward the platform if they became invested as user-owners.



#BuyTwitter showed what could look like for the cooperative movement to change from a niche within the economy to a new norm for economic inclusivity.

Support for #BuyTwitter finally came in from the cooperative movement. Fifty leading organizations—from NCBA CLUSA and other associations representing co-ops to credit unions and law firms—signed a letter to Twitter shareholders supporting our proposal and offering expert advice. Ed Mayo from Cooperatives UK, along with Catherine Howarth from U.K.-based investor advocacy nonprofit ShareAction, coordinated a nationwide poll that found some 2 million individuals would buy a share of cooperative Twitter.

In the final weeks before the general meeting, we mobilized all of our strategic capacity. We relayed emails from well-known activists and sent a flurry of tweets at Twitter co-founder Ev Williams, who

owned 6 percent of the company himself. We needed 50 percent +1 for our proposal to pass, and we were hoping for at least 3 percent to vote Yes, making us eligible to resubmit a stronger proposal next year. Yet amid all of the buzz in press and publicity, our ability to gauge which way the vote might go was limited to a few dozen tweets from Twitter shareholders.

At the meeting, Jim and I found seats among a few dozen other shareholders. We listened to Jack Dorsey's remarks about Twitter as a news utility. After reviewing three resolutions for three board seat elections, Jim spoke on behalf of our proposal to study democratic ownership. In 20 years of this work, he said, he's never seen such enthusiasm. He mentioned one supporter even tweeted a YouTube video of him singing and playing, "Buy Twitter, or Bye Bye Twitter."

Twitter's general counsel read the results. Our proposal "did not pass." The meeting closed, Jack thanked everyone again for investing in Twitter, and people made their way out.

As Jim and I stood to leave, Sean Edgett, Twitter's Vice President of investor relations, came over. "You got 4 percent," he said. I burst out, "Wow! We did it!" and Sean kept an even smile. Jack came over to join us, and the four of us talked briefly about the vast opportunity for Twitter to learn from the cooperative movement.

Before we left Twitter headquarters, Jim and I tweeted the good news.

According to Twitter's SEC proxy filing, our proposal received around 36 million shares in favor, about 4.9 percent of all shares. With well over the 3 percent minimum to resubmit, we can—and very likely will—come back next year with a better proposal to democratize Twitter.

Twitter's opposition statement to our proposal said it couldn't be done. The truth is, even some of our strongest allies suggested it was too complex and we should give up hope. But shareholders and even a venture capitalist saw promise in a cooperative conversion.

Shortly after the meeting, I received an email from a

stock market analyst who supported exploring cooperative ownership. "This study could be a game changer," he wrote. "You have legitimacy now from the shareholder vote. That carries weight. Leverage it to the fullest. Media coverage may very well be in your favor, too."

To grow the cooperative movement, we can convert even the most dominant enterprises and utilities. It took several decades to transform the Associated Press, but time moves much faster for Internet startups and bad news. And by going up against one of the largest companies in Silicon Valley and a major player in world news, we made the case for user-ownership, advanced the idea of cooperative platforms and created strategic capacity to go further.

In the renewed fight for #NetNeutrality, it's easy to see how broad-based ownership and accountability of digital platforms requires ownership of Internet data and service, too. Comcast, for instance, is running misinformation ads on Twitter, but 100 percent of the responses call them out for lying. Our #BuyTwitter organizing group will continue putting pressure on Twitter to study cooperative alternatives through direct conversations with employees and, if necessary, another proposal. You can get involved in that effort and the fight for a cooperative Internet by following [@BuyThisPlatform](#) or joining the discussion at loomio.org/g/PKBSd1xn/.

What does it mean to take ownership of our economy and make it more inclusive? Exploring that question must involve people outside of the cooperative movement. We have to throw our weight behind efforts like #BuyTwitter and invest in cooperative organizing. We can write more op-ed pieces to provoke attention, engage in social media to shift the conversation, and circulate petitions and start online groups to connect with allies.

#BuyTwitter showed what it could look like for the cooperative movement to change from a niche within



Participants at the second #platformcoop conference in New York City last November. Photo: Trebor Scholz

the economy to a new norm for economic inclusivity. Venture capitalist Albert Wenger supported our shareholder resolution specifically because it was a new model for tech enterprises. Yet cooperatives have been the source of innovation and benefit for centuries. The food co-op wave in the 70s brought organic food into the mainstream. The credit union sector helped pioneer direct deposit. Yet Silicon Valley is taking credit for discovering and serving these and other unmet consumer needs.

Instead of being a source of models and product ideas, I believe we can organize the cooperative movement to play a leading role in building a more inclusive economy for all by democratizing the digital platforms we all depend on. 🌱

Danny Spitzberg is Principal Researcher at Peak Agency in Oakland, California. He works with social movement organizations to launch platforms and build membership. Danny sees cooperative conversions as key to closing loopholes in our economy. Say hi on Twitter [@daspitzberg](#)



THE BOARDROOM



Why governance matters in the inclusive economy



Photo: Land O' Lakes

Cooperatives and cooperative development hold significant potential for advancing greater inclusiveness in the developing world. Cooperatives can and should be central to achieving the United Nations 2030 Agenda for Sustainable Development.¹ Designed to eradicate poverty by 2030, the agenda envisions a more peaceful, prosperous and sustainable planet. However, it is simplistic to assume that because cooperatives as a business model embody inclusiveness that they can automatically translate to all situations. Instead, it is important to understand the barriers co-ops face in a nuanced way and then find pathways to overcome them in order for cooperative development to gain the momentum and scale necessary to achieve true economic and social inclusiveness and, as a result, lessened inequality. This article identifies some of the barriers to scaling cooperative development with a focus on one of the more overlooked barriers that one part of the U.S. Overseas Cooperative Development Council (OCDC)'s research agenda is addressing: governance in emerging cooperatives.

¹ Agenda 2030 was formalized in September 2015 when 193 countries, including the U.S., endorsed this voluntary agreement. It consists of 17 Sustainable Development Goals (SDGs) that are measured by a series of 230+ indicators on which countries will voluntarily report.



Photo: Land O' Lakes

Co-ops and inclusive economic growth

Cooperatives are an obvious vehicle for inclusive economic growth. There is both common sense and concrete evidence to support this idea. Like-minded people—joining together to pursue a common economic interest within a framework of shared values—can yield significant economic benefits that individuals alone could not achieve. But, obvious to whom? We cannot assume that cooperative development is always the solution or that it is a simple one in developing countries. Neither can we assume that cooperative development is even on the radar of policymakers and others concerned about economic inclusion.

For example, a recent and extremely interesting study carried out by the University of Cape Town² focused on the impacts of the informal economy on inequality. While it offered a detailed look at the relationship between the formal economy and the informal economy, the study failed to identify either the potential for cooperatives to address some of the issues faced by workers and entrepreneurs transitioning from the informal to the formal economy, or the aggregating power that cooperatives offer within the marketplace that could empower informal workers and entrepreneurs.

In contrast, a recent study on financing the inclusive economy concludes that community wealth-building approaches centered in broad-based ownership are poised for growth and can be important tools to address the economic inequality that we face.³ The authors see cooperatives as important actors in creating a more inclusive economy both in the U.S. and internationally. They acknowledge the critical role that adapted financing instruments play in this regard, but conclude that while finance is an essential component, a partnership between finance and community development can “work together effectively to build community wealth and a truly inclusive economy.” Such phrasing captures what we often call the “cooperative advantage.”

2 Oosthuizen, Morné, Kezia Lilienstein, Francois Steenkamp and Aalia Cassim. “Informality and Inclusive Growth in Sub-Saharan Africa. (Cape Town, South Africa: Development Policy Research Unit, University of Cape Town: April 2016).

3 Kelly, Marjorie, Violeta Duncan, Steve Dubb and Oscar Perry Abello. “Financing Cooperatives: Strategies for Financing the Inclusive Economy: Financing Cooperatives as a Tool to Create Jobs and Build Community Wealth.” (Washington, DC: The Democracy Collaborative, September 2016).

In many developing countries, cooperatives in fact already play important roles in achieving greater economic inclusiveness—in Kenya, for example (where an ACDI VOCA project features a sustainable dairy cooperative), in Uganda (where Health Partners is providing health insurance for thousands of rural farmers) and in Mozambique (where NCBA CLUSA facilitated and supported the development of enabling legislation for cooperatives). Nonetheless, despite these and many other successes, barriers to effective cooperative development persist.

Understanding barriers to cooperative development

A first step in finding the right pathways for cooperative development to take root and flourish is to understand that barriers to inclusion—whether through cooperatives or otherwise—are not one-dimensional and so require multi-dimensional, non-linear responses. A second step to identifying those pathways is to understand the power that cooperatives have as a self-sustaining, democratic vehicle for grassroots development and inclusion.

Finance is often a significant barrier⁴ to a cooperative's ability to serve as a vehicle for advancing greater inclusiveness in developing countries. Appropriately structured finance, which includes m These include situations in which:

- There is low social capital, sometimes attributable to previous national level intervention in the cooperative space;⁵
- The legal and policy environment is not conducive to the cooperative enterprise;⁶ or

- Technical and managerial capacity within the cooperative itself is lacking⁷

Each of these elements has its own characteristics and may occur singly, together or in some combination.

“Cooperatives can and should be central to achieving the United Nations 2030 Agenda for Sustainable Development.”

Governance, agency and mutual accountability

Weak governance has also been broadly acknowledged as a barrier to the development of sustainable cooperatives in developing countries. Less frequently analyzed are challenges that relate to governance, accountability and agency of members that arise particularly when developing country cooperatives are in the early stage of development. OCDC has been working to better understand how to strengthen the governance of cooperatives, bringing together the perspectives of its practitioner cooperative development organization (CDO) members through its Collaborative Group, the realities faced by cooperatives themselves through field research, and evidence-based analysis through its Research Group. The focus is on understanding the particular challenges faced by newly-formed or early-stage cooperatives serving low-wealth communities in developing countries, which we see as an important building block for broadly gauged social and economic inclusion offered by the cooperative business model.

4 Kelly et al. list challenges, solutions and opportunities in their excellent analysis, which is largely focused on the US experience. They cite such factors as credit scores (challenge) and expanded foundation funding (opportunity) which often are not applicable in developing countries. However, the study does note at least two “challenges” that are central in developing economies: 1.) worker-members with “low wealth backgrounds” are likely to be able to contribute only a portion of the needed finance and 2.) lenders may lack knowledge and comfort with cooperative lending. Marjorie Kelly, Duncan, Violeta, and Dubb, S, with Abello, Oscar Perry, “*Financing Cooperatives, Strategies for Financing the Inclusive Economy: Financing cooperatives as a tool to create jobs and build community wealth*,” for the Democracy Collaborative, with support from CitiCommunityDevelopment.com, September 2016. Retrieved June 4, 2017.

5 Galera, Guilia. “The Impact of Social Enterprises and Cooperatives on Socio-Economic Development in Poland.” In *The Social Economy in Poland: Barriers to Growth and Potential in Light of Research Results*, Chapter 4. (Warsaw: Foundation for Social and Economic Initiatives, 2008).

6 The inadequacy of a legal and regulatory framework may take different forms, ranging from an overly general assumption of applicability of the cooperative law to all sectors to applying norms for one sector to all cooperatives.

7 Alemu, Dawit, Berhane Lakew, Kaleb Kelemu and Addisu Bezabih, “*Increasing the Income of Malt Barley Farmers in Ethiopia through more Effective Cooperative Management*” (March 2015: Ethiopian Institute of Agricultural Research, Addis Ababa, Ethiopia). Research supported by OCDC and Self-Help Africa. http://www.ocdc.coop/RG_Ethiopian_sideselling_project.html



Board members of Acopra Coffee Cooperative in El Salvador discuss social benefits for their members.. Photo: Sarah Crozier/NCBA CLUSA

Various cooperative governance challenges have been identified and are cited in a forthcoming paper⁸ on the subject. These include:

- Inadequate training of members, directors and cooperative managers and staff;
- “Top-down” decision-making within cooperatives;
- Corrupt or self-serving practices by managerial staff and/or board members;
- Lack of diversity, gender parity and/or equitable member representation among directors;
- Inefficient and/or corrupt decision making and self-serving behavior by the privileged at a

national or regional level.

In order to understand these issues in the context of emerging cooperatives, it is also important to look at underlying factors that might either be the cause or effect of such challenges.

In many early-stage cooperatives, members come together in solidarity and for a common purpose. However, translating that initial motivation into an effectively functioning cooperative is easier said than done. There is often an inherent power imbalance at the community and member level that arises from 1.) differing educational levels, including high levels of illiteracy; 2.) differing levels of understanding about cooperatives that arise from this initial imbalance,

8 Ford, Catherine and Ann Hoyt. “Assessing Cooperative Training Needs in Developing Countries.” (Washington, DC: US Overseas Cooperative Development Council, 2017) (forthcoming).

among other reasons; and 3.) cultural patterns and preferences that may not take diversity into account and/or that tend to reinforce an existing power structure. For example, in some countries, the educational levels divide along gender lines.

Some examples of these imbalances that affect co-op governance are:

- If cooperative meetings are scheduled without regard for the schedule of domestic or other duties such as childcare that fall to women, they are often unable to attend.
- When members are largely illiterate there is a predictable tendency to defer to those who are better educated for that reason alone.
- If cooperative boards are not aware of the governance responsibilities and requirements for cooperatives to be effective, accountability and transparency may not be prioritized.

These are just some of the elements behind the challenge of cooperative governance—particularly for nascent groups—that must be identified and understood in any governance strengthening process.

A framework for co-op governance development

To redress these and other imbalances that affect cooperative functioning and, as a result, the ability of cooperatives to advance shared economic and other interests through the power of aggregation, a group of OCDC members—U.S. cooperatives that have successfully developed cooperatives around the world—have been working with the OCDC Research Group. They are developing an evidence-informed board training curriculum what will provide structured board training for cooperative board directors in developing countries and, at the same time, tools to identify and address some of the underlying dynamics. This work is still in process and is based on a model that the group developed and has validated through fieldwork with representative cooperatives. The model describes cooperative development at

three development stages (see Table 1), with each stage having differentiated characteristics.

We have posited that any governance improvement effort needs to begin with a careful identification of areas where board directors can receive the most benefit. A governance assessment should result in a good understanding of the unique challenges each board faces to make sure that the cooperative is providing the best business possible to meet its members' needs. We have also assumed that one way to help improve performance as a board and as individuals is to ensure directors obtain training that is relevant to meeting the most critical needs of the cooperative.⁹

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“Like-minded people—joining together to pursue a common economic interest within a framework of shared values—can yield significant economic benefits that individuals alone could not achieve.”

While there are many good and effective governance-training protocols, the focus of this OCDC research is on newly formed cooperatives with vulnerable members. At the present stage, OCDC is determining through further field work whether the *Framework for Cooperative Governance Development Stages*—which has undergone initial field testing and validation—provides useful indicators of board development needs characteristic of the board's stage in its life cycle.

In turn, based on these characteristics, we will develop stage-appropriate assessment tools for implementation in emerging cooperatives in developing countries that take into account some of the critical underlying variables. We believe that a grassroots-informed training curriculum for each of the three early stages of cooperative development will help clear a path for greater economic and social inclusion for all its members.

9 Ford, Catherine and Ann Hoyt. "Assessing Cooperative Training Needs in Developing Countries." (Washington, DC: US Overseas Cooperative Development Council, 2017) (forthcoming).

Table 1: Cooperative Governance Development Stages Characteristics (Ford and Hoyt, 2017)

Organizational Area	Development Stage 1 Creativity /Startup	Development Stage 2 Direction /Establishment	Development Stage 3 Delegation/Institution
Product / Program	Single product or service, Primary reason the organization was created.	Success/expansion in original product; expand services, enter new markets, bring in new members, raise new money.	Eliminate some products, programs. Performance standards/ trend analysis influence product lines.
Board Focus	Issues of formation: basic operational systems and basic organizational structure (incorporation, bylaws, banking relationships, relations with granting agency, if any). Strong mission focus.	Issues of process: board focuses on mission and operations, but becomes more conscious of policies and process. Elects officers and may establish committees. Distinguishes between operations and governance work. Passion for mission decreases with focus on building internal capacity.	Issues of stabilization: revisit and re-define the mission. Longer term strategic focus. Directors monitor operations and leave implementation to staff. More structured meetings, stronger policies, focus on accountability and strategy.
Decision Making	Consensus	Majority vote	Majority vote
Board Culture	The board is the organization. Small, homogeneous, committed. Works mostly as an informal steering committee.	Some formal systems in place. Board assumes responsibility for well-being and longevity of the organization. Becomes more conscious of board development.	Formalized relationships. Continuous learning and asking key questions are valued. Board challenges management and each other and fulfills its fiduciary duties.
Organizational Culture	Strong sense of ownership, power shared, consensus leadership. Strong passion for mission. Tasks are simple and results are tangible.	Organizational growth exceeds board's capacity to perform all operations. Hires staff. Begin to balance power relationships between board and staff. Functional systems (financial, marketing, evaluation, personnel) need development.	Committee structure allows more tasks to be delegated; staff gain new responsibilities and decision-making power. Organization becomes increasingly professionalized. Board/staff continue to redefine roles. Board takes on governance roles (as opposed to operational).
Board Composition	Founders	Founders and recruits, board is enlarged and diversified	Mostly recruits. Few, if any, founders.
Director Attributes	Individualistic, visionary, charismatic, willing to work, lots of time available, and committed to the ideology and mission.	Willing to work, specific functional skills. Original board member role is becoming less important.	Start board assessment, intentional recruiting. Governance experience, strategic thinking, monitoring and planning and analysis skills, delegative.
Committee Structure	Informal, primarily functions as a committee of the whole. Committees support operations.	May add committees, primarily works as a committee of the whole. May add committees that support governance (e.g., Nominating).	Functional and governance committees in place (finance, HR, marketing and products; nominating, governance and audit). Committees begin to focus on board responsibilities. Board delegates more responsibility to committees.
Board Planning	Planning is day-to-day, or for the next few months at most.	Planning extends to several months, seasons	Long-term (3-5 year) planning
Organizational Growth Issues	Start-up and survival, attract members and business. Best outcome: operating co-op	Expand range of services, horizontal expansion, build infrastructure and relationships with stakeholders. May focus more on systems than mission.	Examine lines of business, vertical expansion. Challenge to balance with member needs and wants. Establish clear and decisive means of pursuing new opportunities.
Board Growth Issues	Crisis of multiple roles: Operational responsibilities expand beyond capacity of board members to respond.	Crisis of direction: Board needs to focus more on systems than on mission. Need for division of labor between board and staff becomes clear.	Crisis of control: Clear distinction of board and staff roles required. Effective monitoring and board-management relations systems needed.
Organizational Systems	Few systems, operations oriented, developed as needed. Tasks are simple, results are tangible.	More centralized, some policies in place. More delegation of work to committees. Functional systems in place.	More sophisticated, standardized systems and larger staff. Higher standards of accountability required.
Resources (Financial)	Limited capital and revenue, few sources of operating revenue. Funds raised from events, donations, small grants.	More capital sources and earned income, breakeven or net income generated, funding still needed from events and grants.	Stable net income, repeat, multiyear funding/capital sources and higher profits. Value decisions regarding use of profits and member ownership/ patronage refunds. Larger staff requires more financial resources. There may be mission drift prioritizing financial stability over fulfilling the mission.
Resources (Non-financial)	Strong reliance on volunteers and outside technical assistance. High time and energy commitment. At transition, expectations exceed resources of time, people, talent and money.	Limited staff and basic systems (accounting, product, processes). Operations grow to exceed volunteers' resources. Lots of passion and energy.	General manager and larger staff. More jobs are delegated to paid staff. New systems needed to meet more complex funding realities, vendor relations. New reporting required by funders, suppliers, consumers, government and members.
Top Leadership	Individualistic, charismatic, inspired members with a strong purpose to solve a problem or need. May have limited management strengths; willing to devote much volunteer time. Most of the focus is on mission.	Directive, focused primarily on original mission and operations. Expansion is horizontal (building size: products and services, revenue, membership), not vertical (building infrastructure).	Delegative, more involved in management and financial stability than mission, Accountability standards in place. Balance between board and management changes. Focus on policy, planning, oversight responsibilities; and building management systems and structures.
Staffing	No staff; board does everything. Board makes all operational decisions: governs, manages, performs.	Limited staff: Board continues to do some operational work. Hires first staff member to handle increased volume of work. Micro-management may be a problem. Begin development of functional job descriptions.	Hire professional staff for administration and program implementation. Heavy reliance on staff expertise. Confusion about board and management roles. Staff more involved in guiding/shaping the board. Standards of accountability in place.

Sources: Board Passages: Three Key Stages in a Nonprofit's Life Cycle, National Center for Nonprofit Boards; Board Developmental Phase Thumbnail, Lee Bruder Associates, www.leebruderassociates.com; Male, Richard, Life Cycles of Nonprofit and Nongovernmental Organizations (NGOs), Richard Male and Associates, www.richardmale.com downloaded March 14, 2016.

Critically, the curriculum will reflect and address both the governance challenges and also identify the underlying imbalances that might negatively affect the cooperative's ability to function effectively.

The early years of the cooperative are those that, in the experience of OCDC members, face the highest hurdles and it is these that comprise the three stages of the OCDC working *Framework for Cooperative Governance Development Stages* shown in Table 1.

Governance improvement through board training

This staging provides a tool to determine with some level of precision the governance needs of the cooperative and its board. We recognize that the model does not address per se what may be underlying imbalances that are in tension with commonly accepted practices of good governance. However, in the content analysis of the survey work that is being undertaken to identify unique director training needs at each stage, the assessment effort itself will contribute to governance from the cooperative perspective. Through its inquiry, this effort helps the board gain a better understanding of governance issues and exposes the board to some specialized tools and resources to improve governance practices that in turn contribute to success.¹⁰ It also informs the development of the training curriculum adapted to each context and designed to maximize training impact, such as non-formal education tools for people with no or low literacy levels.

With this work, OCDC has begun what we hope will be an extended process to identify promising practices in corporate and cooperative governance that can be applied to the cooperative business model in developing countries to address in both a systematic and a tailored way the governance challenges of emerging cooperatives in developing countries. This is a critical step in enabling cooperative development to play an even greater role in ensuring inclusiveness in developing countries. In the longer-term, OCDC's intent is to create a director training program designed to meet the unique governance needs of cooperative boards at different development stages and in different

business and cultural environments.

In highlighting OCDC's ongoing research to inform better board training and governance, we do not mean to imply that this is the only dimension that will determine the extent that cooperatives are able to contribute at an increasingly meaningful scale to the challenge of economic and social inclusiveness. We have described OCDC's granular and grassroots informed approach to governance improvement through board training. This approach allows us to simultaneously understand more systematically through staging the business challenges of each cooperative, and address contextually some of the imbalances that may be rooted within the cooperative community that can undermine the effectiveness of the business model. OCDC anticipates that this deepened understanding will enable us to develop communications tools and other means to enable transparency and mutual accountability in board training and governance. In the process, we envision that cooperatives across sectors will be better equipped to play a central role in economic and social inclusion in developing countries. 🌱

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¹⁰ Ford, Catherine and Ann Hoyt. "Assessing Cooperative Training Needs in Developing Countries." (Washington, DC: US Overseas Cooperative Development Council, 2017) (forthcoming).



From the Ground Up: Growing cooperatives in Madagascar

About Mirary Soa Co-op

Growing: Launched in February 2017, Mirary Soa already has 120+ members

Equitable: 50 percent of Mirary Soa's elected officers are women

Sustainable: Members know their time and financial investments sustain the co-op

Participatory: Members each have active roles in the co-op

Stable: Mirary Soa is planning to diversify crop production to mitigate an unpredictable vanilla market

Our final piece in this issue comes from Madagascar, where NCBA CLUSA supported the startup of a new vanilla cooperative this year through a project called Addressing Vanilla through Cooperative Enterprise (ADVANCE). Funded by the U.S. Agency for International Development (USAID) and implemented as part of the Volunteers for Economic Growth Alliance (VEGA) Farmer-to-Farmer Special Program Support Project, this one-year, \$150,000 project is driving a more inclusive economy in Madagascar.

USAID's Farmer-to-Farmer (F2F) program leverages the expertise of volunteers from U.S. farms, universities, cooperatives, private agribusinesses and nonprofit farm organizations to respond to needs identified by host-country farmers and organizations.

Our authors, Pamela Karg and Adam Schwartz, were the first two volunteers to work on the Farmer-to-Farmer assignment in Madagascar—Karg as a seasoned F2F volunteer and Schwartz a first-time F2F volunteer, but a veteran cooperative development professional. Their combined skillsets and training provided a strong foundation for the Mirary Soa Cooperative. Karg wanted to explore the sustainability of co-op development within a limited timeframe; Schwartz wanted to know if the principles of cooperation could transcend culture and geography, even in remote villages in Madagascar. Their reflections follow.

Planting the Seed

By Pamela Karg

But all the cooperatives are broken,” she said after visiting a group of farmers who had started and registered their co-ops several years earlier in a former Soviet republic.

Unfortunately, her assessment was correct. She was the only student in her university agricultural cooperatives class—ever—to stand up and announce that the emperor wore no clothes.

Despite millions of dollars and thousands of hours, the cooperatives weren’t functioning properly—if they were even functioning at all. This simple, honest assessment has led me to deeper thoughts—not to mention occasional rants—about how we champion the cooperative business model in developing countries. In fact, let me re-phrase that: how we champion *sustainable* cooperatives, because long-term operations are the crux of the challenge.

Since 2004, I’ve been living and teaching overseas. Most of the time, as a volunteer. Not beholden to or sponsored by any particular organization. As a result, I’ve had the advantage of sitting on the outside of the development world with a clear view of what goes on within the industry.

Whether blowing a seashell in Madagascar to mobilize vanilla farmers or sitting under a grass-thatched roof with Tanzanian rice cooperative directors eager to sharpen their skills, every development effort is funded by donors who expect certain results by specific deadlines. Miss the numbers and you lose your funding.

If it takes six months to a year in established democracies such as the United States to do the proper legwork to develop a cooperative, why do we think we can step into cultures with little to no understanding of democracy and establish a sustainable co-op—or dozens of them—within a five-year funding window?

In the U.S., we hold co-op summer camps, young cooperator programs, board training, professional

employee associations and university Ph.D. programs. We invest annually to ensure our members and our employees understand the cooperative business model, can advocate for its benefits and are equipped to push their cooperative to new heights.

As the late Gene Clifford Sr. of the National Rural Electric Cooperative Association and Dr. Dick Vilstrup of the University of Wisconsin would say, “The first generation creates the cooperative. The second generation uses the cooperative. The third generation loses the cooperative.”

What can we do during our limited weeks of training that would help new cooperators in developing countries capture our passion and keep their cooperative thriving for generations? One solution became clear during my recent Farmer-to-Farmer assignment in Madagascar to support the startup of a new vanilla cooperative: sending a series of volunteers to support a co-op startup rather than one person doing rapid training over a typical 2-3 week assignment.

You can’t explain the Seven Cooperative Principles in 15 minutes, even with translation. So in Madagascar, I boiled it down to our oft-used three: 1.) Co-ops are member-owned, 2.) Co-ops are member-controlled



Co-op members sample guacamole after preparing an exercise the author often uses to illustrate how a cooperative's many parts work together.

From the Ground Up: Growing cooperatives in Madagascar

and 3.) Co-ops exist to benefit their members. My job was to lead discussions about forming the new cooperative's structure and bylaws. Each village had sent men and women, both young and old, to our first organizational meeting. This group had two days to put together basic bylaws to present the following week in their respective villages, where they would sign up members and elect directors. The group was extremely cautious, and for good reason. Repeatedly, buyers had come into their villages to organize farmers, telling them exactly how they'd function and dangling the proverbial carrot. Instead, I promised them nothing and guided them toward discovering the answers on their own. It was a powerful lesson in itself, they told me, because no one had ever asked them to decide how they'd actually run their own business.



"Time and again, as I see how eager people are to seize opportunities and share them with others — regardless of educational background or culture — I find myself filled with hope."

While Hurricane Enawo forced my training to end early, Farmer-to-Farmer volunteer Adam Schwartz came in right behind me (and the flooding). He had more time to elaborate, explain and guide—which is exactly what a newly elected board needs. Next up was Lynda Drennan Swenson, who offered training in financials—a challenge, since the farmers lacked basic math skills. After all the trainings, one question remained: Who would "adopt" this emerging vanilla cooperative, check in with it every few months and provide additional guidance? The answer is, all of us. We're just a Skype call away. This is the level of follow-up we need to help ensure sustainability in a business model we already know works.

Whenever possible, I also include a Peace Corps or other long-term volunteer, local Extension staff, or employees from other local or international NGOs in training so they learn alongside the community and can provide onsite support.

Another way to help build sustainable co-ops is to make the connection between a better business model and a better life.

When I worked in Angola, a group of farmers told me that local officials had declared them an association and demanded that they work together. The farmers, however, had received no training. They didn't know how or when to write receipts, run a meeting, take minutes or set up a basic marketing system. They didn't even know how the cooperative business model worked. I remember acting out a common scenario with the president of the co-op in front of the class. He "rode" next to me in our pretend truck to deliver cassava. We got a receipt and money. We "drove" back to the cooperative treasurer and assistant treasurer, turning over our money and the receipt. These are concepts children often learn in 4-H or FFA, but the farmers had never had the opportunity. Yet once these and other lessons were acted out, they understood and started to imagine the possibilities. They realized a better business model could make a better life a reality.

In Malawi, I worked with a group of cooperative mushroom farmers. After two years of operations, they hadn't determined their costs of production—a fundamental part of the marketing plan we were implementing. The group of mostly older farmers was also short of product to sell to the local Shoprite supermarket. We worked through the math, and then discussed their unspoken concern: how to enable younger farmers to buy in to the cooperative. One idea I shared from observation was to have the young farmers exchange labor for seed and co-op membership. Their ideas kept coming, and the few young farmers and woman farmers present were excited to participate in these new ways.

In Senegal, I led a training that focused on family nutrition and income diversification. News about our food preservation group spread quickly. By the second-to-last day of the training, a new village had joined us, but they lacked the prior days of knowledge. So the women who attended the original training took over, training the new women on the step-by-step procedures we'd covered and expanding on the possibilities we'd discussed. Time and again, as I see how eager people are to seize opportunities and share them with others—regardless of educational background or culture—I find myself filled with hope.

As a Cooperative Communicators Association member since 1985, I would be remiss not to mention that good communication is vital to co-op sustainability. But I'm also a teacher who struggles to find the resources I need to best communicate the cooperative business model. I can't just pull *Co-ops 101* off the shelf; too much of it is dated or irrelevant in the context of the developing world. And when I search for videos that explain how a cooperative works, most of what I find lacks depth and context for people outside the U.S. When I Google the 7 Cooperative Principles, they aren't available in most languages. Not everyone in the world speaks English, nor are they even literate in their own language.

So I play games to communicate key messages. For example, I always carry a bag of items to auction off (a concept that is itself a bit difficult to translate sometimes). I give the farmers scrap paper "money" and start the bidding. The first few items are rather nice and people get excited, so I up the prices. This forces the farmers to either drop out or start working together to buy.

After explaining that group purchases must be shared equally between all group members, the real fun begins. We switch to real-life scenarios. Suddenly, those infamous school fees are due. Then there's an illness that requires medicine. And, of course, the annual co-op membership fee needs to be paid. Some people bought nothing in the auction and can afford these additional fees; others made purchases and are out of money.

Discussions ensue about saving for a rainy day, equity retention (many co-ops pay 100 percent of earnings annually), group dynamics and sharing, investing in the right items at the right time that have pay-back for the cooperative, and needs vs. wants. Saving itself is a difficult concept, not only because farmers tend to consume everything they produce, but because saving so much as a penny a day is not the cultural norm.

In Africa, I often make guacamole to illustrate how a co-op works. All the ingredients are right there—each representing the co-op members' unique roles.



You're an avocado. I'm an onion. Our friend over there is salt. We always have a few tomatoes hanging around. If there's no cumin, we make do with those two chili peppers over there. It's all about learning to adapt. The co-op members are used to eating these foods in their own culture, but they'd never consider mashing them all together—or eating them that way. The lesson? When we open ourselves to different ideas and combine our strengths in new ways, we can come up with something completely new—whether it's tasty guacamole or a profitable business that can make our lives better. As simple as this sounds, it's a powerful little demonstration that really makes people think.

Michigan State University recently developed a game for coffee growers that simulates the complexity of eco-system choices. How do we build similar games that simplify communicating the complex concepts the cooperative business model can introduce? I've offered some ideas that have worked for me over the years, but this should be an ongoing conversation. Because cooperatives aren't built in one day or one article—not when we want them to have a lasting impact in helping people help themselves. 🌲

A Wisconsin native, Pamela Karg found cooperatives through the dairy industry and later through involvement in a family farm. She has lived overseas since 2004, supporting herself through agricultural writing and editing for clients, and teaching agricultural cooperative development, business management ethics, public speaking and English. She is a past president of the Cooperative Communicators Association (CCA) and a veteran Farmer-to-Farmer volunteer.

Co-op members in Senegal practice communication and cooperation skills by competing with other teams to carry a stick the farthest—each using just one finger—without dropping it.



Nourishing the Roots

By Adam Schwartz

It all started with a simple email from my former colleague and current softball teammate Emily Varga: “If you have the time, check out Madagascar!” Below her comment was a brief description of a volunteer opportunity to spend three weeks in Madagascar helping a new farmer’s co-op that will grow vanilla for export.

A few emails and phone calls with Virginia Bunker (International Program Manager for NCBA CLUSA) later, all the arrangements were set for me to spend most of March in Africa. Known as Farmer-to-Farmer, this program pairs agribusiness and co-op professionals with groups in developing countries that request specific assistance. Travel expenses are covered through the program and you volunteer your time. The skills needed vary widely from soil fertility to soap making to financial development.

My career with cooperatives began as so many people’s seem too—by happenstance. In 1992, the National Rural Electric Cooperative Association (NRECA) hired me as a lobbyist specializing in finance and tax issues. I knew little about co-ops other than the fact that some friends had lived in one when I was growing up in Brooklyn in the 1970s. I certainly had no idea that co-ops would become my life’s work, but I feel so fortunate to have found my purpose.

I begin all my speeches and workshops these days with a simple statement: “The cooperative is the best business model on earth.” I say this because I believe it. Only the cooperative business model is structured from its core to serve both the owners and the users of its goods or services. The cooperative business model maximizes both the economic and social impact that businesses can have on communities.

After my time as a lobbyist at NRECA I moved on to the National Rural Telecommunications Cooperative focusing on public affairs and member outreach. I got to see how co-ops could bring modern telecommunication services to some of the least populated regions of the United States. From there, I went on to NCBA CLUSA as the Vice President of Public Affairs and Member Services. At NCBA CLUSA, I was exposed to co-ops in all sectors in all parts of the world; what I had been learning about since 1992 really began to take shape and I realized the impact co-ops can have on society.

Today I own my own company, The Cooperative Way, where my mission is to help co-ops in all sectors succeed. Through affiliation and membership in the CDS Consulting Co-op I work with co-op boards and employees on a range of issues from governance to culture emphasizing the co-op principles and values.

So from a chance interview in 1992, I found myself on March 3, 2017 on a 16-hour 8,000-mile plane trip to another continent and a whole new environment to test my theory that co-ops are indeed the best business model on earth.

Spoiler alert: I have returned more convinced than ever with an important caveat: Co-ops are the best business model on earth only if the people entrusted to lead them live up to the movement’s principles and values.

If you look at a map of the world, Madagascar is one of the easiest countries to recognize. Situated off the coast of South Africa and Mozambique, it is the 4th largest island in the world.

After a few days in South Africa, I arrived in



Eighty percent of the world's vanilla supply is grown in Madagascar. Photo: NCBA CLUSA

Antananarivo (nicknamed Tana), Madagascar's capital city of almost 2 million people. Flights to the town of Maroantsetra (don't worry; it's pronounced just like it's spelled) are only available twice a week. Two days before my arrival, Madagascar was hit by a Category 4 cyclone, triggering widespread flooding in the area where I was headed.

My single day in Tana turned into four, but the extra time gave me the opportunity to meet with NCBA CLUSA's Country Representative and Value Chain Specialist Gabriel Sarasin, who gave me a valuable overview of the program's objectives.

Upon arrival in Maroantsetra, I was greeted by Pamela Karg, the veteran Farmer-to-Farmer volunteer I would be replacing, and Andry Rajoerison, NCBA CLUSA's project coordinator who would be my guide, interpreter and confidant for the rest of my time in country.

After about an hour debrief from Pam at the airport about where things stood with the new co-op, Andry,

David (our amazing driver) and I began the first of many bumpy rides. Maroantsetra sits on a beautiful bay on the Indian Ocean and the villages where the farmers live were a one- to two-hour drive each way.

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"Co-ops are the best business model on earth only if the people entrusted to lead them live up to the movement's principles and values."

Andry and I met to get his perspective on how I could use my time to the maximum benefit of the farmers. The local language in Madagascar is Malagasy; as a former French colony, French is also spoken, but not by me. Andry's superb translation, patience and interest in all things cooperative were critically important to the success of the program.

We met daily to review our work plan for each meeting. Some of the things we knew we needed to accomplish were:

From the Ground Up: Growing cooperatives in Madagascar



The author leads a training with members of the newly formed Mirary Soa Co-op.

- Job descriptions for board officers and elections
- Exploring what a committee structure might look like for the co-op
- Leadership training for the board
- Membership recruitment
- Preparing agendas, minutes and reports
- Naming the co-op

Our first meeting was with the vanilla exporter who would be buying from the new co-op to find out what they were looking for. In a nutshell, they wanted more vanilla at a higher quality. After saffron, vanilla is the second most expensive spice on the market. Roughly 80 percent of it comes from Madagascar; due to the recent cyclone, prices are now as high as \$600 per kilo (almost \$300 per pound).

Vanilla grows on a vine and looks like a large green

bean and must be cured after harvest for it to develop the vanilla flavor we enjoy.

The next day we set off for the village, but the road was impassable. The cyclone had washed away access to the bridge that crosses one of several rivers. About a hundred people were working by hand with the assistance of one backhoe to repair it. Another group made a series of fires to begin boiling water to feed all the volunteers. While it was disappointing not to make it to the farmers, it was interesting and rewarding to see the community mobilize to do what needed to be done.

The following day the road, to my surprise, was repaired well enough to be passable. We had our first meeting in the town hall of one of the six villages where the co-op members live. After meeting with the mayor, we got down to the work of building a high-functioning 18-person board. I typically start off my consulting engagements in the U.S. with an

introduction exercise designed for people to learn something about each other that is personal but not private. I am glad to report that the exercise translates well, eliciting the smiles and laughter as the group shared their stories.

I also worked to help the group envision what they could achieve through the cooperative business model. I brought with me samples of co-op made products like Equal Exchange chocolate and tea and Welch's fruit rollups. The Equal Exchange packaging was particularly helpful because it features farmers from the developing world; the vanilla in the chocolate came from Madagascar, complete with a map. I explained that someday I hope to find vanilla on the shelves of grocery stores in the U.S. that feature members of this new co-op. They seemed genuinely excited by this concept.

The members were also eager to name their co-op. Everyone was invited to suggest a name and explain why they chose it. We had almost a dozen suggestions; through discussions and a series of votes, the members selected Mirary Soa [Mee-ari Soo-ah], which means "best wishes" in Malagasy.

Traveling and organizing meetings in the developing world requires patience. In addition to roads being difficult to navigate, local customs and culture will likely not operate on "western" time standards. The starting time for our afternoon meetings with the farmers was "after lunch"—a time open to interpretation, but generally everyone would arrive within 30 minutes of each other.

At a meeting to elect board officers, we did an exercise that I will surely use again in my consulting work. I asked all of the members to name the qualities that they think a good leader should possess. After we completed the list, I asked them to tell their partner a time in their life when they demonstrated one of those qualities. They then reported on what their partner said; the partner was given the opportunity to add or correct. They were shy at first, but with encouragement embraced the exercise and reported back to the group beautifully. Afterward, we fully reviewed the job responsibilities of each of the

positions. Each of the candidates gave a short speech. There were six officer positions and women were elected to fill half of them. From the outset, the Mirary Soa board was committed to ensure that women would hold at least one-third of the 18 board slots.

During my stay, Maroantsetra hosted their International Woman's Day parade, a very colorful and festive event. Representatives from numerous organizations and businesses marched to demonstrate the contributions women make to society.



.....
"Co-ops are hard to organize and difficult to maintain, but like most things in life it is overcoming the challenges that makes something worthwhile."



We also worked to assist the board members in learning to recruit new members to the co-op. We set up two lines and I had them face each other. One line was asked to recruit new members to the co-op and I instructed the other line of people to respond with any and all reasons why they would not join the co-op. We then debriefed and came up with good answers to respond to the reasons people might have for not joining. We then practiced it a few times with people switching roles and partners.

While I greatly enjoyed all of my experiences in Madagascar, there were two days that really stood out. Andy and I visited with each of the board

From the Ground Up: Growing cooperatives in Madagascar

Members of Mirary Soa Co-op participate in an exercise that explores leadership qualities.



members in their village and observed as they conducted a member meeting designed to update the current members and recruit new members. The meetings were held in schools or churches. One of the meetings coincided with a full village meeting, so we had 200 people packed inside and out of a schoolroom. Alexander, one of the board members, gave an impassioned speech on how the co-op will improve the lives of the farmers and their village.

Before one of the other village meetings Francois, another board member, gave us some oranges that he grows. They are deep green and slightly sour.

After Francois and his colleagues finished their portion of the meeting, they invited me to say a few words. I talked about how global the impact of the cooperative movement is and the different types of co-ops. After my talk one of the potential members asked, "What will the new Mirary Soa co-op do for me right now?" I paused for a moment, turned to Francois and asked about his orange tree. "Did that tree bring you fruit as soon as you planted it?" His response was, of course, "No." It's the same with a new co-op; you must first nurture it like a young tree and then, with

proper care, it will produce fruit for many years.

On the return trip, so many thoughts and feelings ran through my head. Ralph Waldo Emerson's words really capture it best: "It is one of the most beautiful compensations in life that no one can sincerely try to help another without helping oneself."

After my Farmer-to-Farmer assignment in Madagascar, one thing is clear: my belief in the cooperative model is stronger than ever. Co-ops are hard to organize and difficult to maintain, but like most things in life it is overcoming the challenges that makes something worthwhile. I look forward to buying vanilla from Mirary Soa someday along with the many other co-op products and services I enjoy every day. 🌱

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