International practices in co-operative governance

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Objectives

• Look at essential, universal elements of strong ethical governance

• Describe different models for co-operative housing governance

• Examine strengths and weaknesses and discuss how these different models contribute to – or detract from – good, efficient co-op governance and ethical best practices
Universal Duties of Directors

There are two fundamental sets of duties that apply to all corporate directors, regardless of the form of incorporation (for-profit, non-profit, charity, co-op):

**Fiduciary Duties**

*If they are met this will satisfy “the Business Judgement Rule”*

*Duty of Care*  
*Duty of Loyalty*
Universal Duties of Directors

Duty of care

Directors exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
Universal Duties of Directors

Duty of care

1. Act in good faith
2. Exercise prudence
3. Apply best judgements
Universal Duties of Directors

Duty of loyalty

Directors act honestly and in good faith with a view to the best interests of the corporation in exercising their powers and discharging their duties.
Universal Duties of Directors

Duty of loyalty

1. Disclose conflicts
2. Don’t compete with the co-operative
3. Don’t breach confidentiality
A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.
Co-operative Identity, Values & Principles

• Self-help
• Self-responsibility
• Democracy
• Equality
• Equity
• Solidarity

Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.
Co-operative Identity, Values & Principles

1. Voluntary & Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training & Information
6. Co-operation among Co-operatives
7. Concern for Community
Additional Duties of Care?

What is the impact of the co-op statement of identity, values and principles on housing co-op governance?

Does this impose an additional burden of duty on the directors of a corporation?

Co-operative values are not legal duties but are ethical duties.
Primary Co-operatives

• Democratic organizations controlled by their members, who actively participate in setting their policies and making decisions.

• Elected representatives are accountable to the membership.

• Members have equal voting rights - one member, one vote.
Secondary Co-operatives

• When two or more primary co-operatives come together it is because they are involved in similar activities

• Primary co-ops elect delegates to represent them in the secondary co-op.
Different Governance Models

All directors are resident members
• One director, one vote

Mixed resident & non-resident directors
• Non resident members vote
• Non-resident members don’t vote
Different Governance Models

German Model

- Supervisory board chooses a governance board (not necessarily resident members) for 5 years
- Governance board chooses a management board for 5 years
Different Governance Models

What are the advantages and disadvantages of each model?
Community Land Trusts

Values

• Non-profit organization that holds and manages land for the purpose of community benefits

• Promotes community ownership and democratic control of land

• Keeps homes affordable
Community Land Trusts

Governed by a board of directors but can take a tripartite governance model to ensure maximum community participation in decision-making.

Through its unique land stewardship model, the CLT promotes community control over how land is used to meet local needs now and in the future.
Governance: structuring for success

Governance refers to the set of processes, customs, policies and structures that drive the way an organization is directed, administered and controlled.
Good governance means:

- **Planning**
  o strategic and policy direction to management

- **Monitoring**
  o oversight of management processes

- **Measuring**
  o management outcomes against planning

- **Evaluation**
  o management performance
“Eyes in, hands out”

- Ethical leadership according to co-operative values
- Transparency and accountability to stakeholders
- Effective communication and response to members’ needs
- Engaging members in decisions that direct the policies and governance of the co-operative
Governance structures that give priority to member needs

- **Election or nomination committee**
  - *succession planning*

- **Effective reporting channels**
  - *sound member reporting*

- **Board committees**
  - *permits specialization*
  - *e.g. audit committee*
Other key factors of success

• Effective change management
  o driven by internal, external changes

• Board education and training
  o good directors are made not born

• Board evaluation
  o essential to continuous improvement
Other key factors of success

• **Investment in technology**
  - essential for management and governance excellence

• **Breadth of expertise**
  - range of director competencies

• **Diversity**
  - a wide range of perspectives, experience and leadership
Leading co-ops promote their unique values and principles and commit to remaining competitive in the marketplace while leveraging the components of governance structure that gives priority to members’ needs.
Conclusion

Leading co-ops attract the required experts and advice, disclose transparent information and implement the specific tools dedicated to support good governance.
Thank you!

If you want to go fast, go alone;
If you want to go far, go together.

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