

Governance Issues in Cooperatives

(Labor Service/Workers Coop)

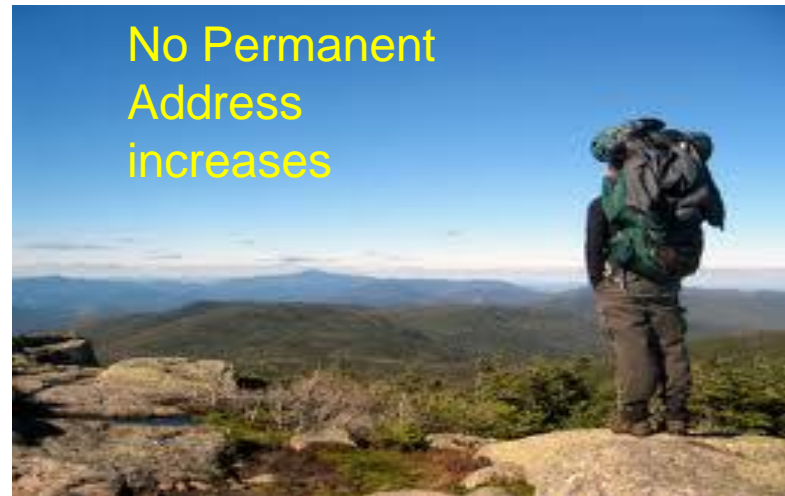
Presented by:

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What's Happening Today with Banks and Coops?



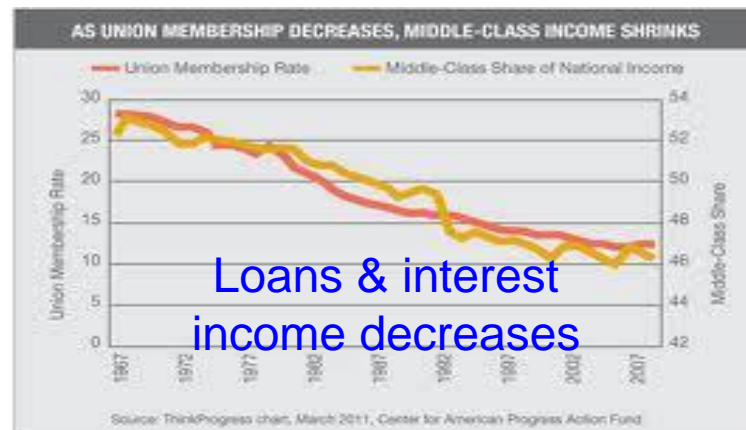
Past due increases



No Permanent
Address
increases



Profits
decreases



What's Happening Today with Businesses and Coops?



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POOR GOVERNANCE

It contributed largely to the
financial crisis, failures of
banks, business organizations
and

COOPERATIVES

In your coop, what are the
Common Issues and Problems
relating to Cooperative
Governance?

Issues in labor service/worker cooperatives

- Degree of linkage between trade union and labor coop movement has not ceased to grow
- Worker-owned coops, although increasing in number, remain an infinitely small part of the economy
- There are more associate members than regular members

Issues in labor service/worker cooperatives

- Still struggling to provide benefits, e.g., health-disability-life insurance, and retirement plans
- Lacks compliance to labor standards, mandatory contributions and deductions, and absence of health and safety committee
- Inadequate continuing coop education to members as a way of life and non-conduct of behavioral research works to improve delivery of services

Common Issues and Problems that Lead to **Abuses** in Cooperative Governance



Then it
doesn't
matter which
way you go?

That depends on where
you are going?

Which way
should I go?

I don't know where
I'm going?

**No formal strategic planning and
management processes.**

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BOreDROOM



No clear understanding of the actual duties, responsibilities, accountabilities and liabilities of *the Board of Directors as a body and as individual Directors.*



Diverse
backgrounds of
directors.

Knowledge,
experience and
training of
Directors are not
business related

Lack of
knowledge in
finance



No free exchange of ideas and opinions

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Too many
meetings and
discussions
without anything
getting resolved

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"This month's business meeting is the same as last month's business meeting but with many more problems"

What do you recommend to address those?

Boards, committees and officers who understand and **apply the concepts of good governance** can upgrade the values and for a better performing cooperative.



What is Governance?

The **process** of **decision making** and the process by which decisions are **implemented** (or not implemented).

In Other Words....

Coop Governance simply means...

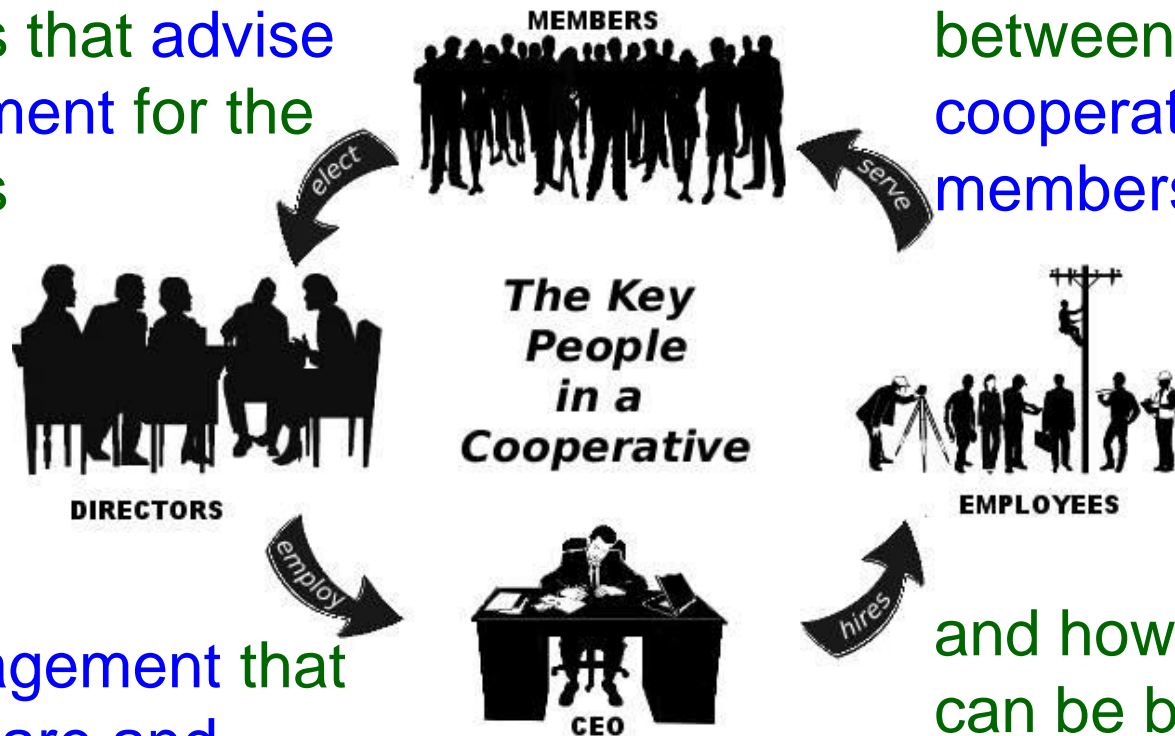
HAVING AND FOLLOWING

Your internal rules (by laws, policies)
or other best practices in the
coop movement.

Co-op Governance then is...

the board as
representatives of
members that advise
management for the
members

The set of
relationships
between the
cooperative's
members



the management that
has the care and
control of the co-
operatives for the
members

and how a business
can be best
governed in the
interests of its
owners.

Three levels of challenges in which the board of directors should address are **internal**, **external** and **individual** challenges.

Internal CHALLENGES

Structure

composition of the board, consideration on rotation on directors, nomination compliance, annual general assembly & members' participation.

Continuity

refers to strategies of maintaining & creating sustainability & continuity of the business, directors & management succession planning that will ensure continuous existence of the cooperative & presence of disaster management & recovery program



Balance

refers to composition of BOD who aim to adequately reflect the demographic makeup of members, balance of the financial service demands of members

Accountability

refers to accountability to the general assembly, officers & employees, established strategic direction, achievement of targets, prepared plan and budget, monitored mgt's implementation of approved policies

INTERNAL CHALLENGES



“POLITICIZED” instead of active and involved Board of Directors

INTERNAL CHALLENGES



Delayed and often fragmented decision-making process

INTERNAL CHALLENGES



A serious lack of information about/from
member-owners

INTERNAL CHALLENGES



Traditional product offerings

Limited choices

INTERNAL CHALLENGES

Lack of inter-coop
connectivity

Strategic partnership
among cooperatives
through union is
essential in
maximizing resources
and minimizing costs



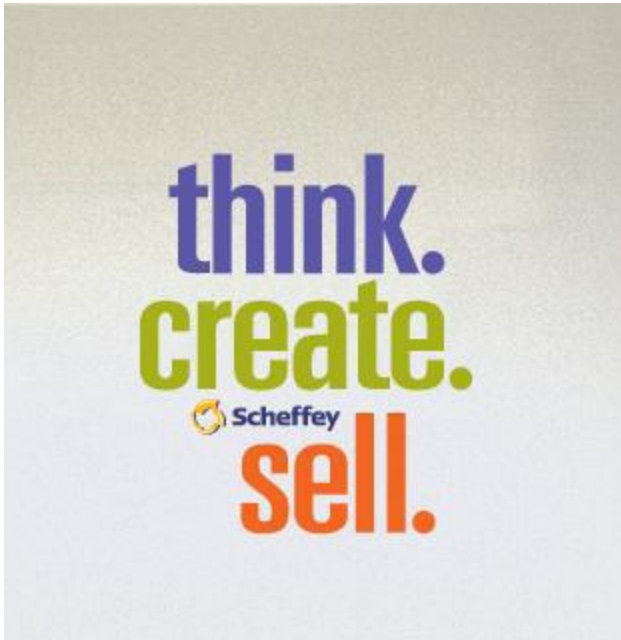
INTERNAL CHALLENGES

Serious lack of knowledge of marketing

- ✓ Know your market (customers)

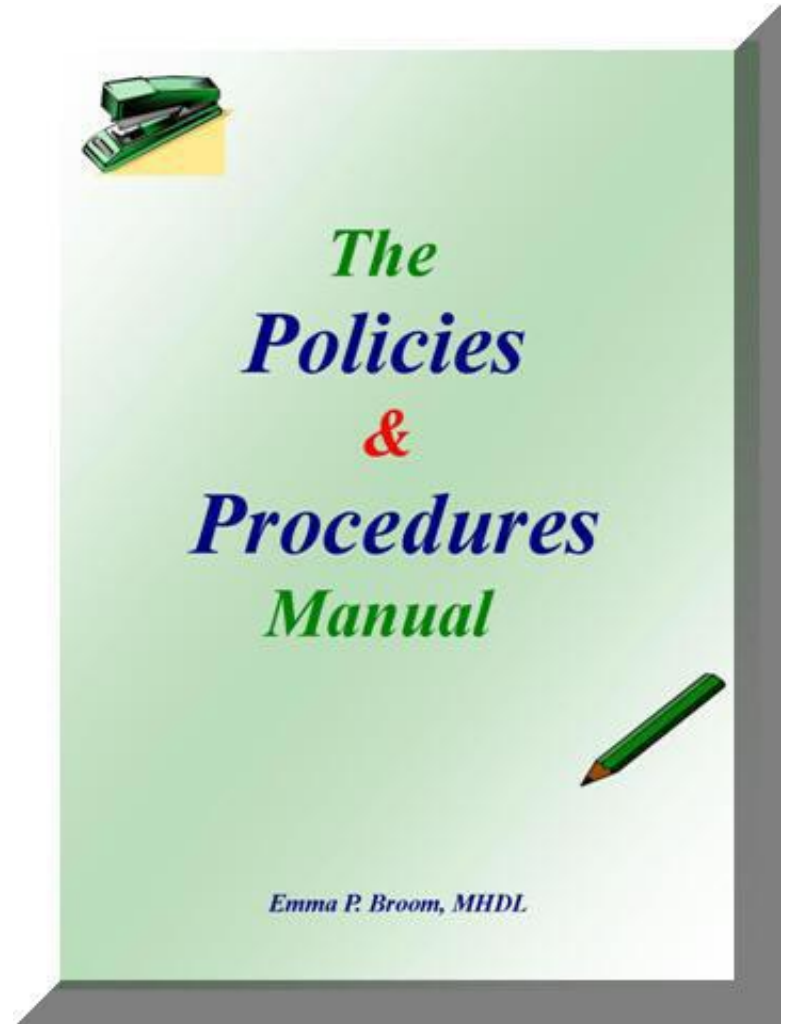
- ✓ Know their needs or wants

- ✓ Provide products that clearly meet their needs, are affordable, and available at the right time and at the right place.



INTERNAL CHALLENGES

Lack of policies and procedures that are needed to sustain operations and promote long-term viability



The background of the slide features a blurred image of several interlocking puzzle pieces in various colors (blue, white, green, yellow) against a light blue sky. The puzzle pieces are arranged in a way that suggests a larger picture is being assembled.

EXternal CHALLENGES

Public accountability

refers to cognizant of responsibilities to government & other stakeholders, including but not limited to regulators, legislative bodies, the media, the community and the public.

Compliance

refers to adherence of regulation and to comply with national laws, and any relevant standards for financial institutions, undergo annual external audits & changing the auditor at least every 3-5 years in a competitive bidding process.

Transparency

refers to commit for a regular, honest communication of coop's activities with members, regulators & the general public in the spirit of full disclosure, financial statements are compliant with generally accepted accounting principles & local regulatory standards, should be made available to members & the public.

EXTERNALCHALLENGES

- Low public awareness of coop
- Aggressive players in the market
- Rising unemployment
- Technology turning out to be a double-edged sword
- Global Climate Change
- Global Financial Crisis (Political and Economics)
- Legal (Memorandum, Exec. Orders, SB Resolution and other Laws.



Individual CHALLENGES

Competence

refers to compliance of the board on basic financial literacy, including the ability to interpret financial statements & standards, or commit to acquiring these skills through education or training within the first year of service, Individual members to have specialized financial or business skills and/or a member-focused viewpoint.

Integrity

refers to adopting a standardized code of conduct, zero conflict of interest issue, officers do not have criminal, recent bankruptcies or penal backgrounds, immediate family members does not serve on the board or in management at the same time, clear guidelines and process on the removal of officers from their position.

Commitment

refers to willingness and ability to commit the necessary time to the coop. Failure to attend board meetings may result in dismissal, respect to the majority decisions of the board, adhering to all policies that have been adopted, regardless of personal opinion.

PILLARS OF A GOOD Governance

PRIMARY GOAL

AVOID



SECONDARY GOAL

MANAGE

Kailangan ba talagang
surprise ang audit?



Regularly conduct an audit in your coop



... is the enemy of surprises

... is the enemy of hypocrisy

... is the friend of honesty,
factual, truthful

... is the best friend of
gullibility

Easily deceived or duped

... is Coop's best AUDITOR

... is what we all expect from
our Officers

I agree, anyway BOD resolutions
and our policy will supports our
decision



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"There's no time for thinking. We have
to make a *management decision*."

Decisions taken by management and
the information leading to those
decisions

PILLARS of A good Governance





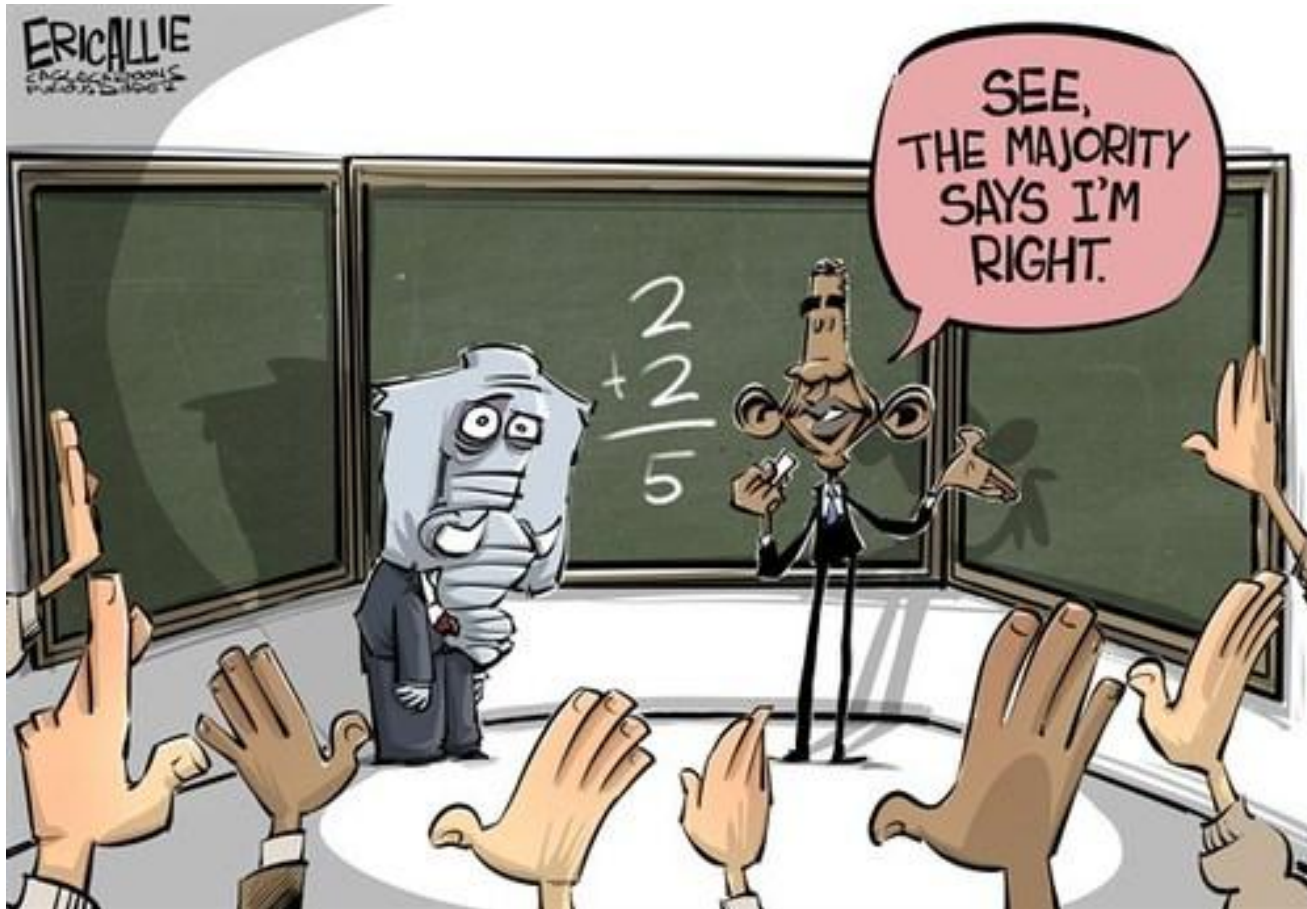
To suffer punishment in the case of
eventual misconduct

PILLARS of A good Governance



FAIRNESS

- ▶ **Impartial**
- ▶ **Hear all sides**
- ▶ **Consistent**
with policies
- ▶ **Applicable to**
all



Respecting majority's decision

Operational Framework in Assessing Coop Governance Performance



BEST PRACTICES



Coop Best Practice

- We created a feedback mechanism by conducting a survey to our members.
- We set-up a focus group discussion for a deeper perspective and opinion regarding the subject matter

Other Best Practices

Establishment of Governance Committee

In addition to regular committees,
like credit, audit, education committees

Role of Governance Committee

Identify governance issues confronting coop

Map out possible responses to these issues

Ensure compliance to governance policies that may be ratified
by Board and by the General Assembly



Adherence to Good Governance & Practices

Code of Ethics and Ethical Standards for Officers of the Cooperative

**THANK YOU
AND
GOD BLESS!!!**