Governance

How Cooperatives are Controlled

Cooperatives have a unique governance structure that reflects the fact that they are owned and controlled by their members. Effective cooperative operations depend on four groups: members, the board of directors, management, and employees.

Click on any group below to see more information about its roles and responsibilities.

Expand all | Collapse all

– Members

Members own the cooperative, which is organized and operated for their benefit. Members are expected to financially support the cooperative business by investing in it and by using its services. Without these activities, cooperative operations may not be sustainable.

Members usually exercise control of the cooperative by voting to elect a board of directors to act on their behalf. Members also directly vote on changes to articles of incorporation and bylaws, and on cooperative mergers or dissolution. In Wisconsin, each cooperative member typically receives one vote. Members must understand the issues facing their cooperative so they can make informed voting decisions. Member communication and education programs are essential for informed decision-making and are a sound investment in the cooperative's future.

– Board of Directors

The **board of directors** establishes long-term business strategies that balance the needs of the membership with the cooperative's financial sustainability. They review and evaluate all financial reports, assess the capital needs of the cooperative, and determine patronage refund allocations. They establish operating policies and are responsible for hiring and evaluating the general manager. Directors must avoid conflicts of interest so that their decisions serve the needs of the entire cooperative, rather than specific member interests within the business.

– Management

A cooperative's **management** is hired by the board to carry out its strategies and objectives. The general manager or CEO oversees the day-to-day operations of the cooperative and reports on the co-op's financial and operational performance to the board. The general manager makes recommendations for long-range planning and develops the budget for board approval.

– Employees

A co-op's **employees** carry out cooperative operations that provide the goods and services needed by the members. Employee understanding of cooperative principles and objectives can be an important part of positive member relations. In the case of worker-owned cooperatives, management and employees may also be members.

Resources

General Governance

Webinar: Onboarding with Purpose: Systems and Strategies for Successfully Integrating New Directors. UW Center for Cooperatives, 2021.