

# We Want Our Co-ops Back

... and our credit unions, democracies and corporations

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## Abstract:

We can reform all our large voter organizations, including democracies and corporations, by starting with reforming our [co-ops](#) (including financial co-ops such as [credit unions](#)). Most large institutions lack effective democratic control by voters. Even though citizens of democracies can vote, corporate shareowners can vote, and co-op members can vote, those voting rights are ineffective if voters lack the information, insight and nomination rights necessary to elect the best leaders. This paper outlines how we can better implement the fundamental co-op principle of democratic member control, even when co-ops grow very large. Later we can apply these ideas to our democracies and corporations.

Democratic accountability to voters need not come with a cost of decreased effectiveness of the co-op's management. On the contrary, if democratic reform includes a voter information system that gives voting members insight into which director candidates would better serve the co-op and thus its members, the result will be improved performance of the co-op.

Instead of co-ops following corporations down the path of undemocratic governance, they can lead corporations toward democratic governance. All that's needed is for us voters to learn which governance changes are democratically empowering, and which are disempowering. In particular, improving our voter information systems can enhance director elections and board accountability.

Co-ops that grow large (e.g. over 10,000 members) often tend to become less democratic. Voter turnout falls, and boards become less accountable to members. Boards may create bylaws and rules that shift power from members to boards. Directors may become more allied with a co-op's senior staff than with the members. As this trend progresses, a co-op's power structure can become an [oligarchy](#). But the trend is not inevitable -- we can reverse it. The further a co-op slides toward oligarchy, the harder it is to reverse; but it's never too late, as the [Arab Spring](#) has recently reminded us.

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## **Contents**

Introduction

1. Director Elections
2. Member Resolutions
3. Board-to-Member Communications
4. Member-to-Member Communications
5. Votermedia
6. Free Speech in Campaigns
7. Free Speech Year-Round
8. Transparency
9. Dispute Resolution

Co-op Democracy Scorecard

Action Plans

## Introduction

Co-ops are founded on the principle of democratic member control. As the [International Co-operative Alliance](#) explains:

"Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership."

However, sociologists have long noted a general tendency for organizations founded on democratic principles to become less democratic as they grow large. [Michels](#) (1911, p. 27) observed:

"Nominally, and according to the letter of the rules, all the acts of the leaders are subject to the ever vigilant criticism of the rank and file. In theory the leader is merely an employee bound by the instruction he receives. He has to carry out the orders of the mass, of which he is no more than the executive organ. But in actual fact, as the organization increases in size, this control becomes purely fictitious. The members have to give up the idea of themselves conducting or even supervising the whole administration, and are compelled to hand these tasks over to trustworthy persons specially nominated for the purpose, to salaried officials. ... It is obvious that democratic control thus undergoes a progressive diminution, and is ultimately reduced to an infinitesimal minimum."

Michels could see no way of avoiding this decline of democracy, and postulated his [iron law of oligarchy](#): rule by an elite is inevitable. But as democracy declines, it becomes harder for members to ensure that the leaders are "trustworthy persons". Diminishing accountability of leaders to members brings with it a substantial danger of abuse of power.

The global financial crisis of 2008 shows that Michels' iron law is holding strong 100 years later. Investigative exposés such as [Morgenson & Rosner \(2011\)](#) have revealed how American politicians elected by citizens, and corporate directors elected by shareowners, took actions that benefitted themselves at the expense of voters. When voters lack the information needed to hold leaders accountable, the resulting [agency costs](#) can be severe.

But aren't co-ops and credit unions run by idealistic leaders who believe in member democracy, and would not try to "emancipate themselves from the mass and become independent of its control"?<sup>1</sup> Unfortunately, even they seem subject to the same human tendencies toward increasing their power and using it for their own benefit. For example, from [Leggett and Strand](#) (2002, Abstract):

"This research finds empirical evidence that agency problems grow as credit unions add membership groups and members. If a credit union takes on more than one membership group, and as membership increases, management is apparently able to channel residual earnings away from members (in the form of higher net interest margins) toward itself (higher salaries and operating expenses)."

And from [Chaddack and Cook](#) (2004, p. 589), reviewing studies of why some co-op (mutual) financial organizations have [demutualized](#):

"*Conversion [= demutualization] is related to weak governance systems.* It is noteworthy that a large number of conversions occurred in mutuals where member control is ineffective. In particular, economists have observed that conversions in the S&L and insurance industries are related to high agency costs between members and managers. ... A corollary is that very large cooperatives are

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1. [Michels](#) (1911, p. 25).

serious candidates for conversion unless they implement tight governance mechanisms to safeguard member control."<sup>2</sup>

Of course, agency problems between co-op leaders and members are a serious concern regardless of whether there is any likelihood of demutualization. Besides the abuses described in the two articles referenced above, any co-op with a mission to serve the broader community in addition to its members, has the potential for the dominant group of directors to channel the co-op's largesse toward its allies.<sup>3</sup> These may be political allies, business allies, academic allies, personal friends, or family. Effective democratic competition is needed for members to keep potential abuses in check. Supporting the community is fine, but should not be used for the directors' personal benefit, directly or indirectly via allies. There are many shades of grey in this issue, so it can not be effectively policed by the legal system. Instead, subjective judgments by professional monitoring agents loyal to members can help minimize agency costs. Such a system can be implemented via the "votermedia" mechanism proposed in section 5 below.

Abuse of power is pervasive in human society, driven by our self-serving tendencies, which cloud our own perceptions. [Prentice](#) (2000) reviews evidence showing that "... self-serving bias is a broad and robust phenomenon that is manifested in the conduct of attorneys, doctors, securities analysts, expert witnesses, scientists, judges, and just about everyone else ..." [Section III.A] and that such bias is often subconscious. Even well-intentioned co-op directors may take self-serving actions, while sincerely believing them to be in the best interests of members.<sup>4</sup> As Michels ([1911](#), p. 139) confirms: "The despotism of the leaders does not arise solely from a vulgar lust of power or from uncontrolled egoism, but is often the outcome of a profound and sincere conviction of their own value and of the services which they have rendered to the common cause."

As we consider possible ways of reducing agency costs, it is not only co-op leaders' self-serving that we need to worry about. All participants are likely to have this tendency, including competing director candidates, employees, co-op regulators, politicians, consultants, academics, the media, co-op members, and the author of this paper. Democracy can help by diffusing power among the greatest number of participants.

This paper proposes rules to improve the democratic accountability of co-op leaders to members, organized in nine topic sections. To contrast these proposals with existing rules, I cite examples from three Canadian organizations where I am a member: [Mountain Equipment Co-op](#) (MEC), [Vancity Credit Union](#), and the [Canadian Internet Registration Authority](#) (CIRA). For brevity, I will sometimes refer to all three as co-ops.<sup>5</sup>

## 1. Director Elections

Democratic member control is important for keeping a co-op on track, serving its members and the broader community, rather than serving the interests of the co-op's leaders -- directors and senior staff. The primary instrument of accountability to co-op members is voting in director elections. For this to be effective, two key elements are required: competition and information. There must be sufficient competition among director candidates, and members must have sufficient information to judge the

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2. A recent example of conflicting interests between members and managers/directors is the defeat of the Tech Credit Union board proposal to convert to a mutual savings bank -- see [votermedia.blogspot.ca/2012/10/tech-credit-union-members-revolution.html](http://votermedia.blogspot.ca/2012/10/tech-credit-union-members-revolution.html).

3. Payments to allies can also be via consulting fees or other superficially plausible arrangements.

4. Although some descriptions of directors' duties call for serving the best interests of the organization rather than of its members, I don't think an organization has well defined interests apart from those of its members, so I focus on members' interests in this paper.

5. [Credit unions](#) are financial co-ops. CIRA is technically not a co-op; it is a "member-driven" nonprofit organization. But its governance issues resemble those of co-ops, so I include it in this analysis.

candidates' qualities. Conversely, major threats to a co-op's democratic governance include cartel-like behaviour by directors, and a lack of transparency in elections and board actions. Even if a co-op's current directors are benevolent, future directors may not be. So it would be unwise to have a governance structure that limits the members' ability to hold directors accountable.

Elections start with nominations: who can be a candidate? In designing a nomination process, there is a tradeoff between democratic openness, and overtaxing the voters with too many candidates. If any member can run for election, there may be so many candidates that voters won't take the time to evaluate them carefully. Boards tend to want to help voters by empowering a nominating committee to narrow down the field to those candidates they consider best qualified. But this comes with the danger of self-perpetuating boards with less accountability to members, which may result in narrow thinking or self-serving policies.

CIRA has wisely developed a two-stage process to solve this conundrum. To illustrate: In CIRA's 2012 election there were 57 self-nominated member candidates. In the first stage, members are invited to "show support" for candidates on a CIRA website page. Only those candidates with at least 20 supporters are put on the final ballot -- a requirement which eliminated all but 14 of those candidates. Thus voters could evaluate fewer finalists more carefully in the second stage.

Unfortunately, only 3 of CIRA's 12 directors are elected by that open democratic process:

**CIRA By-Law No. 1 Rule 3.01:** "**Composition of the Board.** The Board shall be comprised of the following Directors:

- (a) nine (9) Directors elected by the Members from a slate of Nomination Committee Candidates;
- (b) three (3) Directors elected by the Members from a slate of Members' Candidates;"<sup>6</sup>

Similarly, Mountain Equipment Co-op has several rules empowering the board and its appointees to screen out nominees. Here are two examples:

**MEC Rule 11.03:** "... the [board-appointed] nominations committee will select those nominees who meet the desired qualifications, experience and other attributes for directors, and decline any nominations for nominees who do not meet the desired qualifications, experience and other attributes for directors, as per its authority set out in the Rules and Board policy."

**MEC Rule 13.07:** "If at least 2/3 of the directors resolve that the member's ... candidacy is frivolous, vexatious or for the purpose of harming the Co-operative, the Co-operative may reject or remove the member as a candidate at any time during the election, or after the election, may remove the member as a director."

Likewise Vancity Credit Union has at least one rule that lets the board screen nominees:

**Vancity Rule 3.5.01:** "If at least two thirds of the Directors resolve that a member's nomination information is in any material respect false, incomplete or misleading, or that the candidacy is frivolous, vexatious or for the purpose of harming Vancity, the Board may reject the member as a candidate for Director."

The main problem with the above MEC, Vancity and CIRA rules is that they depend on judgments that are so subjective, that they could mask an incumbent board's self-serving disqualification of competitors who might better serve the co-op and its members. A dominant majority of the board may favour candidates

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6. In April 2012, CIRA's board proposed to eliminate the Members' Slate, which would give their appointed nominations committee monopoly control of entry to the ballot, like MEC Rule 11.03 above -- see [votermedia.blogspot.ca/2012/04/keep-canadas-internet-democratic-oppose.html](http://votermedia.blogspot.ca/2012/04/keep-canadas-internet-democratic-oppose.html). After receiving negative feedback from members, in August 2012 they announced that they decided "not to proceed at this time with major governance changes without further review and outreach."

who are allied with them, or who have similar policy opinions.<sup>7</sup> Rules should not depend on the benevolence of directors. That would leave the co-op vulnerable to less-than-benevolent directors, who may at some point put their own interests ahead of the members' interests. Any rule giving the incumbent board power to screen out nominees, would undermine the competition needed for accountability, and contribute to the entrenchment of an oligarchy.

There are less risky ways of achieving the legitimate goals of the above MEC, Vancity and CIRA rules. For example, the board and/or the nominating committee can inform the members of any concerns about a candidate's qualifications, disclosures, or motivations. Then members can decide how serious those concerns are, and vote accordingly. More on this in later sections below.

So I would suggest that an ideal director election process could be modelled on CIRA's 2-stage system described above, with the following amendments:

- Let any member run for a seat on the board. Any requirements for director election candidates should be objective, such as how long they must have been a member, and how many members sign their nomination form.
- The board may create a committee to nominate candidates. But those nominees should compete with member nominees on the same level playing field, including fulfilling the objective requirements for nomination.
- The board and/or the nominating committee may give members their opinions as to which candidates are better than which, but such opinions should be expressed in a forum where all members can express their opinions. The board and nom-com opinions should not get priority of placement anywhere. (More on this in the next two sections below.)
- If there are too many candidates for voters to assess effectively in a single-stage election, then the election should have two stages. We could define "too many" by a formula such as: number of candidates is greater than 4 times the number of board seats to be filled.
- If two stages are required, then the first stage should take place online only. The second stage may be online and/or via paper mail. The number of "winners" of the first stage, who thus go on the second stage ballot, should be set by a formula such as: the lesser of (a) 4 times the number of board seats to be filled; or (b) half the number of candidates in the first stage.
- I suggest that the first stage ballot (if there is one) and the final stage ballot be conducted by preferential vote: Voters indicate their 1<sup>st</sup> choice, 2<sup>nd</sup> choice etc, as many as each voter wishes to rank. Then the winners are determined by the Single Transferable Vote method, or something similar.<sup>8</sup>

Single Transferable Vote (STV) can help to ensure board representation of a broader range of members' views and interests, thus enhancing competition and diversity of views among board members. This in turn helps to keep the board accountable to members, rather than oligarchic in its exercise of power. MEC rules already allow for such a system:

**MEC Rule 10.07:** The directors may decide to conduct an election by preferential voting.

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7. For similar reasons, a corporate reform movement called "[proxy access](http://en.wikipedia.org/wiki/Proxy_access)" is now pushing for the right of shareowners to nominate candidates for inclusion in the corporation's annual director election ballot.

8. See [http://en.wikipedia.org/wiki/Single\\_transferable\\_vote](http://en.wikipedia.org/wiki/Single_transferable_vote). If there is just one seat to be filled, then a Condorcet method would be better: [http://en.wikipedia.org/wiki/Condorcet\\_method](http://en.wikipedia.org/wiki/Condorcet_method). For more than one seat, this hybrid may likewise be better than STV: <http://en.wikipedia.org/wiki/CPO-STV>.

## 2. Member Resolutions

The ability of co-op members to propose resolutions that change the co-op's rules, is a valuable democratic check and balance on the power of elected leaders. As a [direct democracy](#) tool, it faces some challenging [design trade-offs](#), so I view it as an adjunct to the primary means of democratic control -- director elections. There need to be sufficient hurdles, such as collecting member signatures, to prevent a proliferation of frivolous resolutions. But as with director nominations, any rule giving the incumbent board power to screen out member resolutions would undermine the check and balance effect.

**Proposed Rule 2.1:** The directors may establish policies governing resolutions to be voted on by members, but may not restrict member-submitted resolutions in any way beyond what is permitted by these Rules.

Here are examples of rules that should be rescinded:

**MEC Rule 8.02:** "If at least 2/3 of the directors resolve that a special resolution is frivolous, vexatious, or an abuse of process, or that the resolution, if passed, would harm the Co-operative, the Co-operative may refuse to give notice of the resolution. ..."

**Vancity Rule 4.11:** "In order for an ordinary resolution to be eligible for consideration by members at an annual general meeting, it must be submitted to the Board for review and consideration at least 90 days prior to the annual general meeting and *the Board, at its discretion, will determine whether the ordinary resolution will be submitted to the members for consideration at the annual general meeting.*" [italics added]

As with director nominations above, the subjective judgments in these MEC and Vancity rules could mask selfish undermining of the check and balance on director power. Instead of having a veto, directors can simply share their criticisms with members, who can then vote as they see fit.

CIRA's members may submit resolutions for member vote at an annual meeting, as they are empowered to do so by the [Canada Not-for-profit Corporations Act, section 163](#).

## 3. Board-to-Member Communications

Elected leaders of corporations, democracies and co-ops often use the organization's funds (i.e. the voters' collective funds) to pay for sending messages to persuade voters regarding some issue. For example, it may be the specific issue of a resolution to be voted on, or an issue regarding whether the elected leaders have been doing a good job. Any such complex issue is likely to have multiple possible perspectives. It is normal human self-serving behaviour for leaders to present perspectives that are in their own interests, which may not necessarily be in the voters' interests. This might persuade voters to vote in ways that are not in their own interests, thus suffering the resulting agency costs.

Below are some examples of director-controlled communications to co-op members. Readers can decide whether there are biases.

MEC Rule 11.03, which I cited in Section 1 above as a bad rule that takes away from us members our right to nominate director candidates, was approved *by member vote* in 2012. To prepare members for that vote, the director-approved election booklet mailed to every member included such positive but vague language as:

"In essence, the changes result in:

- Better communicating board skill and knowledge needs so we can clearly identify qualified

candidates and inform members of the same;  
- Ensuring we present a qualified and balanced election ballot each year so members have a positive voting experience;"

The booklet did not make clear that members would be giving up nomination power to a board-appointed committee. That information was buried behind two web links and several paragraphs of text, which most busy voters were unlikely to read. Full text and more details are in my blog post at [votermedia.blogspot.ca/2012/04/mountain-equipment-co-op-agm-democracy.html](http://votermedia.blogspot.ca/2012/04/mountain-equipment-co-op-agm-democracy.html).<sup>9</sup>

Since 2011, the Vancity board has used their control of the board election ballot to promote their "recommended" director candidates. They appoint a Nominations and Elections Committee, which recommends candidates for board positions, subject to approval of those recommendations by the board. Vancity members can also nominate other candidates. But the "recommended" candidates are listed on the ballot in bold type at the top of the candidate list, ahead of any member-nominated candidates. Here is a screen shot of the 2012 Vancity online ballot:

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9. The MEC Board Chair, Bill Gibson, while campaigning for election to the CIRA board, tried to give some reassurance that this power would not be abused: "The rule change has given the Board the authority to reject a candidate, but the Board and Nominating Committee are currently very reluctant to use that authority and I do not expect candidates will be rejected this year although I cannot rule it out for the future."



Mark your ballot with your choice of **up to three** candidates by clicking on the box beside the candidate's name. More information on the candidates is available by clicking on the links below each candidates name or in the [Candidates Experience Comparison Chart \[PDF\]](#).

Five candidates, identified by the word "recommended", have been recommended by the Nominations and Election Committee and approved by the Board as they are deemed to best meet the Board's needs at this time.

**board of directors candidate list**

☐ **Michael DuBelko recommended**

▸ [Candidate info](#)

☐ **Teresa Conway recommended**

▸ [Candidate info](#)

☐ **James Wright recommended**

▸ [Candidate info](#)

☐ **Jan O'Brien recommended**

▸ [Candidate info](#)

☐ **Greg McDade recommended**

▸ [Candidate info](#)

☐ Dhorea Kencayd

▸ [Candidate info](#)

☐ Dallas Kachan

▸ [Candidate info](#)

☐ Mitch Cramp

▸ [Candidate info](#)

☐ Lisa Barrett

▸ [Candidate info](#)

☐ Darren Jukes

▸ [Candidate info](#)

☐ Gil Yaron

▸ [Candidate info](#)

☐ Michael Burke

▸ [Candidate info](#)

Greg Banwell - WITHDRAWN

☐ Wendy Holm

▸ [Candidate info](#)

As with the MEC election booklet quoted above, the prominence that Vancity's board has given to their recommended candidates has an especially strong impact, because most voters are busy people with little incentive to spend time researching before they vote.

The 2012 voting results:

Rank	FirstName	LastName	Votes	
1	Jan	O'Brien	9,189	elected
2	Teresa	Conway	9,045	elected
3	Greg	McDade	6,940	elected
4	Michael	Dubelko	5,502	
5	James	Wright	4,438	
6	Wendy	Holm	3,582	
7	Lisa	Barrett	3,206	
8	Darren	Jukes	2,314	
9	Gil	Yaron	1,666	
10	Michael	Burke	910	
11	Dallas	Kachan	901	
12	Mitch	Cramp	897	
13	Dhorea	Kencayd	837	

Sure enough, the top five vote-winners were the same bolded recommended candidates that were listed first on the ballot. [The top three were elected](#). (The [2011 election results](#) were similarly in line with recommendations.)

Especially striking is a comparison with the results of the 2009 election, when there were no board-recommended candidates:

Rank	FirstName	LastName	Votes	
1	Wendy	Holm	12,273	elected
2	Jan	O'Brien	9,715	elected
3	Lisa	Barrett	8,996	elected
4	Kim	Griffith	8,925	
5	Jennifer	Sweeney	5,858	
6	Tod	Maffin	5,823	
7	Harry	Deo	4,329	
8	Hugh	Legg	4,219	
9	Ken	Walton	3,060	
10	Gary	Bizzo	2,818	
11	Michael	MacDougall	2,765	
12	Phillip	Shaughnessy	1,414	

Because Vancity directors serve three-year terms, the top three who were elected in 2009 finished their terms in 2012. All three ran again, but only one (Jan O'Brien) was "recommended".

The impact of board recommendations is clearly strong. But is this good or bad? Does O'Brien fit the board's needs so much better than Holm or Barrett, that the board and their nominating committee wisely and benevolently chose to recommend O'Brien and not Holm or Barrett? Or is a dominant majority on the board systematically eliminating competition from those not allied with them?

The politics of the 2009 board election can shed some light on these questions. As reported in the *Georgia Straight* article "[Action Team narrowly controls Vancity board](#)" (2009-04-10), the "Action Team" slate, which had long dominated the Vancity board, faced a serious challenge in the 2009 election from director Bob Williams, a former ally. The 2009 Action Team candidates were Jan O'Brien, Tod Maffin and Hugh Legg. Williams endorsed Wendy Holm, Lisa Barrett and Kim Griffith. The Action Team only got one of their candidates elected (O'Brien) while two of Williams' endorsees were elected (Holm and Barrett). The Action Team's majority slipped to only 5 of the 9 board seats.

Since then, the board majority has changed the election rules in ways that give them more power to influence the outcome. In particular, starting in 2011 the board's recommended candidates are shown on the ballot like the sample above. (They also outlawed any mention of endorsements other than the board's official recommendations -- more on that in later sections below.) As you can see, in 2012 the board-appointed nomination committee recommended Action Team incumbent Jan O'Brien for re-election, but not incumbents Wendy Holm or Lisa Barrett, who were not part of the Action Team. Coincidence? You decide.<sup>10</sup>

Similarly to Section 1 above, the subjective judgments involved in choosing candidates that are "deemed to best meet the Board's needs at this time" may mask self-serving elimination of competitors who might better serve the interests of co-op members. The Vancity Board Chair claimed that "the majority of members surveyed supported the changes made in 2011". However, as with the MEC vote that approved Rule 11.03, members' responses can be shaped by the information and framing that accompany such questions. It is unlikely that Vancity members were asked to consider the issues raised in this paper before responding to that poll.

Concerned that a dominant majority of the Vancity board seemed to be using their recommendation system to reduce democratic competition and thus disempower members, [I blogged about it](#) and endorsed three promising candidates who were not "recommended" -- in particular, incumbents Holm and Barrett. It shouldn't have to be this way. We members should be able to vote for candidates based on their qualifications, without worrying about the decline of democratic accountability. But from my review of candidates' qualifications, I found no differences big enough to outweigh the accountability issue. The 2008 global financial crisis was caused primarily by a lack of accountability, not by a lack of expertise of the leaders involved.

It's not that Williams, Holm, Barrett and their possible future allies, if they gain majority control of the board, would necessarily serve Vancity and its members any better than the currently dominant group. But a strong minority that challenges the majority gives members the benefit of some competitive democratic check and balance.

[Michels](#) (1911, p. 114) observed that political challengers have the same self-serving tendencies as those they are challenging:

"[Leaders of a minority] declaim against the narrowness and the authoritative methods of the dominant group, displaying in their own actions genuine democratic inclinations. As soon as the new leaders have attained their ends, as soon as they have succeeded (in the name of the injured rights of the anonymous masses) in overthrowing the odious tyranny of their predecessors and in attaining to power in their turn, we see them undergo a transformation which renders them in every respect similar to the dethroned tyrants. Such metamorphoses as these are plainly recorded throughout history. ... The revolutionaries of today become the reactionaries of tomorrow."

Therefore in addition to supporting challengers, it is even more important to change a co-op's rules in ways that strengthen a competitive democracy, and reduce the entrenchment of the current leaders. Ideally, we members would like to elect directors that will help implement such reforms. So we should push candidates toward platforms that include reform, and hold them accountable to their promises.

Returning to the broad issue of member communications, let us consider what could be done to inform members in a more balanced way, to support voting decisions in the interests of the co-op and its members, rather than the interests of the currently dominant leaders. To protect ourselves from biases, we members would generally be better served by having access to other perspectives, providing more

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10. An article in the *Georgia Straight* ([Vancity board of directors elections criticized for being undemocratic](#), 2012-04-12) sparked a vigorous comment discussion.

balanced input for our decisions. A promising potential source of other perspectives is from our fellow members.

#### 4. Member-to-Member Communications

In countries like Canada with legal guarantees of free speech, we co-op members are already free to communicate with each other in any way we choose. So what's the problem?

The problem is the voters' [free rider problem](#): A co-op member who spends time and effort to monitor the board and staff, and to inform fellow members so that all can vote better, creates benefits for all the members. With no mechanism for those receiving the benefits to compensate the member making the effort, there is not enough incentive for typically self-serving voters to monitor and inform, so very little is done. This is the root cause of democracy's decline into oligarchy.

Therefore it is in the members' interests (but not in a self-serving leader's interest) for a co-op to facilitate member-to-member communications. This should be part of our co-ops' democratic systems.

Most co-ops now have websites with member logins, so one obvious way to facilitate member-to-member communications is by creating an online member forum.<sup>11</sup> To be most effective, it should have these features:

- (a) Especially for co-ops with open membership (i.e. most co-ops): Anyone can read the discussion, even if not logged in.
- (b) Logged-in members can create any discussion topic.
- (c) Discussions are permanently archived and readable.
- (d) Comments can include links to other websites. (This is a standard feature, but important.)
- (e) Every thread and comment can be linked to, directly via its own tag or anchor.
- (f) Criticism of the co-op's policies and leaders is welcomed, not censored. (More on this below.)

Such a forum would substantially enhance democratic empowerment of co-op members. Most people are familiar with online forums, so members are likely to support the idea of having one. I would strongly recommend it as the next step in democratic reform for co-ops.

As more and more people are using [Twitter](#), it is becoming an effective online forum for people to share information snippets and opinions on any topic. Using hashtags (like [#CIRA](#)) or co-ops' Twitter handles (like [@Vancity](#) and [@MEC](#)), anyone can find, read and contribute to these shared conversations. It's a great adjunct to (but not a substitute for) a full-featured member forum.

An online forum will not solve all democratic deficits, of course. Information shared in such forums is a mix of "signal" (useful information) and "noise" (useless/harmful/false information). Many busy co-op members would like to participate at least by voting, but lack the time to dig through many discussion threads to find the useful parts.

In feature (f) above, it is easy for me to say that criticism should not be censored; but that policy can be hard to implement in practice. Most online discussions can benefit by having a moderator screen out some harmful comments, such as spam and extreme personal attacks. However, if the moderator is a co-op employee under the direction of possibly self-serving leaders, the subjective judgments in screening comments could mask some censorship of legitimate criticism. One way around this could be to "quarantine" the screened comments -- remove them from the main discussion flow, while leaving them accessible to anyone who actively chooses to read them. But there are other problems, and better solutions are suggested below.

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11. Although it's not for a co-op, an example of an online forum is [ClubTread.com](#).

A promising solution is to let an online forum be hosted and managed independently of the co-op. Several factors can make this a feasible and effective approach. The cost of running an online forum is low. The software required is [available for free](#). Any member who doesn't like the way an online forum is run, could create another online forum and compete for participants. For this to really benefit us co-op members however, it must be easy to find the best forum(s). We could help each other find the most informative online sources (forums and other information) by means of a "member links page":

Instead of (or in addition to) hosting a member forum on the co-op website, we should have a co-op website page that shows a continuously updated list of links to content anywhere on the web. Any member could add links and vote on which links are useful. This would be broadly similar to [Reddit.com](#) or [Digg.com](#) but simpler, without comments or subtopics. I would suggest rules such as:

- (a) Any member can input up to 5 links per month, by entering a link title, URL, and optional brief description. A link could lead to a website's main page, or to any specific page on the website.
- (b) Members vote by clicking on a "Like" button next to each link. You can "Like" the same link again and again, but only your most recent "Like" on each link is counted.
- (c) Each link shows its title (linked), description if any, input date, name of inputting member, and the number of "Likes" received in the past week, in the past month, and in the past year.
- (d) The links page is publicly viewable without login.
- (e) Any viewer can click to sort the links by input date, or by the number of "Likes" in the past week, month, or year.
- (f) The initial (default) view is sorted by the number of "Likes" in the past year.
- (g) Voting is confidential, as in an election. The co-op board and staff can't find out who voted which way.

In a sense, this links page is itself a stripped-down online forum, with only one thread and topic: where on the web is the most useful information for our co-op's members? It needs verified member logins to work best, which would be difficult to outsource to an independent website. It could have problems similar to those of an online forum, such as spam, but the voting and sorting systems would help to push spam out of sight. If spam is still a problem, members could have an option to hide (from themselves only) all links from any chosen submitter(s).<sup>12</sup>

Members could use the links page to share a wide range of informative website pages with fellow members. In addition to websites hosting discussions of co-op policies and elections, linked pages might be on the co-op's own website, such as new product or service descriptions; or on competitors' websites. MEC members might share links on environmental issues or outdoor events; Vancity members might share financial information websites; and so on.

Once a members' forum and/or links page has been established, it can be used to level the playing field of communications to members. Every co-op-to-member communication should include a link to the forum and/or links page, so that if members want to discuss the communication, they can easily find each others' discussions. Especially when there is an issue for members to vote on (an election or a resolution), the board-to-member communication should include only a neutral statement of the question, without the board's discussion or recommendation on how to vote. If the board wants to give a discussion or recommendation, it should be on its own web page, with its link shown in the communication just below the link to the forum/links page. Example text:

"The [co-op member forum](#) may have (or: the links page may link to) discussions and information about this voting issue.

The co-op board's discussion and voting recommendation are on [this linked page](#)."

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12. Members could also have an option to hide (from themselves) all links from any submitter whose number of members hiding their links is greater than the number of members "Liking" any of their links in the past year. This option could be the default for viewers who have not logged in.

Voting on a resolution or election should not begin until at least two weeks after sending out the communication, to give time for members to analyze and discuss the issue or candidates.

Neither [Vancity](#) nor [MEC](#) has an online member forum. At both their 2012 Annual General Meetings, I stood up and proposed that they create one. At the MEC AGM, a straw poll showed clearly that members support the idea.

Another way for a co-op to facilitate member-to-member communications could be to provide, on a member's request, the complete list of members and their contact information. Some organizations are required by law to do this. For example, the Canada Not-for-profit Corporations Act requires it in [Section 23](#). While this is a worthwhile option for a member wishing to contact all other members, it is considerably more costly and cumbersome for such a member than having a member links page. With a forum or a links page, and a link to it in all co-op-to-member communications, those members wishing to communicate with other members would have a convenient way to do so.

## 5. Votermedia

Even with a member forum or links page on the co-op website, there may not be enough members willing to spend enough time and effort on behalf of the other members, to monitor and inform about the co-op's leaders and policies. As mentioned above, this is because of the voters' [free rider problem](#). I have worked for years to develop a solution to this problem, and have found a system that works well, which we now call "votermedia". It is designed for a wide range of voter communities with at least 1,000 eligible voters and \$200,000 annual budget, including corporations, democracies, and co-ops. We have tested it successfully for six years in the 45,000-member University of British Columbia student union -- the Alma Mater Society or AMS.

In a typical votermedia system, voters (members) allocate a small budget of community funds among competing information providers. At UBC AMS, students voted to allocate \$8,000 of AMS funds per year among competing bloggers who covered AMS elections, policies, and other issues of interest to UBC students.<sup>13</sup> This generated several informative new blogs. Observers generally found the impact very positive, especially for improving coverage and voter information on the annual student council election. We documented these views in video interviews linked at [votermedia.org](#). Here is a quote from Bijan Ahmadian, AMS President 2010-2011:

"Votermedia has definitely made the election process more accessible. ...voter media really play an important role and have really been, you know, centre of gravity for voters to come together and discuss issues, discuss candidates, discuss their values, and give candidates an opportunity to respond, to engage with the voters, and it just feels more like a democracy than it used to..."  
([votermedia.org/videos/3: How VoterMedia Affects Election Campaigns](#))

We found that votermedia works best if we divide the \$8,000 annual award budget into two contests: one allocated by voters in the annual election, and one allocated continuously by voters on the online ballot open year-round at [votermedia.org/ubc](#). An overview of votermedia and its UBC AMS implementations is in the paper "[Experiments in Voter Funded Media](#)" (Latham 2012).

Co-op boards often hire external consultants to advise them on various issues, such as governance and board compensation. Votermedia is a way for us co-op members to do likewise, hiring consultants to advise us on how best to vote, and to help us understand and assess the co-op's policies and leaders. Consultants naturally tend to give advice that favours those who hire them. Directors' interests and members' interests

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13. The competition was also open to other media, including print and radio, but blogs turned out to be the most convenient and dominant medium.



may often diverge, so it's important to let members hire some consultants. It doesn't take much funding to make a big difference. For example, whereas [CIRA spends about \\$3 million per year on consulting](#), votermedia could inform CIRA members quite well for just \$10,000 per year.

Based on our experience at UBC, I would suggest that a small to medium-sized co-op could implement votermedia with an annual award budget of at least \$5,000. A large co-op (like MEC or Vancity) should budget at least \$10,000 annually for awards. The budget could be split 50-50 between a competition focused on the annual election, and a continuous competition running online throughout the year.<sup>14</sup>

Any person or group, whether co-op member or not, could enter their blog in either or (most likely) both competitions, perhaps with an entry fee. Open entry makes it as competitive as possible, thus generating maximum benefit to members for the cost. (The leading bloggers at UBC have often been former student council members. So one could predict that former directors of a co-op might play a similar role.) Cash awards give the bloggers an incentive to build their reputations for giving voters useful information and insight.

The continuous votermedia competition would fulfill member-to-member communication needs more effectively than a co-op-hosted links page, which it could therefore replace. The link from each co-op-to-member communication should then read something like: "The [co-op votermedia page](#) may link to information about this issue."

Some voters are only willing to spend a few minutes learning about candidates and issues before they vote. Other voters are willing to dig deeper for greater understanding. UBC AMS bloggers have learned to fulfill the needs of both. Examples can be found at [ubcinsiders.ca/category/elections/](#), especially their endorsement posts. An in-depth policy analysis: [ubcinsiders.ca/2011/11/gage-south-campus-planning-with-no-plan/](#).

Such an information system providing insights that are accessible to all voters and backed by deep analysis, would ensure that a more democratic co-op is also a better managed co-op.<sup>15</sup>

[VoterMedia.org](#) is a nonprofit open-source project devoted to developing and sharing these ideas freely, with no patents. Co-ops are welcome to use votermedia systems and adapt them in any way they choose. I would be happy to give advice without charge. Although I blog about co-ops, I hope that funded votermedia contests will attract enough insightful competitors that I will no longer feel the need to contribute my inexperienced evaluations of election candidates -- see the "I'm not an expert" disclaimers in my blog posts [on MEC](#) and [on Vancity](#). I'm not promoting votermedia with the aim of making money as a competitor or as a service provider.

## 6. Free Speech in Campaigns

The above three sections' proposals for improving member communications would go a long way toward empowering us members to ensure accountability of our elected leaders. However, even with well facilitated member communications and bloggers funded to provide insight, there remains considerable scope for a dominant majority on a co-op board to limit democratic competition by restricting what directors and election candidates can say. Examples:

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14. See [votermedia.org/cira](#) for an example of how a continuous votermedia ballot might look for a co-op or similar organization. But note that since this demo ballot is not currently funded, there is far less activity (blogging and voting) now than there would be if it were funded.

15. Votermedia was originally designed for informing corporate shareowners in their proxy voting for director elections and other resolutions -- see the latest Proxy Advisor proposal linked from [votermedia.org/proposals](#).

**Vancity 2012 Election Guidelines:** "... Candidates must not make promises of ... what actions they will support if they are elected to the board..." (page 46)

"...candidates may not make or support negative comments about Vancity, its management, staff, Board, or other candidates." (page 46)

"Candidates must not affiliate with existing Board members or take common positions on issues that would tend to identify them as belonging to a group or acting in concert." (page 47)

"Candidates must use caution when linking any new media campaign material to external party sites. If a candidate does link to third party sites, and these sites contravene the election guidelines, it may be deemed that the candidate has contravened the guidelines." (page 47)

"Current board members, officers and non-director members of Board committees may not formally or informally express support or non-support for any candidates, except through the formal board recommendation process." (page 48)

**MEC 2012 Campaigning Guidelines:** "Candidates may not make any defamatory statements concerning MEC or its directors, officers or employees."

"Failure to abide by these provisions or the Rules will be considered a violation of election policy and, as such, may result in the Candidate's removal from the election."

"Any representations about a candidate's qualifications or about MEC, including statements about MEC that may be made in the Candidate's statement or any other form of written, verbal or online election material, whether produced or endorsed by the Candidate, must be verified in advance by MEC."

"Candidates must use their MEC email account and not their personal email address for the purpose of communicating with members."

"To ensure compliance with MEC Rules, it is mandatory that the Governance Office is included in all candidate/member email correspondence..."

"Referring to other candidates is not permitted by MEC Rules..."

As outlined in the Introduction above, for co-op democracy to work, members need competition and information in director elections. The most important information includes how director candidates differ from each other, especially regarding how they might perform their director roles if elected. The currently dominant board majority, especially if they want to benefit themselves at members' expense, may want to restrict competition for their board seats.

Next I will point out why the Vancity and MEC rules cited above restrict free speech in campaigns, so should be rescinded. Keep in mind that these rules are interpreted by co-op staff who are accountable to the board. Interpretations are usually subjective, and carry the threat of disqualifying a candidate from the election.

Director candidates who are challenging the dominant board majority need to tell members why they, the challengers, would serve the co-op better. So challengers should tell members what policies (and therefore what actions) they would support if elected to the board. Outlawing such statements tilts the election away from challengers and toward the incumbents, and reduces the ability of members to understand candidates and vote for the best ones.

Proposing to change a co-op's policies necessarily involves saying that the current policies are not ideal. "Current policies are not ideal" is a negative comment about the co-op, its management, and/or its Board, and thus potential grounds for disqualification under the Vancity rules quoted above.

A Board is a group of people that acts in concert. It may be dominated by a majority group. Outlawing challengers from acting in concert while the dominant group acts in concert entrenches the dominant group, to the detriment of co-op members' democratic option to replace one group with another. The further prohibition against taking "common positions on issues" is an over-reaching expansion of an already anti-democratic prohibition, and is subject to even further expansion when interpreted by staff



appointees accountable to the Board.

Making candidates responsible for all content on any website they link to, is an impressive over-extension of already harmful restrictions on candidates' free speech and association.

Vancity's formal board recommendation process can be controlled by a dominant majority of the Board. Members' best hope for a check and balance on the power of that dominant group, is competition from directors and other knowledgeable insiders who are not in the group. Muzzling those competitors disempowers us Vancity members by keeping us in the dark, thus further entrenching the dominant insider group, giving them more leeway to run Vancity for their benefit rather than for members' benefit.

Canadian law has procedures for penalizing defamation in any context, including co-op election campaigns. So there is no need for a co-op to outlaw defamation; it is already illegal. The net effect of creating a co-op rule against defamation, would be to expand the definition of defamation beyond what the law allows, and empower co-op leaders to use subjective interpretation of the rule to disqualify candidates, especially those that criticize the leaders. It further restricts challenges to a dominant group.

Rather than discussing every rule cited above, I refer interested readers to these blog posts I wrote during the 2012 elections:

- [How I plan to vote in the MEC election](#)
- [Vancity credit union election](#)

To its credit, CIRA rules include this language to protect candidates' free speech in campaigns:

**CIRA 2012 Election Rules 11.9** (page 23): "These Election Rules are not intended to restrict any other lawful campaign activity in which a Nomination Committee Nominee or Candidate, or a Member Nominee or Candidate wishes to independently engage."

I would recommend stronger protection: Allow only a bare minimum of grounds for disqualifying director election candidates. The rules for disqualification should be specified in the co-op's rules, and only changeable by member vote. For example, if we want to limit campaign financing, we could provide for disqualifying candidates that overspend financing limits.

**Propose Rule 6.1:** The Board may set election guidelines, but candidates may not be disqualified for violating the guidelines. Instead, the Board or staff can inform members of any violation, and members can decide if it matters enough to vote for someone else. The only grounds for disqualifying candidates are those defined in the co-op rules and those defined by law [such as the Financial Institutions Act in the case of credit unions].

A robust environment for informed member discussion would ensure that the seriousness of any guideline violations would be intelligently assessed by members before voting. Thus an online member forum or links page or votermedia would help reduce guideline violations that are harmful to the co-op.

CIRA has a well publicized online campaign forum for members to ask candidates questions. Unlike [MEC's restrictive email Q&A process](#), in the CIRA forum all members can see all questions and answers. It's also open to public participation. However, CIRA reserves the right to remove any questions or answers which it finds "objectionable" [[CIRA \(2011\)](#) page 23, item 11.5(iii)].

## 7. Free Speech Year-Round

Of course, election campaigns are not the only times that free speech matters; it should be maintained year-round too. To provide a competitive democratic check and balance on the power of a dominant board majority, they should not be allowed monopolistic control of information coming from the co-op to members. Especially, information that may criticize the dominant group's policies should not be suppressed.

As mentioned in the previous section above, co-op members' best hope for a check and balance on the power of a dominant board majority, is competition from directors and other knowledgeable insiders who are not in that dominant group. To help keep the co-op on track for serving the members' interests rather than insiders' interests, minority dissidents should be free to alert members about policies that seem off track. Unfortunately, some co-ops have rules that would enable a majority group to silence a minority, with the threat of being removed from the board:

**MEC Rule 14.01:** "A director may be removed from office before the end of her or his term by ... a resolution passed by no fewer than 75 percent of all the directors."

**Vancity Rule 3.4.01:** "A person may be removed as a Director by Board resolution passed by not less than two thirds of the remaining Directors if that Director:

- (a) has failed without being excused for reasonable circumstances to attend three consecutive monthly meetings of the Board per fiscal year;
- (b) has breached the Standards of Business Conduct Policy and Ethical Behaviour for Directors; or
- (c) has breached the confidentiality of any proceedings, deliberations, or information of the Board; as determined by the remaining Directors..."

**Vancity Board Election Candidate's Package (page 36):**

"Standards of Business Conduct Policy and Ethical Behaviour for Directors:

...

If an individual director disagrees with a decision made by the board, the director must nonetheless support the decision or resign from the board."

Directors are elected by the members, so only the members should be able to remove directors. Directors are supposed to be loyal to members' interests, but the threat of removal by a dominant group of directors tends to undermine loyalty to members, and enforce loyalty to the dominant group.

**Proposed Rule 7.1:** A director may be removed from office before the end of her or his term only by a resolution passed by a 3/4 majority of the total member votes cast on the resolution.

If a majority of the board believes that a director has acted badly enough to warrant removal, they can propose a resolution for us members to remove that director, and explain why it is in our interest to do so.

CIRA has explicit principles allowing directors to bring disagreements before the members:

**CIRA Directors' Code of Conduct 2.01:** "... A Director is responsible to:

...

(j) Maintain solidarity with fellow Directors in support of a decision that has been made in good faith in a legally constituted meeting, by Directors in reasonably full possession of the facts;

(k) Ask the Directors to review a decision, if she has reasonable grounds to believe that the Board has acted without full information or in a manner inconsistent with its fiduciary obligations, and, if still not satisfied after such review, ask that the matter be placed before the membership;

..."

This is a step in the right direction, but I would recommend expanding its scope. As explained in the Introduction above, even decisions made sincerely in good faith can suffer a subconscious self-serving bias towards insiders' interests and against members' interests. So any directors should be able to let the members know if they disagree with any decisions made by the board majority. I will discuss how ways of doing this in the next section below on transparency.

Even more than dissident directors, co-op employees who alert the members about a co-op's questionable policies or practices are in danger of reprisals by the co-op's board or senior staff. For the co-op to benefit from the corrective influence of such whistle-blowers, they need some kind of protection from reprisals. But it is hard to design a system of protection that accommodates the normal necessary management of employees, with its subjective evaluations, rewards and penalties. Ideally, whistle-blowers should be able to maintain anonymity. To ensure this, there must be an organization (or person) they can trust to protect their anonymity while taking action on the issue reported. That organization would need to be paid by the co-op for their work, while having enough independence from the board and senior staff to keep their sources confidential while informing members of problems reported, balancing these goals in the best interests of the co-op members.<sup>16,17</sup> The votermedia competition proposed in Section 5 above would support organizations that could fulfill this role.

Not only dissident directors and whistle-blowing employees, but also co-op members can have their voices silenced for criticizing the policies of a dominant majority of the board. In 2012, the CIRA board proposed giving itself the power to expel members from CIRA, telling members that this was required by legislation, which [CIRA's CEO finally admitted was false](#), calling it a "nuance" that may "cause confusion". While one can imagine reasons why it may be in the organization's (i.e. most members') interests to expel a member, the power to do this should reside with the members, not the board. Here again, it is bad governance to risk increasing the entrenchment of a dominant group, since they may not always be benevolent.

## 8. Transparency

Transparency helps to reduce corruption in organizations. Widespread recognition of the importance of transparency has spurred the growth of an international movement -- see for example [Transparency International](#), "the global coalition against corruption". An oft-quoted watchword: "[Sunlight is the best disinfectant](#)."<sup>18</sup>

To be transparent, a co-op should make it easy for members and journalists to monitor what the co-op and its leaders are doing. As far as is reasonably possible, such information should be publicly available on the co-op website. Most co-ops have open membership -- anyone can join -- so information available to members may as well be public anyway. Because of the free-rider problem described earlier in this paper, making information available only on request by an individual member, creates a hurdle that may discourage some valuable monitoring. Even if most members don't want or need to see detailed information, we all benefit from the openness of allowing anyone to see it. Similar reasoning must underlie the [Sunlight Foundation](#)'s redefining "public" information as meaning "online".<sup>19</sup>

For example:

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16. This function may overlap with the dispute resolution system discussed in section 9 below. Perhaps these two functions could be handled by the same organization.

17. Co-operatives UK (2013) [Corporate governance code for consumer co-operative societies](#) includes some whistle-blowing procedures on page 24. They also reference the UK (1998) [Public Interest Disclosure Act](#).

18. From a famous phrase by Louis Brandeis -- [http://en.wikiquote.org/wiki/Louis\\_Brandeis](http://en.wikiquote.org/wiki/Louis_Brandeis).

19. See <http://sunlightfoundation.com/about/>. The Sunlight Foundation focuses on government transparency. Similar principles apply to co-op transparency.

**MEC Rule 10.15:** The Co-operative must provide a copy of any policies governing elections and campaigning to all candidates, and to any member on request.

It's good that MEC has codified member access to these policies; but MEC should take it a step further and post them on its website.

Information every co-op should post on its website, on conveniently linked pages:

- All current bylaws, rules and policies.
- Financial statements: At least the past 5 years of annual statements and 2 years of quarterly statements, including membership statistics.
- Board meetings: Agendas and minutes for the past 5 years at least, including board committee meetings.
- Director nominations: Procedures, deadlines, forms.
- Member resolutions: Procedures, deadlines, forms.
- Any changes in the above should be announced in a news feed (such as a blog).

Then there is a large grey area of information that is typically not disclosed in currently prevailing co-op practice, but that should be disclosed to achieve a higher level of transparency for the benefit of co-op members. There may be valid reasons for not disclosing some of these items, but I would like to encourage a discussion of the pros and cons of disclosing:

- In board meeting minutes: Which directors voted yes and which no, on each vote. At each director's option, include that director's reasons for voting yes or no.
- Live and archived audio and video webcasts of director meetings, except for in-camera sessions. Co-op members should also be welcome to attend director meetings in person, so the schedule and location should be published.
- Financial statements -- more detail: Finer breakdown of each line in the published financial statements. This should be via online drill-down links, so as not to clutter the main documents. For example, [CIRA's 2012 Statement of Operations](#) shows consulting expenses of \$3 million. There would probably be more benefit than cost in showing (via a web link) amounts paid to each consultant and publishing the reports produced by each.
- No doubt there are many more types of information that should be routinely published on a co-op's website.

## **9. Dispute Resolution**

Every co-op should establish and publish a procedure for resolving disputes. MEC Rules Section 19 is an example. Its first subsection defines the scope:

**MEC Rule 19.01:** "This Part applies to a dispute arising out of the affairs of the Co-operative which involves a member, a candidate, a director, the Co-operative, or any combination of them, including a dispute under the Rules. It does not apply to a dispute between the Co-operative and an employee, supplier, or contractor."

I lack expertise on dispute resolution methods, so will not make detailed recommendations here. However, I will comment on two general features: transparency and fairness.

Regarding transparency, there should be policies to determine whether to keep a dispute and its resolution secret, or to publish them. I believe it is common for a dispute resolution agreement to include the condition that the parties involved will keep the dispute and its resolution terms secret. For the same general reasons underlying the transparency policies in the previous section above, I suspect that this secrecy of disputes is usually against the interests of co-op members.<sup>20</sup> Secrecy can cover up bad policies and practices of the co-op's board and/or staff, which should be brought to the attention of members. Coverups can allow harm to continue.

Of course, there are tradeoffs between transparency and privacy of complainants and complainees, so it is hard to define an ideal general policy of publishing disputes. Competitors in the votermedia competitions proposed in section 5 above could help to manage this tradeoff, since they would have an incentive to publish only the information that is in members' interests to publish.

Regarding fairness, care must be taken to ensure that a co-op's resources are not used by the board (or a dominant majority on the board, or the co-op's senior staff) to bias the dispute process against a member bringing forward a grievance. Transparency can help prevent such unfair exercise of power, by letting all members (as well as journalists) assess whether the complainant is being treated fairly.

## Co-op Democracy Scorecard

I have created a spreadsheet to organize and summarize measures of how democratic a co-op is. ([Latest updated spreadsheet](#) is at [votermedia.org/publications](http://votermedia.org/publications).) Each of the nine topic sections above is represented by one or more lines in the spreadsheet. Each line describes a desired democratic feature such as: "Any member can be a candidate in director elections." To use the spreadsheet, for each feature you give a score out of 100 to express your subjective estimation of whether a co-op has that feature, and to what degree. Your scores are then averaged (with weights you can adjust) to give an overall score of that co-op's degree of democratic member control.<sup>21</sup>

Like this paper, the spreadsheet is a draft, a work in progress. I have entered my very rough subjective estimates for scoring MEC, Vancity and CIRA. I welcome corrections, others' estimates, and ideas for improving the spreadsheet -- changing the scores, the features, the weights, the framework etc. You are welcome to copy it, change it, and use it as you wish -- just acknowledge that part of it that came from me -- as per [Creative Commons License Attribution 3.0 Unported](#). I modelled it on the dataset spreadsheet from the [State Integrity Investigation](#), but I lack their resources for creating a carefully reviewed scoring system.

The 2012-10-06 draft of the spreadsheet estimates these overall democracy scores:

MEC: 28%  
Vancity: 22%  
CIRA: 48%

These are all very low, indicating my subjective estimation that none of the three organizations is sufficiently democratic. This is not surprising, since it was their undemocratic rules and practises that prompted me to write this paper in the first place.

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20. Similarly, I wonder whether it would be in the public interest for the [Better Business Bureau](#) to publish more information about resolved disputes.

21. Democratic member control is one of [the seven fundamental co-op principles](#).

Please note that I do not consider these democracy scores to be very accurate. They are based on my subjective opinions, and on imperfect information. I have sent this paper and the spreadsheet to MEC, Vancity and CIRA, and invited corrections as well as their subjective opinions. I plan to revise my estimates, and probably the entire framework, after getting input from them and other sources that I hear from. I invite readers to estimate and share democracy scores for their co-ops, using this framework, or a modification of it, or an entirely different framework.

Thus I hope to launch a discussion that will help improve the democratic governance of co-ops and similar organizations. I will link updates of this paper and spreadsheet at [votermedia.org/publications](http://votermedia.org/publications).

In January 2012, the British Columbia Credit Union Governance Task Force submitted its report [\*Advancing Governance\*](#) to the B.C. Financial Institutions Commission (FICOM). It contains many valuable recommendations, but seems lacking in effective ways to reinforce the accountability of boards. I have submitted this paper to FICOM, with the summary of democratic features in the scorecard spreadsheet, as a way to fill that gap.<sup>22</sup>

## Action Plans

We can help our co-ops become more democratic and more successful in serving members. Co-ops will then grow and fulfill more of their potential for enhancing our society. Here are some steps you can take in this direction:

- Assess the quality of democracy in your co-ops.
- Discuss your co-ops with fellow members, directors and staff, in person and via online forums including [Twitter](#).
- Participate in your co-ops by voting.
- Push for improving democracy in your co-ops. I would suggest a members' online forum as a priority. Make it an issue in director election campaigns. Submit member resolutions for democratic improvements.<sup>23</sup>
- Run for election to a co-op's board.
- Join more co-ops.
- Encourage your friends to do likewise.

Not only can we improve our co-ops, but also this will set an example for our other large organizations, especially democracies and corporations. The tendencies for insiders to increase their power at voters' expense is similar in most organizations. Corporations, co-ops and democracies all have similar problems of leaders lacking accountability. But co-ops seem to be a promising place to turn the tide. As co-op members we make our own voting decisions, unlike corporate share investors who let intermediaries do most of their voting.<sup>24</sup>

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22. This paper would supplement the Task Force report. I have found only one point where my recommendations actually disagree with those of the Task Force: [Their report](#) advises (on pages 5 and 15) that a nominating committee only recommend "that number of candidates needed to fill the number of open positions on the board." I recommend nominating more than that number.

23. I sent this paper to the Boards of MEC, Vancity and CIRA, and reported on their responses at [votermedia.blogspot.ca/2013/03/mec-vancity-cira-boards-unwilling-to.html](http://votermedia.blogspot.ca/2013/03/mec-vancity-cira-boards-unwilling-to.html).

24. See [Latham \(2007\)](#) for ideas on how we can improve the voting of corporate shares.

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## Appendix -- Co-op Democracy Scorecard Spreadsheet

Co-op Democracy Scorecard -- Last updated 2012-10-06 by Mark Latham. NOTE: These scores are subjective estimates! Please email suggested improvements to mark[at]votermedia.org		Weight	MEC	Vancity	CIRA			
CC BY 3.0 For detailed explanation, please see "We Want Our Co-ops Back" at http://votermedia.org/publications.		229	28	22	48			
<b>1. Director Elections</b>								
Any member can be a candidate in director elections, even if not recommended or nominated by the nomination committee.		20	0	Th	30	Te	25	Me
The co-op informs members well about upcoming elections, including how to become a candidate, and how to be an informed voter.		10	80		80		100	
There is a public forum in the election process, for discussion among members and candidates.		10	20	Ce	0		90	Im
If a board-appointed committee nominates candidates, they nominate more than the number of open seats.		5	100		100		100	
Neither the board nor its appointees can disqualify election candidates based on subjective judgments (like "vexatious").		5	0		0		100	
Elections are by preferential vote.		5	20	Th	0		0	
<b>2. Member Resolutions</b>								
Any member can propose a resolution to be voted on by all members.		5	80	Sp	40	Sp	100	
The co-op informs members well about their right to propose resolutions, and procedures and deadlines for that.		5	100		100		20	
Neither the board nor its appointees can disqualify member resolutions based on subjective judgments (like "vexatious").		4	0		0		100	
<b>3. Board-to-Member Communications</b>								
Neither the board nor its appointees uses preferential access (over other members) in communicating to members their judgments of election candidates.		10	0		0		25	
When the board proposes a resolution for member vote, they explain it clearly to members at least 2 weeks in advance of the voting.		7	20		30		20	
When the board proposes a resolution for member vote, they help members find opinions on it other than the board's opinions.		7	0		0		30	
<b>4. Member-to-Member Communications</b>								
There is a year-round online member forum on the co-op website.		10	0		0		20	Me
<b>5. Votermedia</b>								
The co-op funds a competition for informing members, in which members vote to allocate the funds.		10	0		0		0	
<b>6. Free Speech in Campaigns</b>								
Election candidates are encouraged to communicate their policy platforms to members.		8	90		0		90	
Election candidates are free to criticize the policies and actions of the co-op board and staff, and other candidates' platforms.		8	0		0		50	
Election candidates are free to seek endorsements and alliances in their campaigns, and communicate them to members.		5	30	Rl	0		90	
Election candidates are free to communicate with members in any way they choose.		7	10		30		90	
<b>7. Free Speech Year-Round</b>								
Directors are free to express to members their differences of opinion with other directors.		8	0		0		30	
A director cannot be removed from office by the other directors.		7	10	Re	0	Re	100	lh
A director can be removed from office by vote of the members.		5	100	By	0	lc	100	
A member cannot be expelled from the co-op by the board.		5	30	Ce	100	Th	0	
There is a publicly specified person or organization where whistleblowers can report co-op problems, that protects the whistleblowers and reports problems to members.		7	0		0		0	
<b>8. Transparency</b>								
All current rules (bylaws) and policies are on the co-op website, conveniently linked.		8	80	Rl	75	Rl	90	Rl
Likewise financial statements: at least 5 years annual and 2 years quarterly, including membership statistics.		8	70	11	80	12	70	5j
Likewise board meeting agendas and minutes for the past 5 years, and for board committee meetings. Minutes should be informative.		8	0		0		80	5j
There is a public news feed (e.g. a blog) with any changes to the above items.		5	0	lh	0	lh	0	lh
Members are welcome to attend board meetings, in person and/or online; the schedule and location of board meetings are on the co-op website.		8	20	lrr	20	lrr	20	lrr
<b>9. Dispute Resolution</b>								
The co-op has an explicit fair procedure for handling disputes.		7	50	at	10	lh	10	lh
The co-op informs members about the dispute procedure.		5	90	lts	0	lh	0	lh
The co-op has a policy of publishing all ongoing and resolved disputes, omitting only those pieces of information for which there are particularly strong reasons for privacy.		7	0		0		0	