So you think that the co-operative business model might suit the new organisation that you and your colleagues envisage? Firstly congratulations in reaching this conclusion!

While people are undoubtedly the key drivers of co-operatives, other frequently-used words when describing these organisations include: ‘co-operation’, ‘mutual’, ‘democracy’, ‘equality’, ‘education’, ‘community’, ‘endurance’ and ‘sustainability’. One international co-operative expert, Edgar Parnell, talks of them as being ‘member-led, member-focused and member-controlled’.

NZ’s top 30 co-operatives and mutuals currently generate over $42 billion in revenues per annum, this representing approx. 17.5% of our GDP. In addition these organisations serve over 1.4 million members and employ over 48,500 New Zealanders.

Cooperative Business New Zealand has its origins going back to the 1960’s and was essentially established to support the interests of New Zealand’s co-operative companies, to promote the co-operative business model, and to advocate and lobby on behalf of its co-operative members.

Over the years we have amassed a large volume of information about this particular type of business model. From our own members’ experiences, and those of our associates around the world, we have prepared this user guide (or manual) to help you formulate your thinking and plans to either start up a new co-operative or to at least join one.

The co-operative business model is dynamic and adaptable and is able to meet the needs of a business, and its members, through careful planning upon the setting up of a new organisation. However, there are also some philosophical and legal guidelines that should be adhered to. It’s really worth taking the time early on when establishing your organisation to ensure optimal set up and design in order to save problems further down the track.

So please read through and feel free to ask me any questions as they arise: you may contact me at: craig.presland@nz.coop

Craig Presland
CBNZ Chief Executive Officer, January 2017
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   1.1 History
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What is a co-operative?
1. What is a co-operative?

Co-operative enterprises, also known as ‘co-ops’, ‘societies’ or ‘mutual organisations’, are organisations run for the mutual benefit of their shareholders/members. One useful definition of a co-operative is:

An enterprise, freely established, that is owned and controlled by a group of legal persons for the purpose of equitably providing themselves with mutual benefits arising from the activities of the enterprise and not primarily from investment in it.

1.1 History

According to the International Co-operative Alliance (ICA), the earliest record of a co-operative comes from Fenwick in Scotland where, during March 1761, “in a barely furnished cottage, local weavers manhandled a sack of oatmeal into John Walker’s whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers’ Society.”

There are plenty of records of co-operatives starting out as small grassroots organisations in Western Europe, North America and Japan in the middle of the nineteenth century, however it is the Rochdale Pioneers that are generally regarded as the prototype of the modern co-operative enterprise and the founders of the Co-operative Movement in 1844.

The principles that underpinned their way of doing business are still accepted today as the foundations upon which co-operatives operate. These principles have been revised and updated, but remain essentially the same as those practised by these pioneers in 1844 (refer to section 1.2).

Today, the co-operative sector is estimated to have around one billion members and accounts for more than 250 million jobs around the world.

New Zealand co-operatives emerged originally out of the European movement and legislation that was put in place here in New Zealand to support them. Initially, this was to help dairy companies to become established as co-operatives and later this was extended to cover other agri-producers in the early 1900’s.

The New Zealand Companies Office advises that a co-operative is run for the mutual benefit of its shareholders/members and is established so its shareholders/members may buy goods or utilize the services of the organisation, rather than being established for the purpose of earning profits for investors. It also notes that a key benefit provided by co-operatives is that the underlying principles held by its Members, collective dedicated effort and group decision-making, provide a unified direction back to the business.

Today New Zealand’s top 30 co-operative enterprises generate approximately 17.5 percent towards NZ’s gross domestic product (GDP), employ over 48,500 kiwis and have a combined turnover of more than $NZ 42 billion pa.

(Source: “The NZ Co-operative Economy” research report released by The University of Auckland and Massey Universities, Jan 2017.)
They are responsible for around 95 percent of the NZ dairy market, 90 percent of the NZ export meat market, 50 per cent of NZ’s livestock; over 90 percent of the NZ fertiliser market; and 62 percent of the NZ grocery market.

The NZ Agricultural Co-operatives Association was set up originally in the 1960’s to bring together this country’s agricultural co-operatives into an incorporated society. This industry body then re-named itself as the NZ Cooperatives Association in 1997, and then Cooperative Business NZ in 2012.

These days, Cooperative Business NZ has over 100 members, over two thirds of which are now non-agricultural members (a full list of our current Members can be found on our website www.nz.coop). Cooperative Business NZ is a member of the International Cooperative Alliance, which has 262 members from 92 countries around the world.

Cooperative Business NZ’s policy priorities are to promote the co-operative and mutual business model and to advocate on behalf of its members by acting as the industry body that promotes discussion and co-operation with decision-makers, including those at all levels of government. In order to carry out these activities, it facilitates and co-ordinates services, expertise and research and also collects, verifies and publishes relevant and useful information.

Examples of Cooperative Business New Zealand’s current Full Members include:

- Alliance Group
- Ballance Agri-Nutrients
- Co-op Money NZ
- Capricorn Society
- Farmlands
- Foodstuffs North Island and South Island
- Fonterra Co-operative Group
- Health 2000
- ITM
- Livestock Improvement Corporation
- Mitre 10
- Rabobank
- Ravensdown
- SBS Bank
1.2 Values and principles

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality and solidarity in the tradition of their founders. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The business model is all about sustainability (economic, environmental, social) and long term endurance.

Co-operative enterprises are guided by the seven Rochdale Principles in putting their values into practice, these being:

1. voluntary and open membership;
2. democratic member control;
3. member economic participation;
4. autonomy and independence;
5. education, training and information;
6. cooperation among co-operatives;
7. concern for community.

For more information please refer to: http://www.ica.coop/what%20-co-op/co-operative-identify-values-principles.

1.3 Forms of co-operatives

A key driver with co-operatives is that the owners are the principal traders so that all returns of the co-operative are delivered in relation to patronage, not investment. There are typically no external shareholders although in recent times Fonterra has listed on the NZX and has successfully raised share capital via non-supplying investors who are not suppliers of milk and have no voting rights.

There are a variety of forms of co-operative, including:

Retailer Co-operatives

A retailer’s co-operative is an organization which employs economies of scale on behalf of its members to receive discounts from manufacturers and to pool marketing. It is common for locally owned grocery stores, hardware and pharmacies. In this case the members of the co-operative are businesses rather than individuals.

Consumer Co-operative

A consumers’ co-operative is a business owned by its customers. Employees can also generally become members. Members vote on major decisions and elect the board of directors from among their own number.

Utility Co-operative

A utility co-operative is a type of consumers’ co-operative that is tasked with the delivery of a public utility such as electricity, water, or telecommunications services to its members.

Profits are either reinvested into infrastructure or distributed to members in the form of patronage or credits paid on a member’s investment in the co-operative.
Agricultural Co-operatives

Agricultural co-operatives or farmer co-operatives, are where farmers pool their resources for mutual economic benefit. Agricultural co-operatives are broadly divided into agricultural services co-operatives, which provide various services to their individual farming members, and agricultural production co-operatives, where production resources are pooled. Agricultural supply co-operatives aggregate purchases, storage and distribution of farm inputs for their members. By taking advantage of volume discounts and utilizing other economies of scale, these co-operatives bring down the costs of its members.

1.4 New Zealand co-operatives

In New Zealand, a co-operative company is one established for the purpose of allowing its owners to conduct its business on a mutual basis. Generally it is a company incorporated under the Companies Act 1993 that applies for registration under the Co-operative Companies Act 1996 in order for it to operate as a co-operative.

The other primary legislation for new co-operatives is the Industrial and Provident Societies Act 1908 (refer to Appendix 1 for the key differences between a cooperative company and a cooperative formed under the Industrial and Provident Societies Act 1908).

Other co-operatives are also formed under the Building Societies Act 1965 and the Friendly Societies and Credit Unions Act 1982.

Together, New Zealand’s top 30 co-operative enterprises generate over 17.5% of gross domestic product (GDP), have over 1.4 million members, employ over 48,500 people and generate a combined turnover of more than $NZ 42 billion pa.

In addition, in relation to obtaining funds from shareholders, issuing prospectuses and making distributions/rebates, the following legislation is relevant:

- Financial Reporting Act 2013
- Financial Markets Conduct Act 2013

Like all other businesses, all co-operatives also operate under the general New Zealand legislation pertaining to business, such as the Fair Trading Act 1986, The Commerce Act 1986 and the various amendments, amongst others.

Any type of business whereby the owners are also the principal traders (either buying or selling) can be operated as a co-operative. The advantages of a co-operative company include the mutual bond between transacting shareholders and the special features relating to shareholdings that departs from the normal arrangements under the Companies Act.
These include power to:

- Issue shares with a nominal value
- Redeem shares to ensure continuous active membership of company
- Accept surrenders of shares
- Hold surrendered shares for later allocation
- Forfeit shares of untraceable shareholders
- Give rebates to shareholders, unless the constitution prohibits this

Otherwise, the advantages of a co-operative company are the same as those enjoyed by shareholders incorporated under the Companies Act 1993.

There are a number of features that characterise Co-operative Companies. A co-operative company:

- May use the word 'co-operative' in their name: Only registered co-operative companies may include the word in their company name (though a co-operative doesn't have to use the word).
- Must carry out co-operative activity: A co-operative company must principally carry out a cooperative activity as defined by its constitution. Such activity may include providing shareholders of the co-operative company with goods or services, including processing and marketing services and those things ancillary to the activity.
- Requires continuously active membership: One of the key differences between a standard company and a co-operative company is that the features of co-operative ownership require continuously active membership, this resulting in the shareholder being able to surrender shares when he/she wishes to (for example when a dairy farmer seeks to switch to another type of farming).
- Members have control of the organization: According to the NZ Companies Office, not less than 60 percent of the voting rights in a co-operative company must be held by transacting shareholders—the shareholders who supply the company, otherwise buys its goods or use its services. For example, a dairy farmer supplying milk to a co-operative dairy company would be a transacting shareholder as would a plumber buying equipment from a plumbers supply co-operative.
- Profits are returned as rebates: The profits of a co-operative company are returned to the shareholders as cash rebates, otherwise as shares in lieu of rebates. These will be calculated in relation to the volume of 'transactions' made during the particular accounting period (financial year), for example (1) the amount of milk supplied measured in kgs of milk solids, (2) the amount of purchases made via a group buying office (typically the parent company), or (3) the amount of product or services sold over a financial year.
Is the co-operative model right for your business?
2. Is the co-operative model right for your business?

You have group of people/members who would like to establish an entity to carry out collective activity. However, you need to carefully consider whether you need a formal entity and then, if you all decide that you do, whether the co-operative model is right for your business concept.

So, there are three things to consider:

a. Do you need to establish a formal legal entity at all?
b. If so, what type on entity?
c. If you decide on a formal co-operative structure, which type?

2.1 Do you need to establish a formal legal entity?

It may seem an obvious starter question, but the key question to consider is whether you need to establish a formal legal entity at all.

If, for example, your idea is to market vegetables from a community garden, or you are a group of artists getting together to exchange ideas and sell your work, consider whether members of your group would wish to be bound up in shareholdings, legislation, and compliance including the financial reporting that is involved in running a company. It may be that a more informal structure, such as a collective or club, might be the appropriate form for your group.

- A collective is a group of entities that share, or are motivated by at least one common issue or interest, or work together to achieve a common objective. They differ from co-operatives in that they are not necessarily focused on an economic benefit or saving, but can be that as well. This model is not very common in NZ.

- A club is an informal organisation of a number of people united by a common interest or goal, such as gardening, sports, music or art. The origin of the name is thought to stem from a group of people ‘clubbing together’ to pay the expenses of their gatherings. A club might offer members facilities such as a club-room or a website for example. A club can often be a legal entity, i.e. incorporated societies.

Both collectives and clubs can be set up inexpensively with a set of rules and generally a president/chairman, secretary and treasurer. If the intention is that members receive direct financial benefit from the business, an incorporated society will not be an option.

Partnerships

If you want to work with someone else by pooling your collective assets and skills into the same business, but you don’t want to incorporate it as a company, then you might consider forming a partnership. These are common in the professional fields such as law, accounting, engineering, public relations or architecture.

Partnerships see two or more entities (such as individuals or companies) share the profits and losses of an unlimited liability business, with each partner taxed on their individual share of the net profits at the end of the financial year. See http://www.business.govt.nz/starting-and-stopping/business-structures/focus-on partnerships.
2.2 We need to establish a formal legal entity, but which type?

If your group does want to establish a legal entity to enable it to carry out a collective commercial business activity, there are a number of company types that should achieve what you are looking for. In addition to the co-operative business model, there are also associations, incorporated societies and investor-owned (public and private) companies to consider. You need to carefully review and consider which meets your group’s needs the best. A comparison is as follows:

<p>| Table 1: Differences between cooperatives, companies and associations / societies |
|---|---|---|
| <strong>Cooperatives</strong> | <strong>Companies</strong> | <strong>Associations/Societies</strong> |
| <strong>Primary Purpose</strong> | Meet the common needs of members. | Maximise profit for shareholders. | Meet identified needs of the community. |
| <strong>Organisation Ownership</strong> | Owned by the users who benefit from membership. | | No ownership, any assets acquired belong to the association and are never distributed to members. |
| <strong>Ownership limit</strong> | None but often capped in proportion to level of transactions. | One owner may hold 100% of issued share capital. | N/a |
| <strong>Day-to-day management control</strong> | Board. | Board. | Management Committee. |
| <strong>Voting rights</strong> | Many co-operatives have a one member one vote policy but a co-operative may choose to include in the constitution that members vote according to shares held, which is based on patronage (use of services, sale or purchase of goods and so on). The constitution can also hold an ability to limit any one member (or associated members) rights in terms of control. The important point is that decisions are democratic. | One vote per share, which means that the majority shareholder can make all the decisions. It must also be noted that company constitutions may have restrictions on voting rights which could alter the one vote per share outcome. | One vote per member. |
| <strong>Number of members</strong> | Minimum of at least two shareholders holding at least one share each (either individual or corporate). | Minimum of one shareholder. | Minimum of 15 members. |</p>
<table>
<thead>
<tr>
<th></th>
<th>Cooperatives</th>
<th>Companies</th>
<th>Associations/Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership</strong></td>
<td>Restricted to persons willing to commit to active membership and are able to utilise the co-operative’s services.</td>
<td>No restrictions, other than limits on foreign ownership of shares or substantial shareholding requirements.</td>
<td>Anyone who supports the association’s purpose.</td>
</tr>
<tr>
<td><strong>Capital Structure</strong></td>
<td>Share capital from active members. Debt funding can be comprised of private debt, member loans and publicly issued debt securities such as debentures. The use of CCU’s are restricted to Australia and not an option in NZ.</td>
<td>Share capital including share capital from public issues of shares. Debt funding through private debt, publicly issued debt or hybrid securities.</td>
<td>Membership fees.</td>
</tr>
<tr>
<td><strong>Share ownership</strong></td>
<td>Shares can only be acquired by active members(subject to constitutional provisions).</td>
<td>Shares can be acquired by any person or organisation, depending on the company’s constitution.</td>
<td>N/a</td>
</tr>
<tr>
<td><strong>Share value</strong></td>
<td>Co-operative shares have a nominal value specified in the constitution, which can be changed by special resolution of shareholders.</td>
<td>Shares can go up or down in value according to the price the buyer and the seller are willing to accept.</td>
<td>N/a</td>
</tr>
<tr>
<td></td>
<td>Cooperatives</td>
<td>Companies</td>
<td>Associations/Societies</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Share payments</td>
<td>The owners are and want to be the principal customers, so that all/most returns of co-op are delivered in relation to patronage, not investment. None or only a minority of external shareholders.</td>
<td>Focus is on maximising the financial return.</td>
<td>N/a</td>
</tr>
<tr>
<td>Benefit distribution</td>
<td>Proportion of surplus shared among members based on use of goods and services.</td>
<td>Share profits based on share ownership; no limit on share dividend.</td>
<td>Surpluses belong to, and are retained by, the association.</td>
</tr>
<tr>
<td></td>
<td>Surplus utilised to improve services to members (including rebates if goods or services can be provided more cheaply (or to improve/extend co-operative’s activities).</td>
<td>Dividends distributed to investors according to the class of share.</td>
<td>Surpluses cannot be distributed amongst the members.</td>
</tr>
<tr>
<td>Liability (unless through wrongdoing)</td>
<td>Limited to unpaid amounts on shares and any other charges payable to the co-operative.</td>
<td>Limited to the unpaid amounts on shares held.</td>
<td>Limited to any outstanding fees owing to the association.</td>
</tr>
<tr>
<td>Decisions of entity</td>
<td>Democratic</td>
<td>According to majority share-holders.</td>
<td>Democratic</td>
</tr>
<tr>
<td>Member involvement</td>
<td>Active involvement of members required.</td>
<td>No requirement for active involvement.</td>
<td>Encouraged.</td>
</tr>
</tbody>
</table>
2.3 Which type of co-operative enterprise?

If you have decided that a member-led, member-owned and member-controlled co-operative is right for your group, you then need to think about what type of co-operative – sometimes known as a ‘mutual organisation’ or ‘co-op’ – fits best with your members' requirements.

There are a number of co-operative types that can be considered, dependent on your business activity (see Table 2, below). The most common form for new co-operatives in New Zealand are co-operative companies and industrial and provident societies.

A useful table prepared by the Ministry of Economic Development in 2004 compares co-operatives and industrial and provident societies (see Appendix 1).

<table>
<thead>
<tr>
<th>Table 2: Cooperative Business Types</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Co-operative Companies</strong></td>
</tr>
<tr>
<td>Going back to the definition of a co-operative company, which is: “An enterprise, freely established, that is owned and controlled by a group of legal persons for the purpose of equitably providing themselves with mutual benefits arising from the activities of the enterprise and not primarily from investment in it” in New Zealand, many co-operatives are companies which are also registered under the Cooperative Companies Act 1996. Only a registered co-operative may include the word ‘co-operative’ in its company name, but note that a co-operative doesn’t necessarily need to use the word.</td>
</tr>
<tr>
<td><strong>Industrial &amp; Provident Societies</strong></td>
</tr>
<tr>
<td>An industrial and provident society will usually consist of the owners of small businesses, who while continuing to operate independently, become part of this larger entity for mutual benefit. They work (industrial) and receive benefits (provident) from the society for their future well-being. Applications can be made by seven members and the secretary for carrying on any industry, business or trade authorised by the rules in the Industrial and Provident Societies Act 1908 (except banking).</td>
</tr>
<tr>
<td>A co-operative taxi society is an example of an industrial and provident society with independent operators benefiting from car insurance schemes and a radio booking system. Societies are identifiable by having names ending in “Society Limited” or “Co-operative Society Ltd” and operate according to registered rules.</td>
</tr>
<tr>
<td>The advantages of an industrial and provident society are similar to those of other bodies corporate, including: a society becomes a separate legal entity once incorporated. There are many societies of this type currently registered in New Zealand.</td>
</tr>
</tbody>
</table>
### Table 2: Cooperative Business Types

<table>
<thead>
<tr>
<th>Cooperative Business Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Societies</strong></td>
<td>A building society is incorporated under the <strong>Building Societies Act 1965</strong>. Funds are raised by the issue of shares to members who usually pay for them by subscription over time. The funds are used to provide financial services of a wide definition including, traditionally, mortgage advances for the purchases of house properties. There are two types of building societies: terminating (which terminate on a date fixed by their rules or when certain conditions are met); and permanent societies, which comprise all other building societies, according to Companies Office.</td>
</tr>
<tr>
<td><strong>Credit Unions</strong></td>
<td>A credit union is a member-owned co-operative financial organisation set up to provide savings and loan facilities for its members. A common bond must exist among the members, for example, residing in a particular geographical location or being employed by a particular employer. Members invest their savings and receive a dividend. A credit union is registered under the <strong>Friendly Societies and Credit Unions Act 1982</strong>.</td>
</tr>
<tr>
<td><strong>Friendly Societies</strong></td>
<td>A friendly society is formed to provide for, by voluntary subscriptions of members or with the aid of donations, the relief or maintenance of members and their families during sickness, old age or in widowhood. They are not corporate bodies and are registered under the <strong>Friendly Societies and Credit Unions Act 1982</strong>.</td>
</tr>
<tr>
<td><strong>Mutual Companies</strong></td>
<td>Mutual companies are commonly found in the insurance industry, as well as in savings and loan associations. The definition of a ‘mutual company’ is a private company whose ownership base is made of its clients or its policyholders. The defining feature of a mutual company is, since its customers are also its policyholders, they are entitled to receive profits or income generated by the mutual company. Such distribution of profits may typically be in the form of dividends made on a pro rata basis, based on the amount of business each customer conducts with the mutual company. An example of a New Zealand mutual is the Farmers Mutual Group, which provides fire and other insurance to their members, principally farmers and persons that service or support farmers. It is the only association incorporated under the Mutual Insurance Act 1955, which was modernised with the <strong>Farmers Mutual Group Act 2007</strong>. The term ‘mutual’ is believed to arise from the fact that in an insurance mutual company, for example, a policyholder is both the insured party (as the company’s customer) and the insurer (as part owner). Also referred to as a ‘co-operative’.</td>
</tr>
</tbody>
</table>
### Checklist A

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the co-operative model right for your business?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you need a formal legal entity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If yes, have you decided which type of legal entity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If it is a co-operative, have you decided which co-operative type is right for your enterprise?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If the answers to all of these questions are yes, then move on to Section 3 – *Is your co-operative idea business-worthy*?*
Is your co-operative idea business-worthy?
Deciding that the co-operative model is right for your enterprise is only the first step. The next move is the same as for any business—to establish whether your business idea is business-worthy and also whether or not the co-operative model will deliver to the people within your group what they are expecting.

3. Is your co-operative idea business-worthy?

3.1 Research, research, research

You need to research all available information so that you and your founding group can be well informed. This manual is a good starting point and Cooperative Business NZ is also happy to assist with specific enquiries. You could also refer to The Co-operative Enterprise Model, a comprehensive website aimed at fostering a better understanding of the co-operative enterprise model by Edgar Parnell (www.m-centerprise.org).

Read widely about and talk to other co-operatives, especially the type that you have selected, to learn from their experience. We also strongly recommend that you join Cooperative Business NZ as a Provisional Member during the first 12 months from start-up, the benefits of which are listed in Appendix 6.

For more information we have included a recommended reading list in this manual for you (see Appendix 3).

3.2 Gather your people

Meet with your core group which should have a strong common interest at heart, to discuss the direction and shape of the organisation that you establish their understanding of and commitment towards the co-operative concept, as well as their willingness to contribute towards the new organization financially as well as by giving their time.

You will need at least two people, or corporations, to be founder members of your co-operative. You will need people who are positive, dedicated, good communicators with other members and who can contribute to the co-operative’s success.

Select a steering committee to coordinate the group. They might be tasked to carry out a feasibility study (see section 3.3), for example, on behalf of the founder group or they might engage a consultant to do this on their behalf. Initial funds from founder members might fund the activity. Make sure that a one or two individuals do not take on too much of the workload – sharing tasks around ensures they are more likely to be achieved and also gives the group a better ownership of the results.
3.3 Carry out a feasibility study

You will need to establish the following:

• **What are your group’s common interests?**
  What are the common interests and needs of the group? Do you all want to get together to purchase items in bulk that would be of use in your business, or do you want to collectively market what you produce, for example? This is fundamental. Unless there is a strong common interest the co-operative is unlikely to survive.

• **What level of interest do you have from potential members?**
  Gauge the number and level of interest from potential members.

• **What is the potential for the co-operative enterprise to do well?**
  You will need to assess the likely success of your co-operative’s proposed products and/or services. Really drill down into what your prospective co-operative is going to do in terms of trading and how is it going to do it. What is the market offering and value that will be provided to your customers? What are the likely financial returns over the first 12, 24 and 36 months? (here a detailed cash flow forecast will be required by your bank when seeking funds).

• **What are your start-up needs?**
  Decide what your specific start-up needs are, both financially and physically. For example, what staff will you need? What plant and equipment? From where will the business be operated? How much funding will you need to start up until the co-operative reaches a point whereby costs are being fully recovered? What will be the level of your overheads weekly and monthly when you’re up and running? How much could you raise from members and how from external parties such as banks and other lending institutions?

• **What will you need to operate?**
  How will the co-operative work operationally? This is where you should turn to good legal and/or financial professional advice and start considering what will be in your draft constitution and how the organisation will be governed. Most co-operative business models are established like any other business to generate profits, in their case for the members. Consider what you will do with any profits: re-invest or distribute to members / shareholders?

It will also be useful for you to take a look at a number of other constitutions to get an idea about what might
be included. We have included some links to a few sample constitutions at Appendix 2 so that you can get a feel of the required scope and content.

However, beware: Every co-operative organisation will have different needs and it is certainly not ‘one size fits all’. Obtain professional legal advice when drawing up your constitution.

- **What finance do you need?** What finance will you need to meet your start up and ongoing costs (both capital expenditure and operating expenditure)? Assess your likely financial needs and sources of finances over the first 12, 24 and 36 months. You should consider various bank / lending institution options including interest rates, bank fees and other terms and conditions.

- **How do we register the company?** Your commercial lawyer will be able to register your company with the NZ Companies Office as a co-operative, mutual, society etc.

### 3.4 Review findings

The steering committee should report back to the main group of members on the findings of the feasibility study.

A vote will then be needed on whether you will proceed or not and then another on whether or not to incorporate the co-operative. Intending shareholders will need to approve the application for registration by at least a 75 percent majority of the shares to be issued.

Note: A copy of the shareholders resolution will need to be supplied when you are registering the co-operative (see section 4.3).

---

### Checklist B: Is your co-operative idea business-worthy?

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you comprehensively researched the co-operative business model?</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Have you met with and discussed your proposal with the right group of founder members?</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Have you established a steering group?</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Have you conducted a feasibility study to establish that your idea is business-worthy?</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Have you reviewed the findings with your founder group and are the findings sufficiently positive?</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

*If the answers to all of these questions are yes, then carry on to Section 4 – How do we set up a co-operative?*
How do you set up a co-operative?
A well organised co-operative will, right from the beginning, operate more efficiently and encourage members to join, so it’s worth taking the time to do it right. However, this all takes time, commitment and energy.

Edgar Parnell (The Co-operative Enterprise Model) strongly recommends that co-operative organisations are designed and run in accordance with the KISS principle (‘Keep It Simple Stupid’ – see Figure 3). “This states that most systems work best if they are kept simple rather than made complicated; therefore ‘It’ (simplicity) should be a key goal in design and unnecessary complexity should be avoided,” he says.

4. How do you set up a co-operative?

A CO-OPERATIVE is people working together to get a better deal, a better organisation and a better future.

A CO-OPERATIVE – In a New Zealand context, is a business model.

COOPERATION is based upon self-help (but not selfish-help) and mutual action.

MARKETPLACE – a co-operative needs to focus upon a specific marketplace.

TYPES OF CO-OPERATIVES: There are essentially two forms of co-operative, those serving ‘buyers’ and those serving ‘sellers’ in a specific marketplace.

The form of ORGANISATION required to operate a successful co-op must ensure that it will always focus on serving the needs of its members.

The GOVERNANCE system must enshrine the purpose and function of the co-op and keep it under democratic member control.

The POWER STRUCTURE must be uncomplicated and designed to achieve astute and swift decision-making whilst maintaining ultimate member-control over the policy and overall direction of the enterprise.

POLICIES AND PRACTICES must be agreed, documented and regularly monitored to ensure that they are fully supporting the delivery of the purpose and function of the enterprise.

Figure 3: Edgar Parnell KISS and the Co-operative Enterprise Model

The KISS principle needs to be applied to all aspects of designing and running a co-operative, in particular:

• The PURPOSE needs to be set out in terms of the specific outcomes that the membership want their enterprise to achieve on their behalf.

• The FUNCTION of a co-operative enterprise is to intervene in a specific marketplace in the best interests of its members.
Bearing the above in mind, the following steps will guide your thinking relating to implementation.

However, do note that every co-operative is different, so you might need to take a slightly different route in the development of your enterprise.

4.1 Draw up your 3-year business plan

Assuming the findings of the feasibility study are positive and that shareholders / members have agreed to proceed, a 3-year business plan will need to be developed based on what you have found to guide the setting up of the new co-operative. This will essentially be a more developed version of the feasibility study and has two main purposes:

- To provide details of the overall direction, strategies, development and operations of the co-operative.
- To provide extra information for potential members, banks and other investors

The business plan will include an executive summary, a description of the company, a market analysis, details of research and development linked to the company's products and / or services, your marketing and sales plan, a description of the organisational structure, key personnel and financial projections over the next 36 months.

4.2 Obtain funding

A co-operative is no different to any other start-up business. You need to ensure that you have enough capital and funding to set up plant and equipment, stock, staff, office rent and overheads etc in order to start running the business and until which time income will begin to recover all costs.

The business plan should detail the amount and type of financing needed by the new co-operative and a strategy for the steering committee, and advisors, to secure the funds.

You will need to set up bank accounts early on for the new enterprise to handle transactions. Initially, there will probably be some level of member financing in the form of stock purchases or member fees. Applications will also need to be made for loans to banks, other financial institutions or grant/ funding bodies for start-up costs and capital items eg. plant and equipment.
4.3 Get good professional advice

Again, just like other business forms, co-operatives must adhere to the relevant New Zealand legislation. Co-operative directors have the same obligations as non-co-operative company directors, proper financial records and membership records must be kept and decisions that have a significant effect on the co-operative must be approved by members.

Talk to your lawyers/accountants to ascertain the situation for your particular enterprise. The steps that you will probably be guided through are:

a. Draw up the constitution. You will have done much of the groundwork for this in your feasibility study (see section 3.3). Obtain legal advice when formally drawing up your constitution (also known as The Rules), remembering that this must firstly state the purpose of the co-operative activity. This will also include your agreed governance structure, rules about capital contributions, what types of shares are offered, what a shareholder is, what they are allowed to do (and not do) and how they can buy, sell or exchange shares. In addition, it will include the rules for shareholder meetings (AGMs and SGMs), voting rights, election and duties of the chairman and other directors, board remuneration, how the company is managed, rules around supply of products and services, financial obligations and how dividends, shares and reserves are calculated and distributed. It will also determine what happens if members collectively want to change the purpose and structure of the co-operative, what happens when a shareholder wishes to leave, or dies, or if the co-operative wishes, by mutual agreement, to merge with or acquire another co-operative or business, or even to wind-up its affairs as a going concern.

It is important to note that seeking money from members and distributing profits brings you under the securities and financial management legislation (see section 1.4). In particular, membership of the co-operative is based on acquiring shares, which means that you will need to comply with the disclosure obligations under the Financial Markets Conduct Act 2013.

The format of the co-operative constitution will vary a little given the various different types of co-operatives (see section 2.3).

b. Reserve the company name. As it takes a while for everything to get going, one of the first steps for you, or your professional adviser, will be to reserve the company name with the New Zealand Companies Office, selecting the entity type ‘NZ Co-operative Company’. You should note that only a co-operative company may include the word co-operative in its company name, but it’s not essential for co-operative companies to use the word in the name.
c. **Incorporate the company.** Complete the usual incorporation requirements for a company under the Companies Act 1993, with a constitution that states, in particular, the nature of the co-operative activity.

d. **Register the co-operative.** New Zealand legislation requires that you then must apply for registration under the Co-operative Companies Act 1996 (or the relevant legislation dependent on your chosen co-operative business type – see section 2.3).

You will need to provide a copy of your constitution stating, in particular, the nature of the co-operative activity. In addition, each director must make a statutory declaration that in his/her opinion the company will be a co-operative company within the meaning of the Co-operative Companies Act 1996 and the grounds for that opinion.

A copy of each director’s statutory declaration will also have to be supplied, along with a copy of the shareholders’ resolution to approve the application for registration. A person with the express or implied authority of the intending directors of the new co-operative company will need to sign Application Form 2, as set out in the Schedule to the Co-operative Companies Act 1996. For an existing company, that wishes to register as a co-operative, Form 1 will need to be completed. A fee will need to be paid for incorporating the company, but there is no additional fee to register as a co-operative company. Once the Registrar is satisfied that all required material has been supplied and s/he has approved the application, the co-operative will then be registered and issue a certificate. Details of the company can then be viewed at the Companies Office website. It should be noted that the technical requirements will differ under the Industrial and Prudential Societies Act, and other legislation.

### 4.4 Recruit members/shareholders

While the groundwork has already been laid with the first meetings of the founding group/steering committee, potential members can be targeted throughout the process with meetings, surveys and regular updates. Initial down-payments on membership fees can also be collected. That means that when the time comes to actually join, the potential members will be ready to act and join up.

Potential customers can also be kept in the loop during this process through relevant and timely updates.

### 4.5 Recruit staff

Until the financing is all in place, recruitment of staff should not take place. However, key personnel—such as the chief executive or general manager and/or the chief financial officer—might have already been identified and might be taken on as consultants initially with mutual agreement that they will work for the co-operative once it is set up.

This approach also gives potential lenders confidence about lending to the co-operative.
4.6 Opening Day

When all the planning has come to fruition, you might wish to celebrate with an Opening Day function, which will fulfil three purposes:

- As a promotional event for prospective new members, customers, and suppliers.
- As a publicity raiser with the local and possibly national media.
- As a thank you to everyone who has helped you along the way.

The actual date of the event can vary, it could be on the first day of trading itself or at a later date when trading has got underway and the team has better melded.

Whichever you do, make sure that it is planned early and organised well. You will only have one opening day to make an impact!

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Talk to the bank that’s helping New Zealand farmers feed the world.

Follow us on: @RabobankNZ  www.rabobank.co.nz
Checklist C How do you set up a co-operative?

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you drawn up your business plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a plan to source funding?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you been in touch with professional legal and financial advisors to discuss your requirements?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you set up a plan to recruit new members/shareholders?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you thought about how you will recruit suitable staff?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you planned your Open Day?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If the answers to all of these questions are yes, then carry on to Section 5 – What’s involved in the day-to-day running of a co-operative?*
What's involved day-to-day?
5. What’s involved day-to-day?

The day-to-day running of a co-operative, like any business, means paying particular attention to the relevant legislation governing what you do.

Remember, as with all other businesses, your organisation will be governed by the Companies Act 1993, but you are also governed by the Co-operative Companies Act 1996 and the relevant financial and securities legislation (see section 1.4), i.e. Industrial and Prudential Societies Act 1908.

Generally, the specific requirements for a co-operative are as follows:

5.1 Member/shareholder meetings

The steering committee will determine when enough members have joined and then they can call the First General Meeting, which will later become the Annual General Meeting. At that meeting, members will formally vote on the co-operative’s constitution and elect a board of directors to replace the steering committee.

This meeting will mark the move from the steering committee and interim constitution to a formally elected board and formally approved constitution.

The shape, frequency and running of shareholder meetings will be dictated in your constitution.

The chairman of the co-operative board will usually chair these meetings.

5.2 Board and directors

The board will govern the business on behalf of the shareholders. The directors could be individuals drawn from the shareholder base who possess the necessary expertise, plus one or two independent directors.

Directors all need to be made aware of their duties and responsibilities under the various relevant legislations (more information can be found at www.iod.org.nz). Directors usually appoint the co-operative’s chairperson.

5.3 Recruiting members/shareholders

You will need to have an ongoing and active programme for recruiting new members.

5.4 Records

A copy of your constitution and full minutes of all board and shareholder meetings (including shareholder resolutions) for the past seven years will need to be kept at your registered office. Copies of all shareholder communications will also need to be retained over the same period, along the full names and addresses of the current directors, financial statements, accounting records and the share register.

5.5 Managing the business

The chief executive or general manager of the co-operative enterprise will be responsible for managing the business, including recruiting staff, financial and operational matters. They usually report to the board through the chairman.
5.6 Mergers and acquisitions

Merging with and acquiring other co-operatives and winding up a co-operative are advanced co-operative business matters which will require specific professional advice. You will have probably laid down some of the ground work when drawing up your constitution.

Checklist D: What's involved in the day-to-day running?

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you held your first general meeting?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you selected your board?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have they chosen a chairman?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have an ongoing plan to recruit members?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have appropriate record-keeping facilities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you recruited a chief executive/general manager?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the co-operative sufficiently resourced?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the answers to all of these questions are yes, then you are a **fully-fledged co-operative enterprise**. **CONGRATULATIONS!** But, it's not all over yet ...
One year on. What's next?
6. One year on. What's next?

Well done, you’re up and running. Congratulations!!

However, now is not the time to take your foot off the pedal as you settle into the day-to-day running of the business. You need to double-check that all the early business planning has paid off for you and to see whether it needs any fine-tuning to keep your enterprise running into the future.

So, it’s review time—the first of many comprehensive annual reviews we recommend.

Take a close look at:
- First meeting
- Annual report
- Board
- Governance
- Business plan

6.1 First meeting
You’ve probably already held your first general meeting with shareholders. Did it go well? Was it well attended? Ask yourselves how it could be improved upon as this will set a template for your future Annual General Meetings.

6.2 Annual report
Review your first annual report from the governing committee. Did it include all the information shareholders/members needed in order to assess progress for the co-operative and to encourage them to remain as active members?

6.3 Board
Does your initial board have all the skills and experience that you would like in order to ensure appropriate professional governance of the co-operative including full compliance, setting of purpose and direction, guidance and monitoring of the CEO/General Manager etc? If not, start looking for new and/or additional suitably-qualified people to help you round out your board in terms of overall capabilities, skills and experience.
6.4 Governance

Is your governance healthy? Are you adequately monitoring your financial performance? Are you meeting your legal requirements for reporting, tax and so on? Are you managing to submit returns as required by the regulators, such as Inland Revenue? And most importantly as a Board, are you holding the CEO/GM to account for performance achieved against the 3-year business plan, annual budgets, etc.?

6.5 3-year Business plan

Go back and look at the plan that has been guiding you through the set-up process. Are you achieving your objectives? Remember that turnover doesn’t necessarily mean profit! Are you on track and hitting (or exceeding) the cashflow forecasts? Are you paying the bills? Do you need to change anything in terms of market offering, promotions and marketing, target markets, suppliers and external service providers, otherwise the overall business model?

Do you need to renew annual agreements, leases and contracts? What are your plans to attract new members in the future?

Just like any other commercial enterprises, as businesses evolve changes will need to be made. You will need to revise and most likely adjust your business plan each year so that your goals and strategies remain relevant and effective over the medium/long-term.

6.6 And finally...

All the very best in leading the start-up, evolution and growth of another co-operative business here in NZ. The legacy that has been left with us over the past 150 years or so is one of sustainability, endurance and long term success as evidenced by the fact that of Cooperative Business NZ’s current Full Members, over 70% are now 25 years or older. That statistic is compelling and proof of the success of this business model.

Please feel free to contact me if you require any advice and guidance along the way.

Cooperative Business New Zealand wishes you all the best for your co-operative future.
Appendices
APPENDIX 1:
Comparison of the features of co-operative companies with industrial and provident societies

<table>
<thead>
<tr>
<th>Business Features</th>
<th>Cooperative Company</th>
<th>Industrial &amp; Provident Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of business</td>
<td>May, but does not need to have co-operative in the name.</td>
<td>Must end in Society Limited or Co-operative Society Ltd.</td>
</tr>
<tr>
<td>Minimum number of shares</td>
<td>The minimum is at least two shareholders holding one share each, as one cannot be co-operative with oneself!</td>
<td>Seven – a society has to have shares, although this is only stated indirectly in the Act. References to members are effectively also references to shareholders.</td>
</tr>
<tr>
<td>Minimum number of shareholders/members</td>
<td>The minimum is two in order to meet the 60 percent transacting shareholder requirement.</td>
<td>Seven.</td>
</tr>
<tr>
<td>Rules</td>
<td>Must have a constitution, if only to the extent that this defines the co-operative activity to be undertaken. Note also that only transacting shareholders may vote on a resolution unless the constitution states otherwise.</td>
<td>Needs to have a set of rules to state the society’s activities and processes for operation of the society.</td>
</tr>
<tr>
<td>Democratic voting</td>
<td>Only transacting shareholders may votes on resolutions unless the constitution states otherwise.</td>
<td>Generally based upon the principle of ‘one person, one vote’.</td>
</tr>
<tr>
<td>Business in perpetuity</td>
<td>The co-operative company, being a company under the Companies Act 1993, is a legal entity that may operate in perpetuity, provided it complies with its obligations under the Acts.</td>
<td>A society is a legal entity that may operate in perpetuity.</td>
</tr>
<tr>
<td>Business Features</td>
<td>Cooperative Company</td>
<td>Industrial &amp; Provident Societies</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Annual report to shareholders</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Limitation on type of business that may be conducted</td>
<td>The business can carry out the co-operative activity provided for in the constitution and matters incidental thereto.</td>
<td>May conduct any lawful business in keeping with its rules, except that of banking.</td>
</tr>
<tr>
<td>Annual meeting of shareholders/members</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Annual report to Companies Office</td>
<td>Yes. This has to be accompanied by a copy of the annual board resolution confirming that the company has carried on its co-operative activity during the accounting period.</td>
<td>Yes – in the form of a general statement of receipts, expenditure, funds etc.</td>
</tr>
<tr>
<td>Distributions to shareholders/members provided</td>
<td>Yes, generally in relation to their participation in the co-operative activity.</td>
<td>Yes, generally in relation to participation in the society.</td>
</tr>
</tbody>
</table>

*Investment Statement to be issued in terms of the Securities Act 1978*

Source: Adapted from Ministry of Economic Development, 2004
APPENDIX 2: Sample Constitutions

Take a look at a number of the sample constitutions from the online suggestions below. Please do bear in mind, however, that every co-operative enterprise will be different and will require a different constitutional treatment. Always obtain legal advice when drawing up your own constitution.

- Ravensdown – www.ravensdown.co.nz
- Capricorn Society Constitution – www.capricorn.coop
- Alliance Group Ltd – www.alliance.co.nz
- Westland Dairy – www.Westland.co.nz
- MG Marketing – www.mgmarketing.co.nz
We referred to the following documents in compiling this manual.

- *The Co-operative Enterprise Model*, a website aimed at fostering a better understanding of the cooperative enterprise model by Edgar Parnell www.m-centerprise.org.
- Wikipedia.

Further research - you might also find the following resources useful in your research.

• *Reinventing Co-operation, the challenge of the 21st century.* www.ica.coop.


• *Simply Governance and Simply Finance*, by Co-operatives UK www.uk.coop/ are partner papers to the Simply Start Up publication which was referred to in the production of this publication.
APPENDIX 4: Glossary

• **AGM** – Annual general meeting that is held every year to report back on results to shareholders members.

• **Active membership** – A particular feature of a co-operative company is that members must be active participants in the co-operative, such as a dairy farmer providing milk to a co-operative, which processes and markets the product.

• **Building society (Refer Table 2, page 17)** – A particular form of co-operative, relating to organisations providing financial services of a wide definition, but traditionally mortgages. Building societies are incorporated in New Zealand under the Building Societies Act 1965.

• **Board of directors** – The elected group of directors which govern the co-operative.

• **Business plan** – A written plan for the co-operative plan developed from the results of the feasibility study.

• **Club** – An informal organisation of a number of people united by a common interest or goal. These are often Incorporated Societies.

• **Collective** – A group of entities that share, or are motivated by at least one common issue or interest, or work together to achieve a common objective. Collective is not a common term in usage in New Zealand.

• **Co-operative (also known as ‘co-operative’ or ‘co-op’)** – The Co-operatives Business NZ definition of a co-operative is: ‘An enterprise, freely established, that is owned and controlled by a group of legal persons for the purpose of equitably providing themselves with mutual benefits arising from the activities of the enterprise and not primarily from investment in it.’

• **Cooperative Business NZ** – The association of co-operative enterprises in New Zealand. See www.nz.coop.

• **Co-operative Companies Act** – Co-operative Companies Act 1996 that New Zealand co-operative companies are registered under.

• **Company** – An entity incorporated under the Companies Act.

• **Companies Office** – A division of the Ministry of Business, Innovation and Employment, giving advice for and about New Zealand companies. See http://www.business.govt.nz/companies.

• **Companies Act** – The Companies Act 1993 is the legislation under which all New Zealand companies are incorporated.

• **Constitution** – The written rules for a co-operative, which governs all activities for the enterprise.
• **Co-op** – Short form of ‘co-operative’, also known as ‘co-op’.

• **Credit union (Refer Table 2, page 17)** – A credit union is a member-owned co-operative financial organisation set up to provide savings and loan facilities for its members. All New Zealand credit unions are registered under the Friendly Society and Credit Unions Act 1982.

• **Enterprise** – An organisation engaged in the trade of goods or services normally operating within the context of the market (the definition includes both businesses that operate with the purpose of generating profit and those that are ‘not-for-profit’).

• **Governance** – Governing, or controlling, an organisation according to financial and legal requirements.


• **Fair trading** – All New Zealand businesses must conduct business according to the Fair Trading Act 1986.

• **Feasibility study** – The groundwork you will do in establishing whether your co-operative idea is going to work. See page 27.

• **Friendly society** – (Refer Table 2, page 17) These are co-operative organisations formed to provide for, by voluntary subscriptions of members and donations, the relief or maintenance of members and their families in sickness, old age or widowhood, residing in a particular location or for a particular employer. All New Zealand friendly societies are registered under the Friendly Society and Credit Unions Act 1982.

• **Incorporation** – The official process of incorporating an entity under the Companies Act or other relevant legislation.

• **Industrial & Provident Society (Refer Table 2, page 17)** – This is a particular co-operative form which consists of the owners of small businesses who, while continuing to operate independently become part of a larger entity for mutual benefit. For example, taxi operators. All New Zealand Industrial & Provident societies are registered under the Industrial & Provident Societies Act 1908.

• **Legal entity** – A formally set up legal person that is fully incorporated with Companies Office under the Companies Act 1993, or other legislation.

• **Member** – An individual or corporation who is a member, or shareholder, of the co-operative enterprise.

• **Member-controlled enterprise model** – A term coined by international co-operative expert Edgar
Parnell. The member-controlled enterprise model represents a comprehensive set of systems that are essential for the effective operation of the model and which ought to be the basis of operating all forms of member-controlled enterprise.

• **Mutual (Refer Table 2, page 17)** – Another name for a co-operative organisation, run for the mutual benefit of its shareholders/members.

• **Non-profit enterprise** – An enterprise that is not set up to make a profit, rather to benefit its shareholders or a certain group. Surpluses may be spent on beneficial items for the group, reinvested or redistributed to charity.

• **Partnership** – A business form where people who want to work together pool collective assets and skills into the same business.

• **Rebates** – Profits (surpluses) of a co-operative company are returned to co-operative members as ‘rebates’ referable to transactions during the particular accounting period, or as ‘shares’ in lieu of rebates.

• **Rules** – The co-operative’s written constitution which governs all activities for the enterprise.

• **Shareholder** – An individual or corporation who is a shareholder, or member, of the co-operative enterprise.

• **Steering committee** – An organising group chosen from the members of the founding group that is responsible for researching and planning a new co-operative.
APPENDIX 5: Master Checklist

**Checklist A**

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the co-operative model right for your business?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you need a formal legal entity?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>If yes, have you decided which type of legal entity?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>If it is a co-operative, have you decided which co-operative type is right for your enterprise?</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

*If the answers to all of these questions are yes, then move on to Section 3 – *Is your co-operative idea business-worthy?*

**Checklist B: Is your co-operative idea business-worthy?**

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you comprehensively researched the co-operative model?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Have you met with and discussed your proposal with your founder group of members?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Have you established a steering group?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Have you conducted a feasibility study to establish that your idea is business-worthy?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Have you reviewed the findings with your founder group?</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

*If the answers to all of these questions are yes, then carry on to Section 4 – How do we set up a co-operative?*
Checklist C: How do you set up a co-operative?

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you drawn up your business plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a plan to source funding?</td>
<td></td>
<td></td>
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<tr>
<td>Have you been in touch with professional legal and financial advisors to discuss your requirements?</td>
<td></td>
<td></td>
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<tr>
<td>Have you set up a plan to recruit new members/shareholders?</td>
<td></td>
<td></td>
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<tr>
<td>Have you thought about how you will recruit suitable staff?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you planned your Open Day?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the answers to all of these questions are yes, then carry on to **Section 5 – What's involved in the day-to-day running of a co-operative?**

Checklist D: What's involved in the day-to-day running?

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you held your first general meeting?</td>
<td></td>
<td></td>
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<tr>
<td>Have you selected your board?</td>
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<td></td>
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<tr>
<td>Have they chosen a chairman?</td>
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<tr>
<td>Do you have an ongoing plan to recruit members?</td>
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<td></td>
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<tr>
<td>Do you have appropriate record-keeping facilities?</td>
<td></td>
<td></td>
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<tr>
<td>Have you recruited a chief executive/general manager?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the co-operative sufficiently resourced?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the answers to all of these questions are yes, then you are a **fully-fledged co-operative enterprise.**

**CONGRATULATIONS!** But, it’s not all over yet ...
APPENDIX 6: Benefits in becoming a Member of Cooperative Business NZ:

There are many benefits in becoming a Member of Cooperative Business NZ, these including the following:

1. All Members will have an industry body that will advocate for the co-operative business model and co-operative sector.

2. All Members will have access to governance and leadership training that is aligned to the co-operative sector.

3. Cooperative Business NZ will help negotiate and lobby for legislative change via the FMA for the benefit of its Members, for example exclusions from the need to produce Product Disclosure Statements when raising share capital.

4. All Members will have the opportunity to network with, and learn from, other Members at various events held each year including an annual Co-op Business Leaders’ Forum and an Annual Awards Dinner.

5. All Members will be provided with the opportunity to collaborate and work together as we seek to drive effective “Co-operation Amongst Co-operatives”, for example preferred supplier agreements, sharing of information and resources, shared support services.

6. All Members will benefit from the findings of university research projects in relation to the NZ co-operative sector, one of the most significant to be released in January 2017 titled “The NZ Co-operative Economy”.

7. Cooperative Business NZ will act as the knowledge centre for internal and external research, data and IP.

8. Cooperative Business NZ will link its Members to the International Co-operative Alliance and its resources, promotional material, global conferences etc.

9. Cooperative Business NZ will provide advice and guidance within the co-operative business model.

10. Cooperative Business NZ will organize and facilitate co-operative discussion groups in relation to specific issues.

11. Cooperative Business NZ will encourage and support new start-up businesses and organisations as they either consider becoming co-operatives, or seek to become co-operatives.

12. Cooperative Business NZ will be the voice of the co-operative sector here in NZ.

13. Cooperative Business NZ will lead its Members to NZ politicians as required.

14. By being a Member of Cooperative Business NZ your business will be supporting the co-operative sector locally including those smaller co-operatives which do not have the resources to provide such things as internal governance and leadership training, or to lobby with the FMA on legislative change.

15. Finally by being a Member you will be supporting an organisation that advocates for a business model that is sustainable economically, socially and environmentally.
APPENDIX 7: Types of Cooperative Business NZ Membership:

1. **Full Membership** is open to co-operatives, mutuals and other organisations whose constitutions or governing documents provide that the co-operative principle is paramount. The current annual subscription fee is available upon request.

2. **Provisional Membership** is for individuals, businesses and organisations who are intending to set up a new co-operative business otherwise looking into converting an existing business into a cooperative. The cost is $300 plus GST per year.

3. **Individual Associate Membership** is for individuals who are keen to support and be involved with the co-operative movement in this country. The cost is $120 plus GST per year.

4. **Corporate Associate Membership** is for non-cooperative businesses and organisations which wish to provide their products/services to Cooperative Business NZ’s Members while supporting the co-operative business model and co-operative movement here in NZ. The cost is $2,500 plus GST per year.

Acknowledgements

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Disclaimer: This Manual has been prepared by Cooperative Business NZ for general information purposes and not as legal advice. Readers should consider the information provided and seek their own specific legal or other professional advice.