MULTI-STAKEHOLDER COOPERATIVE

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Msc

Multi-stakeholder cooperative

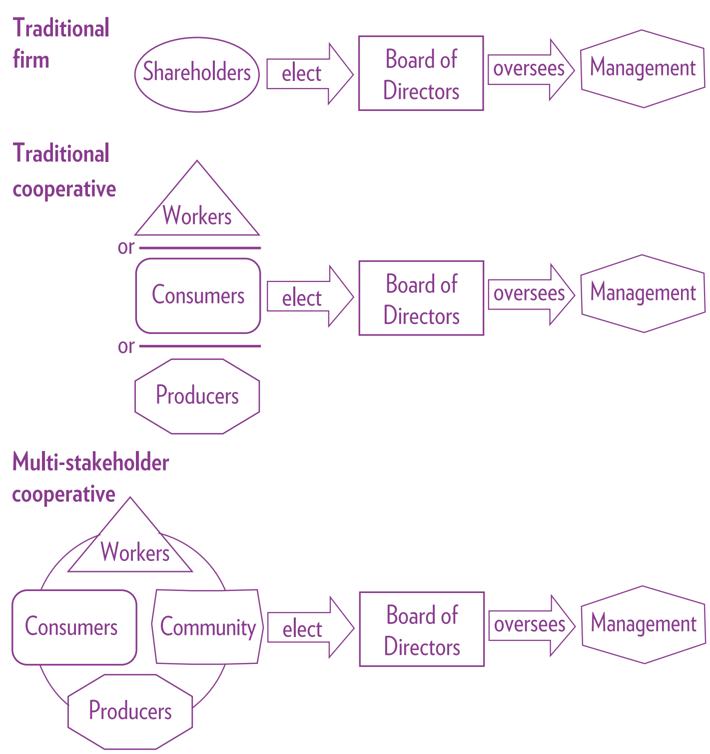
A multi-stakeholder cooperative (MSC) includes more than one group—e.g. workers, consumers, or community members—in its governance or ownership.

While traditional co-ops are democratically owned and governed by one set of members (e.g. workers), MSCs are governed and often owned by multiple stakeholders. Member classes might include users (e.g. consumers or clients), supporters (e.g. community members or investors) or workers, and can take on a wide variety of forms: a brew pub owned by workers and consumers; a housing collective owned by community members, investors, residents, and staff; a supermarket and retail chain with over 1,000 stores, 33,000 worker members, and 7 million consumer members; or "solidarity co-ops" that provide home care services and can include user, worker, or supporter members. MSCs utilize "one member, one vote" rules to elect board members, but each member group (e.g. workers or consumers) normally has a set number of seats on the board.

Potential Impact

MSCs can use their flexible governance structures to improve services by providing an institutionalized means for members, like healthcare users, to communicate their needs. Organizations are able to reduce their transaction costs through the increased trust and improved information sharing that results when diverse stakeholders are engaged in planning, decision-making, and review processes from the beginning—instead of long after choices have been implemented. By including additional stakeholders, organizations structured as MSCs can leverage new skills, expertise, experiences, social networks, social standing, and financial connections to increase the depth and range of resources available to them. Lastly, MSCs "appear to be surprisingly good at defining and establishing new markets" and allowing for marginalized groups to be included "in the oversight and governance of institutions that have an important impact on their lives," according to MSC researcher Margaret Lund.

How multi-stakeholder co-ops differ



Transformative Characteristics

By including stakeholders in governance, MSCs institutionalize what is known as the "principle of affected interests": that people should have some say in institutional decisions that significantly affect their lives. In a world in which governance and ownership rights are extended to those who contribute to a common activity, MSCs can expand the meaning of "contribution" and thus expand the realm of ownership. Finally, MSCs establish structured relationships between groups that might otherwise interact via markets, chaotic contestation, or not at all (when markets are absent). In MSCs, bylaws with "checks and balances" delineate defined power relationships. The planned structure can also support members subordinating their short-term interests to a longer-term or more community-oriented organizational outlook.

Challenges

Diverse stakeholders can make aligning interests difficult. MSC governance may therefore benefit from including all member groups when deciding basic rules, establishing rights and responsibilities, utilizing conflict resolution policies, and balancing the contributions (or risks) of different classes and their benefits. Minimum and maximum vote shares for member groups, as well as policies for planning, participation, information sharing, and auditing, may also help harmonize interests. Multiple viewpoints may make governance more "costly" in time or conflict, but case studies do not show that such costs are significant. Finally, MSCs often lack a supportive legal environment and are even prohibited in some U.S. states.

More resources

- Margaret Lund, *Solidarity as a Business Model* (Cooperative Development Center at Kent State University, 2011).
- Urban Sustainability Directors Network's Sustainable Consumption Toolkit, https://sustainableconsumption.usdn.org/initiatives-list/multi-stakeholder-cooperatives.

Examples

Fifth Season Cooperative

Sprouting out of an abandoned manufacturing plant in rural Viroqua, Wisconsin, the Fifth Season Cooperative supports a sustainable and localized regional food system by helping small and medium-sized farmers and processors connect with buyers from Madison to Chicago. Fifth Season brings together an entire supply chain into one democratic structure: producers, producer groups, processors, distributors, buyers, and workers form the MSC's six member classes. Worker-members run a food hub that aggregates 140 different goods—including squash, potatoes, carrots, eggs, jams, honey, and high-quality meats—from producer-members. These goods are then distributed to buyers, including food cooperatives, restaurants, groceries, hospitals, and universities.

Boisaco Inc.

In the mid-1980s, a lumber mill in a remote part of Quebec, Canada (local population of about 2,100) was shut down after an economic slump and three bankruptcies. Seeking to keep jobs and young people in the area, residents banded together and bought the mill with assistance from Desjardins Credit Union and a government subsidy. The single firm is now owned by a logger's cooperative, a millworker's cooperative, and a group of local businesses. Each group has veto power over major decisions, promoting consensus-seeking among the stakeholders. Almost one-third of millworkers have sat on the board of directors. Once the firm reached profitability, the MSC agreed to a profit split of 27 percent among the three shareholders, 18 percent to workers in the form of bonuses and 55 percent to research and development. Profits have now been invested in other firms in the region and the Bosiaco mill now supports around 600 jobs in the area.

Authored by Will Flagle

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