

Opportunities for Success

A Review of the Seymourville Co-operative

RDI Working Paper #2005-2

February 2005

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Introduction

The community of Seymourville, Manitoba is attempting to revive the co-operative sector in their community. In response to this movement, a priority of the Joint Co-operative Development Project was to examine the conditions that lead the former co-operative in Seymourville to dissolve. By examining community members' perception of how and why the former co-operative dissolved, it is hoped that lessons can be gleaned for future co-operative developments. Through an in-person survey, local residents were engaged in a dialogue to provide their perceptions and experiences with the former consumer-retail co-operative store. Researchers from the Rural Development Institute (RDI) captured their comments and views. It should be noted that the views presented in this report represent the views and comments of the 58.5% of community members who responded to the in-person survey conducted by RDI and may not be representative of the entire community. Views expressed by survey respondents are not necessarily the views of RDI, nor the Management Team of the Joint Co-operative Development Project.

Methodology

As of 2001 it was recorded that there were 41 housing units in the community, representing a total population of 135 people (Manitoba Community Profiles, 2001). A total of 24 households participated in this study, representing 58.5% of households in the community. Researchers from RDI conducted in-person surveys, with the assistance of a local liaison person, in August 2004. The survey conducted was part of a larger project to assess the need, desire and commitment to a consumer co-operative in four Manitoba communities; Camperville, Cormorant, Matheson Island and Seymourville.

Participants in the survey were asked to describe their consumer spending habits, perceptions of the former co-operative and comments towards the prospects of developing a new co-operative store. The Brandon University Research Ethics Committee reviewed the survey prior to being distributed to ensure that the rights of potential participants would not be violated. After participants were informed of the project and their rights, consent was assumed through their continued participation in the survey. All households were assured that their participation was entirely voluntary and that their identities would not be revealed. On occasion, participants exercised their right to refuse to answer certain questions or terminate the survey.

Community surveys asked the following questions relating to the former co-operative store:

- Were you satisfied with the way the cooperative was organized and operated?
- In your opinion, was the cooperative successful in Seymourville?
- What was the largest contributing factor that caused the closure of the cooperative in Seymourville?
- Do you feel that a cooperative would be successful in Seymourville now?
- What conditions would be required to ensure a cooperative in Seymourville would be successful/sustainable in the long term?

To supplement the information collected through the survey, additional means of data collection were attempted with varying success. RDI attempted to utilize both key informant interviews and secondary data collection to supplement comments provided from survey respondents. Key informant interviews were attempted with knowledgeable people about the former Seymourville Co-operative. Unfortunately, no interviews were conducted as one individual declined to be interviewed and another was unable to be contacted.

Secondary data collection was attempted through the Provincial Co-operative Registrar regarding archival information on the dissolved co-operative in Seymourville. Although the Co-operative Registrar provided all the information they contained, it was limited in advancing the views and comments from local residents.

The Former Seymourville Co-operative

The Seymourville Consumers Co-operative was incorporated on September 10, 1970 and was dissolved approximately twenty years later on January 10, 1990. Findings from a survey administered in Seymourville by RDI in August of 2004, indicated that the 26 respondents have a great interest in the future potential of a new co-operative movement. Respondents reported there is strong support for starting a new co-operative in Seymourville.

Issues that the former co-operative faced were outlined by residents in conjunction with ways to move forward with a new and more successful co-operative venture. Respondents to the Seymourville survey showed a strong concern regarding a future co-operative's "**management**" and also noted that any new co-operative pay special attention to the use of "**credit extension**" and bill payments. Although these responses are documented in Appendix A, it is useful to point out here that in questions concerning the Seymourville co-operatives of both past and future, concern about "**credit over-extensions**" was a reply of 33% of respondents and concern about the "**quality and integrity of management**" was a reply in 30% of all answers. It was also noted by community members that there was a need for a store in Seymourville. Respondents felt that the local community and people would support it, tourist would support it, competition would be healthy to keep prices reasonable, and that they would save money from not having to travel. Further interest was expressed with regards to the tax situation with the community's location to the reserve. Both the competence and dedication of future management were a common concern throughout responses to the survey. Support for a new co-operative remains fresh and forward thinking.

Support for the co-operative store is strong.

- 96 % of respondents support retail co-operative in Seymourville.
- 100% of respondents would dine at the store if it prepared food.
- 96% of respondents definitely would support the sale of food at a co-op in Seymourville.
- 86% of respondents support the sale of household and basic necessities at the co-op.
- 75% of respondents have a desire to purchase a share in the co-operative.
- 92% of respondents are dissatisfied with the current provision of goods and services in the community

- 100% of respondents believe a cooperative would be successful in the community now

These strong numbers coupled with familiarity with co-operative ventures in the community, as well as the pre-existing building for a co-operative store already located in the community, make the co-operative venture attractive for Seymourville. The previous co-operative provided an excellent learning experience for a future store to build on in the community. Respondents pointed out the former cooperative provided a good selection of goods, reasonable prices, and was convenient. From the information gained from this survey, community members feel the need for another co-operative is warranted if issues of management and credit can be looked at critically.

Of course, a successful co-operative needs to have transparency in the areas of management, employment, and membership. Each segment needs specific characteristics and attributes to successfully pull the institution through its 'hard times'. Along with these characteristics the organization must have strong leadership and community support. If these characteristics are missing, the ability of the co-operative to prosper is in question.

Management

The concept of management defined by MacDonal (1982) is

“the capacity to act, to influence situations and create events, in the manner (response) and to the extent (performance) desired by the various interests involved.”

A clear understanding of management is one the most powerful tools in the success of emerging co-operatives. If co-operatives expect to achieve common goals through collective action, they must learn how to manage their organizations effectively (Cook, 1993).

A co-operative of any size requires effective management on two levels. The first is operational management. Someone must develop and maintain efficient systems for ordering and distributing goods and services, and for organizing and coordinating people to get work done. The second level is overall management. Someone must formulate a workable strategy and build upon human organization and other resources that are needed for the co-operative to carry out its mission (Cook, 1993).

A co-operative, such as a food store, must have in place efficient systems to accomplish the following tasks:

- Ordering, receiving, storing, pricing, packaging, and displaying large numbers of perishable items,
- Moving a large and variable number of people through check-out, and

Providing information on whether the entire process is working and on course (Cook, 1993).

Long-term planning, capital management and a viable market strategy should be a top priority for any emerging co-operative. Another important aspect for emerging co-operatives is to seek out people that have the required characteristics to produce effective managers. They include:

- Step by step planning approach to problems,
- Ability to focus on opportunities and priority areas in the future,

- Ability to acknowledge weaknesses and strengths, and build on the strengths in both themselves and others,
- Williness and trust to delegate tasks and organize their own time,
- Orientation to evaluating any action by its results, and
- Willingness to change if the results are inappropriate (Cook, 1993).

Effective managerial components that are present in daily functions consist of the ability to plan and monitor members' collective actions, organize and provide leadership for members, and the ability to coordinate every aspect of the undertaking. Finding an individual with managerial experience will be a great asset to any new organization.

Planning and Monitoring

Planning and monitoring is another essential aspect. Planning involves gathering information to assess situations, define objectives, and define specific lines of action. Monitoring involves verifying whether results are conforming to the co-operative's greater plan. Finding any divergence will indicate the plan needs to be adjusted or changed (Cook, 1993).

Planning and monitoring allows the organization to judge itself on whether it had accomplished the goals originally set out. Monitoring serves the following purposes for the co-operative establishment:

- Monitoring lets everyone know what kind of progress is being made toward accomplishing the planned objectives, and provides the kind of information needed to adjust the line of action if there is divergence from the plan.
- Monitoring helps assure that everyone in the co-operative will abide by agreements. This implies that everyone involved in carrying out the plan will be involved to an appropriate degree with formulating it.
- Monitoring helps to predict trends and to provide information needed to improve planning in the future (Cook, 1993).

For monitoring to be an effective key indicator, could include job creation, it should be identified in the planning process. Developing key indicators is also a process of self-monitoring and they should be periodically reviewed to ensure useful information is being produced.

Employment

Co-operatives and turbulent environments go hand in hand. Rapid change, increased complexity, and high levels of uncertainty are dictated by economics and demands on human and financial resources. To have employees that are aware of these conditions allows for a flexible more efficient co-operative system. Employees are an important link between the environment and the organization they work for. As Salomons (1982) writes,

“They live in the community in which the organization operates, are legislated by the government that legislates the organization, are influenced by competitors of the organization, participate in a society that creates the environment in which the organization acts, and are subject to social and

economic influences similar to those which affect the organization. Employee's of the co-operative can offer these organizations valid input about the environment, and organization, can, in turn, help employees cope with the environment.”

Employee involvement in the co-operative includes the following characteristics:

- Knowledge of the job,
- Working harmoniously with co-workers,
- Some control of own job,
- Understanding of other departments,
- Input into decisions of the organization and into decisions that affect them, and
- Social activities (Salomons, 1982).

The following attributes were identified as necessary for positive employee involvement:

- The need for management and supervisory training,
- The need for closer working relationships between staff and managers and supervisors,
- Greater recognition for the function and abilities of staff by managers and supervisors,
- The need for more counseling in career opportunities and on-the-job training,
- A need for on-going employee orientation,
- Freedom in job performance with a well-defined job description (Salomons, 1982).

Employees with the right attitudes and with the proper framework for employee involvement will contribute greatly to the success of the co-operative.

Membership

Member commitment and loyalty is considered essential for a successful co-operative. Members are responsible for the organization's conception and proliferation. Craig (1981) recommends that the following commitment-building processes should be implemented to increase and maintain member loyalty.

1. Quality Products and Services

This is just good businesses sense and is an obvious process to build upon to have a successful co-operative. This process builds upon the practical form of commitment because people appreciate the benefits of membership in tangible ways. By using a cost-benefit analysis, co-operatives can convince members it's in their best interest to be committed to the organization. Adversely, this is the most fragile form of commitment. Any change in product or service delivery can threaten the stability of the co-operative. Members committed to goods and services are the first to defect from the co-operative.

2. Investments

Commitment is stronger when members invest time or money in the co-operative, which then results in a psychological commitment. To increase investment from members, some co-operatives require members volunteer a set number of hours or invest a portion of their yearly patronage back into the co-operative. Once members have invested either time or money into the organization, they are more likely to protect and enhance their investment.

3. The Helping Hand

Co-operatives are closely related to the social lives of its members. Commitment from some co-operative members comes from the help they received. Examples of co-operatives helping members include:

- Goods delivered quickly with an extra effort when other organizations would not go out of their way to help
- An honest grade or weight for their fish or product
- An employee who goes out of his or her way to be helpful in a time of personal need

Examples such as these demonstrates to members the organization cares for them as an individuals. If the organization sticks by its members then members will stick by the organization.

4. Involvement

The more members are involved in the co-operative the more committed they are. Involvement can include elected positions, advisors or directors, and volunteering. Out of these three activities volunteering is the most versatile, as limited work experience is needed.

5. Education

Co-operative education allows people to learn about the philosophy and values that underlie the co-operative movement, and relate it to their own personal values. This gives people the necessary knowledge to either accept or reject the philosophy of co-operation.

6. Marketing

Like quality goods and services, having a solid marketing strategy is just good business sense. Marketing has a direct relationship on how members evaluate the co-operative and whether an in-depth commitment is developed. Advertising that emphasizes services, convenience and distinctiveness has a positive impact on the member's ideological commitment towards the co-operative. (Craig, 1981)

Leadership Evolution

Leadership and the evolution of leadership are important to the success of co-operatives. Leadership brings teaching skills, sharing of information, maintaining wholesome human relations, building of morale, motivates people to work together, develops human potential and expresses positive values and visions (Cook, 1993). Leaders of a co-operative must have all of these attributes and the ability to be flexible in the face of changing co-operative needs.

Larger communities have a greater chance of finding individuals with the necessary leadership, management and employable skills necessary for a successful co-operative.

Smaller communities have a limited population to find these skills and may need or want to seek these skills from outside of the community. The co-operative organizational structure (Figure 1) allows for the incubation of leadership. Local members shape the vision, objectives and

types of services offered in the co-operative. The beginning of membership could be the community catalyst for moving up through the organizational structure of the co-operative. This not only builds a strong co-operative but also

a strong community.

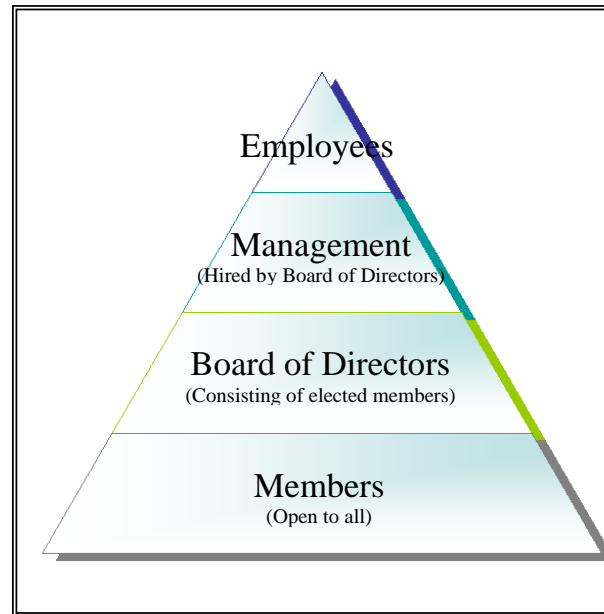


Figure 1: Organizational Structure of Co-operatives

Community Mobilization

Community level mobilization is one of the building blocks of community change. It is a process stimulated by the community, or by others that is planned, carried out, and evaluated by a community's individuals, groups, and organizations. (Families and Work Institute, 2004).

Community support is key to any venture in a small community. The ability to motivate the community behind the co-operative enterprise will be one of the deciding factors of success.

Co-operative Success Rates

The province of Quebec, along with the Co-operative Secretariat, studied the survival rates of co-operatives from 1960 to 1995. The following are observations of co-operatives after 5 and 10 years survival:

- Co-operative businesses tend to last longer than other businesses in the private sector
- More than 6 out of 10 co-operatives survive more than five years, as compared to almost 4 businesses out of 10 for the private sector in Quebec and Canada in general.
- More than 4 out of 10 co-operatives survive more than 10 years, compared to 2 businesses out of 10 for the private sector.
- Consumer co-operatives have the highest survival rate, with an average of 82% over five years and 66% over 10 years.
- The difference between the average survival rate for co-operatives for 5 and 10- year periods is 18% (64%-46%). This difference is similar to the private sector. 16% (36%-20%) according to Statistics Canada.
- Business that fail do so mainly during their first five years of operation . For co-operatives as a whole, we note that 36% of them are forced to close down after zero to five years as compared to 18% from 5 to 10 years

- (Bond et al, 2000).

When signaling out food co-operatives, in Quebec, a slightly different picture is painted. It was discovered that food co-operatives survive more than five years 3 times out of 10. This result is lower than that of the private sector. After 10 years, the survival rate for these co-operative reaches 10%. The poorer survival rate had been explained by progressive changes to the food sector in Quebec. Influx of large retail stores and the de-population of rural and semi-urban areas, where these co-operatives were located, is blamed for their demise (Bond et al., 2000).

Additional Resources

Starting a co-operative is a difficult task, even more difficult when drawing resources from a limited population. The following links are avenues to seek out more information on topics such as membership, employment, management, funding, and training. All website addresses were correct as of November 2004.

Arctic Co-operatives Limited

- <http://www.arcticco-op.com/services.html?list=0004-->

British Columbia Institute for Co-operatives Studies, University of Victoria

- <http://web.uvic.ca/bcics/>

Canadian CED Network

- <http://www.ccednet-rcdec.ca/>

Canadian Co-operative Association

- <http://www.coopcanada.coop>

Canadian Co-operative Secretariat

- http://www.agr.gc.ca/policy/coop/home_e.phtml

Canadian Worker Co-op Federation

- <http://www.canadianworker.coop/>

Centre for Co-operative Studies, University of Cork (Ireland)

- http://www.ucc.ie/acad/foodecon/centre_b.html

Center for Cooperatives, University of Wisconsin (USA)

- www.wisc.edu/uwcc

Centre for the Study of Co-operatives, University of Saskatchewan

- <http://coop-studies.usask.ca/>

Community Economic Development Across Canada

- <http://www.cedcanada.ca/>

Community Economic Development Technical Assistance Program

- <http://www.carleton.ca/cedtap/>

Co-operative Development Services, Manitoba Agriculture, Food and Rural Initiatives

- http://www.gov.mb.ca/agriculture/ri/coop_index.html

Co-operative Development Initiative, Co-operatives Secretariat

- http://www.agr.gc.ca/policy/coop/information_e.phtml

Co-operative Housing Federation of Canada

- <http://www.chfc.ca/eng/chf/home.htm>

Co-operatives Secretariat, Agriculture and Agri-Food Canada

- http://www.agr.gc.ca/policy/coop/home_e.phtml

Coop Zone

- <http://www.coopzone.coop/>

Credit Union Central of Canada

- <http://www.cucentral.ca/>

Federated Co-operative Limited

- <http://www.fcl.ca/>

Conclusion

The views and comments from this report are based on the respondents of an in-person delivered survey to community households. In all, 58.5% of households participated in the

survey. The main factors identified by respondents in the closure of the Seymourville Co-operative included extension of credit and issues relating to co-operative management. Success of the new co-operative initiative will depend on addressing similar issues by seeking out best management practices and planning. This report provides a select list of further sources of information that can be utilized. This list is by no means comprehensive, and further resources should be sought to meet the local needs.

Through examining community members' perception of how and why the former co-operative dissolved, useful information for future co-operative developments in the community has been gained. The perceptions of local respondents are critical for any future co-operative development as co-operatives are founded on local people coming together to meet common goals/objectives. Community support from the residents of Seymourville will also need to be considered when deciding the vitality of a new co-operative.

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For further information on the Joint Co-operative Development Project, please visit www.brandonu.ca/rdi/jcdp.

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Appendix A: Survey Responses to the Former Seymourville Co-operative

Do you have any comments you would like to provide concerning your community and a cooperative?
It would be nice to have a local store
Would love to see a co-op in Seymourville
Save a lot of money not going to Winnipeg
Need basic household and basic needs
No
A store is needed in the near future
Good competition will keep local prices lower
Need to look at the taxes associated with business; the reserve nearby has the advantage of having no taxes
Like to see it get off the ground
People would support it
Tourists would support it

What was the largest contributing factor that caused the closure of the cooperative in Seymourville?
Too much credit given out
No money
People not paying their bills
Credit being given out ruined the store
Credit; no debit machine; no ATM; no "interac"
Management problems
Unknown

(If you were not satisfied with the previous Seymourville Co-operative) Why were you not satisfied?
Management misappropriation of authority
Lack of selection
The store was too cliché

What did you like best about the (previous) Seymourville Co-operative store?

It was okay at the beginning but not toward the end

They tried to do their best

Good selection

Convenience

Always had product, prices are cheap