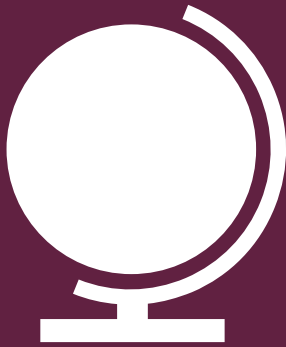




**Saint Mary's
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Centre of Excellence in
Accounting and Reporting
for Co-operatives



International Journal of

Co-operative Accounting & Management (IJCAM)

Through the Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) at the Sobey School of Business, Saint Mary's University in Canada, the journal explores a diverse range of topics related to accounting and management in co-operatives, credit unions, and mutual organizations.

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The Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) in the Sobey School of Business at Saint Mary's University was created because the co-operative business model, with its unique business purpose, values and principles, is not adequately served by the same approach to accounting used by investor-driven firms.

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International Journal of
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Letter from the Editors

IN THIS ISSUE OF IJCAM we are pleased to focus on the outstanding research of four graduates from Saint Mary's University's Master of Management in Co-operatives and Credit Unions (MMCCU). As a part of their curriculum, MMCCU students are required to complete a Final Research Report. This program is designed for professionals working in the co-operative economy such as managers, employees, and board members. It is a part-time, on-line program comprised of students, faculty, and researchers from around the globe and from a diversity of co-operative sector organizations. For more information see:

<https://www.smu.ca/coopdegrees/index.html>.

We start the edition with obituaries authored by Senior Associate Editor, Dr. Peter Davis, for two people, Samuel Natale and John Donaldson, both of whom have made significant contributions to the co-operative academic sector. This is followed by four research papers, beginning with a paper by Mary Ann Kingsley regarding Maryland's Food Co-op Ecosystem. The paper offers insight into the paths that Maryland food co-ops have taken in their startup journeys. The next paper

by Michael Murdoch examines whether the Mondragon Corporation's cooperative model, widely regarded as one of the most successful in the world, can be effectively replicated or adapted within the United States. The third paper is by Kirsten Sunesen who explores the connection between social capital and cooperatives. The final paper by Pauline Tessier presents a model for healthy democracy in Canadian Housing Cooperatives.

Call for Papers

General Call for papers on co-operative accounting and management topics.

- Submissions accepted on a continual basis.

Papers related to management topics should be submitted to Peter Davis: dissentingvoice1947@gmail.com and those focusing on accounting and reporting should be submitted to Daphne Rixon: daphne.rixon@smu.ca.

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Samuel M. Natale, 1943 – 2025

Sam Natale was a friend, since 1995, and an Editorial Advisory Board member from 2003 (Vol 1, No 1) of the *International Journal of Co-operative Management* (IJCM). He continued as a supporter of IJCM's merger with the *International Journal of Co-operative Accounting* as the *International Journal of Co-operative Accounting and Management* (IJCAM) and as IJCAM Associate Editor, Co-operative Management until his death in 2025.

Sam wrote a paper for the first edition of the IJCM and delivered it in person at the journal's launch seminar at the University of Leicester School of Business in 2003. He was for many years a key figure in academic journal publishing particularly in the areas of Business Ethics where he acted as a Section Editor of the *Journal of Business Ethics* as well as Editor in Chief of *The International Journal of Value-Based Management* for many years. Sam was also an associate editor for the *Journal of Decision Ethics* and the author of over 50 academic papers and over 20 books. His editorial skills and academic prestige on both sides of the Atlantic were of great value to our new journal. As a psychotherapist and educator / mentor he will be warmly remembered by his many students and friends for the care, compassion and encouragement he gave us.

Samuel M. Natale¹ graduated from the University of Oxford, England and has held the Sandbulte Chair in Business Ethics at the College of St Scholastica. He has been Visiting Fellow at Mansfield College, Oxford, Blackfriars, and Research fellow Warborough Trust, Oxford, as well as Visiting Fellow, St Edmund College, Cambridge, and Visiting Scholar at the Department of Education, University of Cambridge. He was appointed research and finance director (United States of America) for University of Oxford Centre for Study of Values in Edition and Business. He retired from full time teaching as Professor, in the Management Department, Robert B. Willumstad School of Business, Adelphi University, Garden City, New York.

Sam was a Fellow, Royal Society Arts; and member, American Psychological Association, British Psychological Society, International Council Psychologists, Academy of Management, Human Factors Society, American Association Pastoral Counsellors (certified clinical), and American Academy of Psychotherapists. In his capacity as a psychotherapist, he was for many years, commencing in 1973, consultant to the Archdioceses of Baltimore, Newark and Philadelphia, and the Dioceses of Allentown, Richmond and Erie. He was ordained a priest in the Roman Catholic Church in 1979.

I first met Sam when I was presenting at a conference he organised at Saint Catherine's College, Oxford in the mid-1990s. For me his interest in my work on co-operatives and co-operative management was very important. Criticising the 1995 ICA identity statement and calling for a principle of co-operative management had made me unpopular with some of the academic and institutional hierarchy that represented the mainstream in the co-operative policy, management and research. Later, after the publication of my criticism of the UK Co-operative Group², I experienced some hostility. Across these years Sam's support for my academic publishing was invaluable and his encouragement and enthusiasm for my writing on co-operation ensured I had access to respected academic journals.

Those reading this who knew Sam will know he was a complicated man whose personality did not in all regards sit well with the doctrine of the church he obviously loved. He was, I can testify, a great preacher, not exactly humble, but certainly an approachable human being, a caring pastor, and loyal friend. If he ever felt isolated in terms of his lifestyle *vis a vis* his religious institutional context he never let it show. Indeed Sam, the personality, the academic, and the priest were three quite different personas but, that notwithstanding, his deep personal spirituality provided the unifying thread.

On co-operatives, Sam, back in July 2003 in his lead paper for Volume 1, Number 1 of the *International Journal of Co-operative Management*, pointed out that our unique values and structure made niche community focused marketing and branding using the latest technologies an important strategy for growth and resilience against large global multinational competition. Sam with his co-author and colleague at Adelphi University, Dr Sebastian Sora, in the abstract of their paper wrote:



"The virtual co-operative gives individual co-operatives the opportunity to lead with innovation to establish niche dominance and to give individual co-operatives the opportunities to obtain critical mass when this is advantageous."

They concluded,

"The voluntary element embedded in the virtual co-operative will make the quality of followership as critical as the quality of leadership in the management of innovation and the operational development this will call forth." (p. 9)

Written over twenty years ago, this paper speaks to the contemporary digital marketing and product development strategies of organizations like *Nike* today. It was a message however, meant for the co-operative sector, for its strategic development of co-operative value-based management and governance, and the connection *for co-operatives* between commercial resilience, ethical values, social relevance, and technological innovation. In mourning Sam's passing, we celebrate Sam's important contributions to these areas and to the support he gave to this cause and to the journal's evolution.

Dr Peter Davis, FRSA, CFCIPD, Senior Associate Editor, *International Journal of Co-operative Accounting and Management*

¹ Apart from my personal knowledge I would like to acknowledge the following two sites as my sources for the information provided: https://prabook.com/web/samuel_michael.natale/1682859#google_vignette; and <https://www.adelphi.edu/faculty/profiles/profile.php?PID=0214>.

² Articles in the *Journal of Co-operative Studies*, 46:3, Winter 2013, and the *Journal of Business Ethics*, 135:3, May 2016.

John Donaldson MA (Oxford), 1936 to 2025

John Donaldson was a founding member of the New Harmony Press and Founding Consultant Editor of the *International Journal of Co-operative Management (IJCM)* which published 14 issues until its merger with the *International Journal of Co-operative Accounting*. John made a critically important contribution to the foundation and development of the *IJCM* which was the first academic journal in English to focus on Co-operative Management.

I first met John when I was a trade union officer and the company I was negotiating with suggested his name as an impartial chairman in a job ranking exercise by a joint management and union committee. At the time John was a well-known and, indeed, pioneering figure in the 1970s movement for better ethics in business, who lectured and published in this field based at Imperial College University of London. John was a strong advocate of trade unionism and a former Workers' Educational Association lecturer. His 1989 book, *Key Issues in Business Ethics* (Academic Press), was a unique contribution to the field in its wide-ranging perspectives, with five theoretical and philosophical chapters balanced by five more chapters on practical applications, which included what I believe to be the only book on business ethics to include a chapter entitled 'Trade Union Ethics' (Ch 7). A further book followed in 1992, *Business Ethics: A European Case Book*, which redressed the imbalance in the literature then dominated by cases from North America.

We became firm friends and co-researchers exploring the problems of management of co-operatives that led in 1998 to our publishing - self-publishing, as the publishers at the time all rejected our book - *Co-operative Management. A Philosophy for Business* (New Harmony Press, Leicester). The prepublication drafts were well received, and we had positive sleeve notes from Bruce Thordarson, then Director General of ICA, Prof Leo Ryan, former President of the Society for Business Ethics, and Graham Melmoth, then CEO of the UK CWS, who also wrote the preface. John and I had the last laugh on the UK publishers when a Publisher in Argentina bought the rights to publish a Spanish translation.

In August 2000, John and I published A Survey of Sixteen British Consumer Co-operatives, in the *Journal of Co-operative Studies* (Vol 33:2 (No 99), pp. 124 to 178). This is the most extensive empirical study of the UK Consumer Movement undertaken in the post war period. We were greatly facilitated in the research and in its later dissemination to co-operative regional boards by John Butler of the Co-operative Union.

John Donaldson continued to publish and to encourage other young researchers throughout his career. He once jokingly referred to himself as an 'agnostic eclectic' whose favourite philosopher was Hume. However I would say of John Donaldson he was a man of deep humanist convictions with a cautious and always critical approach to academic research who had a scrupulous editorial eye for detail. He was in his private life a deeply committed family man, a loyal friend and a lover of jazz. His life made a real difference to the people he met and worked with and his approach set the standard for academic integrity and honesty. John was hugely important in my own transition from trade union officer to academic. He will be missed by all who knew him.

Dr Peter Davis, FRSA, CFCIPD, Senior Associate Editor, *International Journal of Co-operative Accounting and Management*

Maryland's Food Co-op Startup Ecosystem: A Guided Tour for Communities

Mary Ann Kingsley, Master of Management, Co-operative and Credit Union, Saint Mary's University, Canada

Abstract: This guide to Maryland's ecosystem for food co-op startups offers a window into the paths that Maryland food co-ops have taken in their startup journeys. Using an exploratory approach based on secondary data review and interviews with key actors, the study: a) reviews literature on frameworks for analysing cooperative ecosystems; b) describes elements and actors in Maryland's cooperative ecosystem that have served local food co-op startups; and c) indicates potential tensions and synergies for startups to consider and suggests how food co-op startup communities in Maryland can strengthen their ecosystem. Suggestions for further actions begin with the idea that food co-op startups identify themselves as social enterprises; propose the organizing of a Maryland food co-op network; and call on food cooperators to develop and share new business alternatives or additions to the grocery model.

Mary Ann Kingsley (she/her) is an American grant writer and cooperator in Maryland. She spent 8 years in Indonesia working with farmers associations on sustainable agricultural programs and 19 years working with Maryland nonprofits. She is a board member of Catonsville Co-op Market.

Acknowledgement: To those who participated in interviews and were generous with their time and sharing of experience, the author extends thanks and gratitude. Appreciation is also given to Margaret Lund who supervised this study as a final research project of the Saint Mary's University International Centre for Co-operative Management's master's program.

Keywords: Food co-op startup, Maryland cooperatives, cooperative ecosystem framework, social enterprises.

Introduction

The establishment of a local food co-op relies on community organization, an understanding of cooperative enterprise principles and structures, local investments of financial and social capital, and technical expertise in the food co-op grocery industry and its supply chain. Food co-op startups are formed by groups of citizens seeking to improve their community, and, unlike worker co-ops, they do so without expectation of a change in their own livelihood status. Organizers typically have full-time jobs, families, and other social commitments. As the Food Co-op Initiative (FCI) states: "Building a co-operative is a hopeful act" (FCI, 2024). For food co-op leaders, building relationships and gaining understanding that keeps the spark of hope and energy alive within this group can be the difference between fulfillment and a faded dream.

Maryland has a legacy of cooperativism as well as present activism in worker cooperative development. It currently enjoys a political environment poised to support incentives for food co-op startups. However, for the local co-op organizer in Maryland, it may be difficult to learn about or access the variety of supports that already exist because a network among entities is yet to be formed.

This paper reviews some of the resources Maryland citizens have used to develop their skills and knowledge and to manage the collective resources needed to form a food co-op. Using an exploratory approach based on secondary data review and interviews with key actors, the study: a) reviews literature on frameworks for analyzing cooperative ecosystems; b) identifies key actors and programs that serve local food co-ops in four general functions of support of a cooperative ecosystem; and c) indicates potential tensions and synergies for startup groups to consider and provides suggestions for strengthening the ecosystem to benefit food co-op startups.

Literature Review of Ecosystem Frameworks

Prior research has identified multiple ecosystem frameworks for analyzing enterprises, cooperative enterprises, and/or social enterprises. Frameworks often define ecosystem elements as well as the actors that may provide those elements. Spigel and Harrison's (2018) examination of the concept of an entrepreneurial ecosystem evolving from regional innovation systems and industry cluster theories is applicable to the startup of a food co-op enterprise. The authors contend that, as opposed to a more top-down approach where the emphasis is on the external developers, the primary actors in an entrepreneurial ecosystem are the entrepreneurs themselves (p. 156). They note that the ecosystem is dynamic and evolves as it draws in or leaves out resources and is an ongoing process through which entrepreneurs acquire resources, knowledge, and support, increasing their competitive advantage and ability to scale up. They put less emphasis on the specific industry and more on peer-to-peer learning and development of "dense, trust-based local social networks" (p. 159). While their research lays the groundwork on entrepreneurial ecosystems and provides useful descriptions of the characteristics of an ecosystem process centered on the entrepreneurs themselves and based on their needs for startup, they only loosely categorize the types of actors in the ecosystem as "cultural, social, or material" (p. 153).

Figure 1: Actors in a Cooperative Growth Ecosystem



Source: Hoover & Abell, 2016, p. 14.

community outreach and activism that is required for food co-op startups.

Beishenaly (2023) notes that "the entrepreneurial ecosystem for cooperatives differs from the ecosystems that have high-growth orientation and promote competition and profit-making" and that hybrid organizations "are influenced by two dominant institutional logics: entrepreneurial-market and community" (p. 9). Beishenaly condenses Hoover and Abell's 11 elements into five categories: 1) Policies and Regulatory; 2) Education & Capacity; 3) Culture; 4) Funding & Finance; and 5) Networks & Partnerships (p. 11). In Beishenaly's framework, networks and

In contrast, Hoover and Abell's (2016) Cooperative Growth Ecosystem advances a conceptual framework that identifies four groups of actors in the financial, public, private, and nonprofit sectors, as shown in Figure 1.

In all, Hoover and Abell (2016) identify eleven elements as important for cooperative development. They group these elements into those that are "essential... building blocks for scale" and "important" with diagrams such as Figure 2 (p. 8). The suggestion of linear progress in the diagrams and groupings, however, could lead to misunderstanding of a process that the authors emphasize should be "iterative and dynamic" (p. 14). Overall, the framework provides a strong basis for analysis in the context of developing worker cooperatives but puts less emphasis on the need for

Figure 2: Example of Hoover and Abell's ecosystem analysis of New York City



Source: Hoover & Abell, 2016, p. 32

partnerships are an overarching element, emphasizing that cooperatives themselves are often key actors for four of those five key elements.

Rodrigues et al.'s (2004) Conceptual Framework for Complex Cooperative Networks identifies informal collaborations, co-op to co-op business, second tier co-ops, co-op groups, and multistakeholder networks as elements of the network infrastructure found in successful cooperative economies. The authors highlight the importance of cooperatives themselves as “the driving force of cooperative ecosystems” (p. 4), “creating their own system in complex networks of mutual support and solidarity representing spaces of experimentation, innovation, or resistance to challenges, or offering an alternative to the dominant practices and norms” (p. 1).

Applying ecosystem dynamics to consumer cooperatives, Pestoff (2017) identifies four key “environments” in which these organizations must navigate: among members and employees internally, and markets and public authorities externally: “Each of them is based on a separate logic, making it possible to speak of four competing logic or principles of co-operatives: the logic of (efficient) competition, the logic of (democratic) membership, the logic of (political) influence, and the logic of (personnel) management” (p. 79). Consumer cooperatives face tensions between these logics and have tended to skew toward the logic of competition and management at the expense of democratic membership and political influence. Pestoff concurs with 1995 ICA recommendations “Making Membership Meaningful,” stating that cooperatives “need to rediscover their political and social dimensions in order to emphasize and take advantage of their natural competitive advantage” (p. 91). Pestoff contends that regular social auditing and multistakeholder democratic governance are two practices that will keep cooperatives in balance. He offers that consumer co-ops consider taking on more social services to stay relevant, responsive to members, and have greater impact on their communities.

To summarize, each ecosystem framework offers useful tools: the dynamism and relationship building emphasized in the enterprise ecosystem framework (Spigel & Harrison, 2018), the eleven specific components identified in the Cooperative Growth Ecosystem (Hoover & Abell, 2016), and their simplified groupings offered by Beishenaly's (2023) framework. Rodrigues et al.'s (2024) complex networks analysis draws from the previous frameworks to emphasize that co-ops themselves are key actors in building cooperative networks. And finally, Pestoff (2017) describes the tensions among these elements, particularly for established consumer co-ops, suggesting that more attention be paid to social and political dimensions.

Social enterprise ecosystem frameworks may be the one additional piece that best aligns with the special needs of food co-op startups. Food co-op startups typically require long lead times for membership organizing, fundraising, and planning (FCI, n.d.-a). They are organized by local volunteers who often lack governance capability to form cooperatives, business skills needed to plan, build, and recruit employees for an enterprise, as well as the community organizing skills needed to fundraise and grow membership.

Figure 3: Social enterprise ecosystem



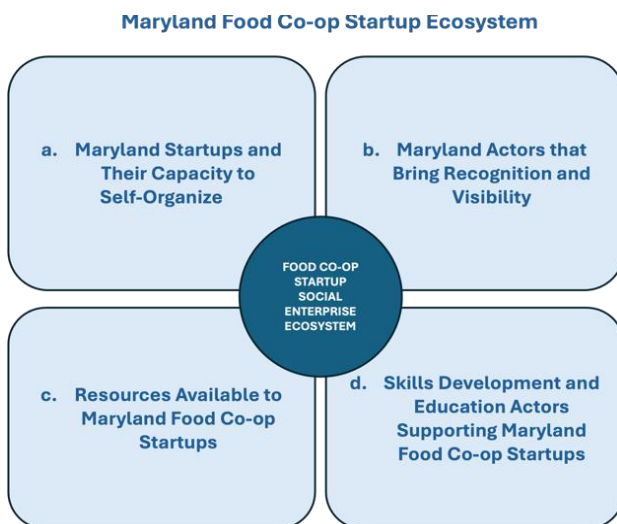
Source: Borzaga et al., 2020, p. 49

During the startup phase - a phase that can easily last more than ten years - food co-op startup organizations align well with the EU's intentionally broad definition of social enterprises: "social enterprises run commercial activities (entrepreneurial/economic dimension) in order to achieve a social or societal common good (social dimension) and have an organization or ownership system that reflects their mission (inclusive governance-ownership dimension)" (Borzaga et al., 2020, p. 28). Food co-op startups share founding commonalities with the social enterprises described in the European Commission synthesis report authored by Borzaga et al. (2020): "Social enterprise emergence is reinforced by the social and civic commitment of groups of citizens. Citizen-driven initiatives whereby groups of citizens have set up

organisations, often as volunteers and with few resources at their disposal, to address new needs and societal challenges and/or integrate disadvantaged people through work exist in all countries studied" (p. 49). In line with cooperative governance, the EU distinguishes social enterprise from social entrepreneurship in its emphasis on inclusive governance (p. 33).

The ecosystem framework constructed to describe social enterprises found across Europe is instructive because it considers as a primary component the special capacity needs of mobilization through civic volunteerism, in which the "capacity to self-organize" through "civic engagement" was considered a primary element. Networks "constitute a crucial mutual support mechanism" that acts to "improve recognition and society's awareness of social enterprises; to advocate and inform policymaking; to foster mutual learning and exchange; and to provide services to their members" (Borzaga et al., 2020, p. 50). Figure 3 identifies the four major groupings of ecosystem elements arranged in a quadrant. While other ecosystem frameworks indicate the need for capacity building and skills development, the social enterprise ecosystem framework particularly recognizes the needs that must be addressed to assist food co-op startups.

Figure 4: Maryland Food Co-op Ecosystem Framework



An adaptation of the EU Commission's social enterprise ecosystem framework to the Maryland Food Co-op Startup Ecosystem might look like Figure 4. The findings will follow this framework, reviewing elements and actors emerging in Maryland in each quadrant.

Methodology

An exploratory approach was used to identify and describe the key actors in a cooperative growth ecosystem for local food co-op startups in Maryland. Information and experiences from co-op development actors and programs were gathered through interviews and a review was conducted of academic literature, websites of co-op developers, financial support organizations and institutions, federal and state legislature and programs that assist co-op development in Maryland. Using mixed

methods, an overview of the key actors was organized according to the Maryland Food Co-op Ecosystem Framework (Figure 4).

The process began with identification and recruitment of individuals to be interviewed. A brief document describing the research objectives including interview questions was provided to participants as part of the recruitment process. The interviews occurred either remotely or in person and were recorded with permission. Nine interviews were conducted representing a variety of sectors. Interviewees were provided a final draft of the study for corrections and approval.

Access to information and the scope of the study were limiting aspects of the study's methodology. There were key actors who could not be included in the study due to time limitations or lack of available information. Some resource people do not work directly with food co-op startups in Maryland but provided a broader national perspective in how co-op development is being supported and thereby helped in identifying common issues and trends.

Findings: Key Actors and Elements in the Social Enterprise Framework

Maryland Startups and their Capacity to Self-Organize

Typically, a food co-op begins with a group of residents who agree to work together to establish a community-owned, democratically controlled business. The goals for each food co-op may vary in emphasis, but the Ends Statement applied by The Common Market in Frederick, Maryland exemplifies many of the aims of Maryland food co-ops:

The Common Market exists in order to achieve the following ends in the local region:

- A just, prosperous, and vibrant local food economy that connects local consumers with local food sources.

- An economically successful and growing business operated on the model of cooperative ownership, thereby serving as a practical alternative to corporate, profit-driven, absentee ownership, and fostering expansion of the cooperative model.

- A community whose members are educated about food, health and wellness choices, social and environmental issues in food production, and the value of cooperatives as an alternative business model.

- A model for the use of environmental resources that is increasingly sustainable in the products we sell, the business we operate, and the practices we promote and support in the larger community. (Common Market Co-op, 2025)

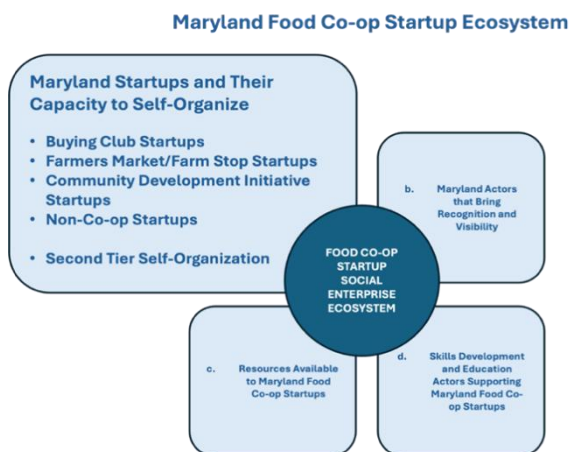
Low income, low access (LILA) urban areas may place greater emphasis on community development and food sovereignty. For example, the mission statement of the Cherry Hill Food Co-op in Baltimore is: "Our mission is to establish a community-owned cooperative grocery store that provides healthy, affordable and culturally-appropriate foods while serving as an incubator for community development in pursuit of Black control of food and land" (Cherry Hill Food Co-op, n.d.). A food co-op is one objective among many of Cooperative Community Development's (CCD's) Irvington neighborhood revitalization aims. CCD is a community development nonprofit and co-op founded in 2022 that is planning to open a community-owned grocery store in a renovated building to be filled by workforce development, small business vendors, an innovation hub, and community center (CCD, n.d.-a).

In working toward these goals, community members must become organized and mobilized. In an interview, Autumn Vogel, Cooperative Developer from Keystone Development Center, said she thinks that the scale of organizing needed to make a food co-op launch successfully is its greatest challenge, and one that is done primarily by the residents themselves. "We can do the tech support, but it is up to the communities to organize". Because of this need for organization and capitalization from within the community, food co-ops tend to take longer than other types of cooperative enterprises to launch. In an interview, JQ Hannah, Executive Director of Food Co-op Initiative (FCI) also emphasized the importance of meaningful community organizing, noting that if people focus on business development before community organizing, 50% of them will "fizzle out").

Maryland's Food Co-op Startup Ecosystem: A Guided Tour for Communities

The demographics of communities bring challenges to organization and raising capital. Hannah noted that LILA communities – those described as “food deserts” in the past – make up 50% of FCI’s clients today. This is a change from the stereotypical food co-op of ten years ago in middle-class suburban and college communities that didn’t lack for grocery options. Sean Park, an experienced co-op developer, remarked in an interview that the old “cookie cutter model” of a food co-op in a higher educated, higher income area is one where “our ideal demographic is a 70-year old professor driving a 10-year old Volvo”. Park advises against applying the suburban area’s “organic Whole Food model,” that relies on higher price markups than the grocery industry average to food co-op businesses in LILA communities. JQ Hannah noted an example in Osh Kosh, Illinois, where, after a year of organizing, the startup “flatlined because the community didn’t see themselves in the values identified”.

Figure 5: Maryland Food Co-op Startup Framework featuring Self-Organization



These stories illustrate the importance of the local group’s ability to organize and mobilize within their community as well as their skills to create a business model that aligns with the community’s needs and capacity. Hannah commented that groups that come to FCI for assistance usually have skills in either community organizing or business development, but rarely both. It is appropriate, then, to identify the diverse ways Maryland food co-op startups form, organize themselves, mobilize their communities, and connect with each other. The four types of formations identified in the top left quadrant of Figure 5 are drawn from Maryland examples. Also discussed are the elements of second tier self-organization networks accessible to Maryland food co-op startups.

The Buying Club Startups

Like many other food co-ops in the state, Catonsville Co-op Market started out as a buying club, formed by a group of Catonsville friends who wanted access to natural, organic, and fresh food at a fair price. The Common Market, Glut Food Co-op, and the former Valley Co-op are among those markets that also started as buying clubs (Common Market, 2024; GLUT Food Co-op, 2015; Latimer, 2017). FCI provides insight on the pros and cons of food co-op startups organizing buying clubs: “a buying club may help meet some community needs in the short run, but it may not attract the members you need to support and patronize your retail store” (Reid, 2022, p. 2). They caution against volunteer burnout and brand confusion caused by the additional effort and possible mixed messaging from organizing buying clubs in tandem to organizing for a brick-and-mortar store (p. 3). In addition, some members may not feel the need to move to a higher-price retail store if they are happy with the buying club. Catonsville Community Market’s journey illustrates this predicament. During an interview, C. Beer noted that a 2018 member vote in favor of limited growth laid the groundwork for remaining in startup mode as an all-volunteer food co-op with limited hours run out of a church basement. Nevertheless, Maryland provides several examples of successful retail food co-ops emerging from buying club origins, such as The Common Market and Glut Food Co-op.

Farmers Market / Farm Stop Startups

Eastern Shore Food Cooperative and Montgomery Farm Women’s Cooperative Market are Maryland examples of co-op markets organized primarily by farmers rather than through consumers. According to Local Harvest’s website link, Eastern Shore Food Cooperative is “a group of farms on the Delmarva Peninsula who are working together to get their produce on to the plates of local consumers” through the partnership of a growers collective and a consumer group (*Eastern Shore Food Co-op - LocalHarvest*, n.d.). It is not clear if this startup is still active, but its vision of providing “improved access to wholesome, affordable, locally-produced food” with more direct returns to the farmer appears to be growing throughout the country. Farm stop enterprises, described as “a hybrid between a farmer’s market and a co-op store” (Corso, 2024), are defined as “year-round, every-day markets that support small-scale farmers and strengthen local and regional food systems. They do so most often by operating on a consignment

model, which gives producers a fair price, flexibility with their time and products, and provides more direct connections with consumers” (Barr, 2023, p. 4).

The venerable Montgomery Farm Women’s Cooperative Market may be considered a forerunner of this type of enterprise. Established in 1934, the cooperative of vendor members was initiated by University of Maryland Extension Home Demonstration Clubs to organize farm women to sell value-added items at market as a way to increase farm incomes during the Depression (Crook, 1982, p. 1). These direct sales had a lasting impact on farmers’ well-being. “Each member of the cooperative sells her own goods, conducts her own sales, and disposes of anything left over at the end of the day...The money the farm women have earned from the market has paid off mortgages, modernized kitchens, and put many farm children through college. The women also set up a scholarship fund from which children of members could borrow money for their education” (Crook, 1982, p. 1). As a cooperative, the group was able to buy its own land and building and weather the gentrification of one of Maryland’s—and the country’s—wealthiest counties: “One vendor lamented that land in Montgomery County is expensive, but the organizational set-up of the cooperative gives farmers a steady income source and a network of fellow farmers to lean on if times become increasingly difficult. Unlike some farmers markets that witness a flux of vendors over the years, the management style at the Montgomery Farm Women’s Cooperative Market has incentivized vendors to stay involved with the market for a long time” (Ayres, 2018). The market’s location, a small building now surrounded by office and high-rise apartments, is considered a landmark in downtown Bethesda today, with major plans for renovation and expansion by 2026.

The Community Development Initiative Startups

There are at least two examples in Maryland of startups that originated from an interest in bringing a food co-op to low/middle income neighborhoods with low access to healthy food options. CCD and Cherry Hill Food Co-op, both focusing on neighborhood development in Baltimore, are still in start-up phase. Since 2020, CCD, in the neighborhood of Irvington, has acquired garden lots managed by the community and a three-story building with financing from Baltimore Roundtable for Economic Democracy (BRED) to hold a food co-op market, retail vending stalls, and a community center (CCD, n.d.-b). In an interview, J. Martin, Jr. said CCD is actively working to build capacity within its organization and with partners such as Catonsville Co-op Market to progress its food co-op objectives.

The Cherry Hill neighborhood, located in South Baltimore, has been without a grocery store since 2003 (Jackson, 2019, p. 8). Beginning in 2017, Black Yield Institute coordinated organizing efforts of the board as well as finance, governance, external relations, and outreach committees. They received technical assistance from Columinate, and rigorously documented mobilization efforts. Former board member Taji Amani said when interviewed that there were well-researched considerations of the type of store that was needed, whether a large grocery store, a small market, or a string of shops. A detailed three-year plan and budget were prepared for activities from fiscal years 2019 to 2021 (Jackson, 2019). According to Amani, Cherry Hill Food Co-op organizing activities seem to be in a holding pattern, yet he believes that the enterprise, in some form, still has a chance. Black Yield Institute produced multi-year participatory research findings of Cherry Hill’s food apartheid in October 2024. Among other findings, Cherry Hill residents “expressed their wishes to have both sovereignty over and a financial stake in controlling food availability in Cherry Hill. They derived inspiration from community-owned food vending businesses around the country, citing the idea of a food co-op as a possible means to food sovereignty for both community members and the border community” (Black Yield Institute, 2024, pp. 48–49). Black Yield Institute continues to organize a regular food market in Cherry Hill, using market days as an opportunity to shape “organizing tactics in order to establish other projects like food delivery programs, community farms and community food cooperatives” (Cherry Hill Food Co-op, n.d.).

The Non-Food Co-op Startup

What happens when a community’s solution to low access to healthy food is something other than a food co-op or a grocery corporate chain? Maryland has mixed experiences that demonstrate the impact of organizing at the local level. In southern Maryland, on the eastern banks of the Potomac River, lies the town of Indian Head, population 4,170, a majority Black, middle class community that had been without a grocery store since 1999. Beginning in 2019, a group named Indian Head Food Co-op helped to mobilize the community and educate them about food co-

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ops with some technical support from FCI and a trip to Common Market in Frederick, Maryland (Indian Head Food Co-op, n.d.). By November 2021, a plan was formed, organized not as a co-op, but as a partnership, to which Indian Head Food Co-op passed the torch: "we'd like to extend our gratitude to the community who are working hard behind the scenes to bring a source for fresh and healthy food to Indian Head. Thanks to a true partnership we are excited for what 2022 has in "store" for us!" (Indian Head Food Co-op, 2021). After public meetings and the mayor's and councilwoman's support, business owners of the cafe in town ultimately championed the project named Oasis Fresh Foods Market that would begin as a limited liability company (LLC) and gradually include employee ownership: "A team of business owners and civic leaders from the town and nearby areas is currently guiding the effort and will ultimately oversee the transition of Oasis into an employee-owned and operated entity" (Higgins, 2022).

In October 2024, The Oasis Fresh Foods Market opened, registered as an LLC to the café owners. They plan for the store to create up to 20 jobs, seven of them full-time (Higgins, 2022) and state that the transition to employee ownership may take place after five years of operation:

Oasis will focus on hiring talented local professionals to run the business, with a goal of ultimately transitioning into an employee ownership trust. Under this framework, vested employees are Oasis owners and will receive annual profit-sharing benefits. Additional profits will be reinvested into the grocery store, as well as in the Town of Indian Head. (mma, 2022)

A similar grand opening event took place in the town of Seat Pleasant in 2021, close to the Washington D.C. line in Prince George's County. Seat Pleasant had not had a grocery offering fresh food since 2016. In response, Good Food Market, a nonprofit grocery store based in D.C. made plans to open after Prince George's County provided \$1 million in funding along with \$2 million from Low Income Investment Fund, a national Community Development Financial Institution based in San Francisco (Fadulu, 2020). It is not clear whether Seat Pleasant community members played a role in store decisions. Executive Director Philip Sambol described Good Food Market as a social enterprise nonprofit aimed at bringing food markets to LILA neighborhoods (Fadulu, 2020). It had already opened a small, 900 square foot market in D.C.'s Ward 5 in 2015 and planned to open another market in the Langdon neighborhood. However, "operating the businesses turned out to be more complex than originally thought" (Fadulu, 2020) and the business model failed. Good Food Market closed all three locations and is no longer in business. It stated that the need for more employee training than expected and low patronage were some causes of failure in their other D.C. stores. Newspaper articles quote residents as saying that prices were too high (Fadulu, 2020).

Second Tier Self-Organization

Following the conceptual framework associated with social enterprise organizations and others, self-organized networks are considered necessary mechanisms of mutual support (Borzaga et al., 2020; Rodrigues et al., 2024). The Mid-Atlantic Food Cooperative Alliance (MAFCA) is a network of established and startup food co-ops representing a broad swath of territory from New York City to Virginia. There are over 200 members of co-op groups and interested followers in its Google groups (*Member List*, n.d.), which is its email list. The main medium for communication is its Facebook page (*Facebook*, n.d.). In the past, MAFCA was more formally organized, holding conferences and receiving dues from its members. It currently organizes bi-annual meetings hosted by food co-ops. A typical meeting includes a tour of the co-op, lunch hosted by the co-op, followed by round-robin discussion of each participant's news and problems. For startup groups, learning from experienced general managers and board members who are generous with their knowledge and insights is invaluable.

Maryland Actors that Bring Recognition and Visibility

John Curl's (2010) historical research shows that many types of cooperatives have done business in Maryland for centuries. Yet, he explains, it seems that every generation must discover cooperativism anew:

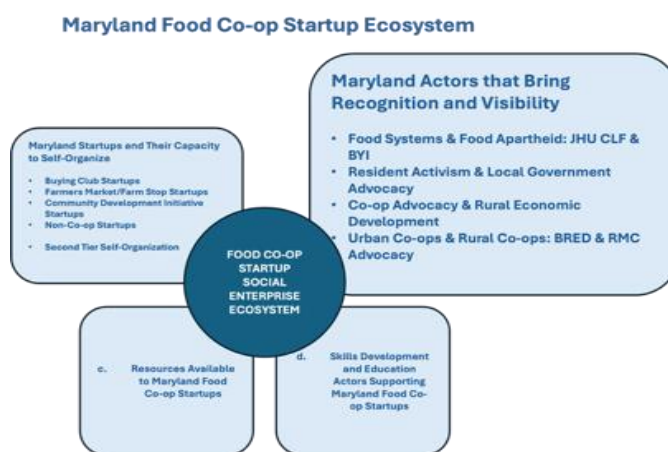
Like every social equity movement, the cooperative movement rises and subsides, and its deeper goals cannot be permanently achieved because society is always changing: all social goals must be constantly renewed, and all social movements must go through cycles of renewal (p. 25).

This section of the framework highlights examples of emerging awareness of cooperatives among community movements and private and public institutions in Maryland, displaying how synergy is created when groups from different corners of the ecosystem come together to advocate for mutually beneficial goals. Figure 6 illustrates this element within the conceptual framework.

Food Systems and Food Apartheid: JHU Center for a Livable Future and Black Yield Institute

National Co+op Grocers and FCI have identified a national resurgence of interest in food co-ops to address food apartheid – a term intended to acknowledge “the structural injustices and disparities in food access faced by low-income communities and communities of color” that go beyond lack of access to healthy food (Walker, 2023). “There’s really powerful new leadership emerging, especially among Black-led food co-ops and food co-ops organizing in reaction to wanting better options for food in their community,” said Faye Mack, former Executive Director of FCI (First, 2024). C.E. Puch from National Co+op Grocers concurred: “The focus now is on social justice, making nutritious food available, creating jobs within communities – with much of the activity in LILA markets, sometimes referred to as food deserts” (First, 2024). Maryland institutions and Baltimore-based movements helped to draw attention to this problem, better define it, and built momentum for policy change in Baltimore, leading the way for other cities to do the same.

Figure 6: Food co-op Startup Ecosystem Featuring Recognition & Visibility



The mission of the Johns Hopkins Center for a Livable Future is to “build a healthier, more equitable and resilient food system” (Center for a Livable Future, n.d.). In partnership with the Baltimore Food Policy Initiative, they published a 2018 report that mapped out Baltimore’s neighborhoods deemed as priority areas for access to healthy foods (Misiaszek et al., 2018). Black Yield Institute is one in a network of organizations working to address food apartheid by supporting “self-determining food economies in Cherry Hill and Black communities like it elsewhere” (Black Yield Institute, 2024, p. 4). With other city organizations and community leaders acting as Resident Food Equity Advisors, as well as a Food Policy Action Coalition that included the Center for a Livable Future, it helped shape policy around access to fresh food in low-income, low access Baltimore neighborhoods.

As a result, among other strategies for better food access, Baltimore city policy goals now specifically include recommendations in the city’s 10-year comprehensive plan “to support the establishment of food cooperatives that are owned and operated by the community” and to “establish at least one community-owned food cooperative in each region of Baltimore” (Baltimore City Department of Planning, 2024, p. 335). Holly Freishtat, Baltimore City’s first Food Policy Director called the Center for a Livable Future their “intellectual petrol” by developing the priority area mapping, and noted the process: “We engaged residents, equity advisors and Baltimore food heroes like Eric Jackson of Black Yield Institute and Pastor Heber Brown of Black Church Food Security Network, who use the term ‘food apartheid’” (O’Connor, n.d.). The contributions of these Baltimore food system researchers and activists thus enabled solutions that aim for more systemic, long-lasting change.

Resident Activism and Local Government Advocacy

Lack of access to healthy foods occurs in rural areas in Maryland as well. In the case of small towns like Poolesville and Indian Head, the actions of proactive residents can increase the visibility of food co-ops and gain local government support for the effort. In Poolesville, it began with a 2022 planning committee survey in which most residents stated their priority need was to have a grocery store in town. The last grocery in the town had closed in 2012. In a March 2023 town meeting, Poolesville residents spoke up: “Nathan and Jennifer Lloyd came forward to talk about their initiative to start the co-op” and suggested that the town hire experts from Columinate to conduct

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a feasibility study (Hoewing, 2023, p. 1). As a result of its residents' civic participation, Poolesville local planners incorporated a feasibility study for a food co-op in their 2024 comprehensive plan (Town of Poolesville, 2024, p. 127).

In Indian Head, a similar process occurred. The Indian Head Food Co-op Facebook page recounts, "Indian Head Food Co-op began its journey as a small group of concerned residents passionate about healthy food access" (Indian Head Food Co-op, 2019). The idea of a food co-op became a subject for town discussion through an informal town meeting organized by the small group that called themselves Indian Head Food Co-op. Renner-Wood (2019) reported on the meeting, which was attended by nearly 60 townspeople. The organizers did their homework ahead of the meeting. Anjela Barnes, one of the food co-op proponents, met with the town's Mayor, Brandon Paulin, months in advance. A steering committee was formed; they toured other food co-ops and conducted an online survey to gauge community interest that garnered 150 responses ahead of the town meeting. One outcome of the meeting was that it solidified Mayor Paulin's backing, who "offered the town's aid as the committee works toward getting the store going. 'You have our full support in any way we can get,' Paulin said of himself and fellow councilmen. 'Throughout the process the town will always be there.'" These efforts show that backed with initiative from residents, local government can be an ally to the food co-op cause, even if ultimately in these cases, a food co-op does not emerge.

Co-op Advocacy and Rural Economic Development

Rural Maryland Council (RMC) is an independent state agency that "brings together citizens, community-based organizations, federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of Rural Maryland communities" (RMC, n.d.). Charlotte Davis, RMC's Executive Director, is an advocate for cooperative development, and, in addition to her role at RMC, serves on the board of Keystone Development Center (KDC), which is designated by the US Department of Agriculture (USDA) as the cooperative development technical assistance provider for the State of Maryland.

In May 2024, Davis hosted a KDC webinar "There's a Co-op for That!" for RMC's influential members and now focuses on "working with our local economic development officers to promote that cause." During her interview, she explained: "What I really see is a lack of understanding from our small business development professionals and their entrepreneurship centers" about cooperatives. Groups may know about cooperatives but "it's not something they have a lot of familiarity with".

Davis' knowledge of co-ops comes from lobbying to support rural electric utilities cooperatives' ability to offer broadband services. She noted she has also approved RMC grant support to food co-ops like Wholesome Harvest Food Co-op in Frostburg, Maryland and Oasis Fresh Foods Market in Indian Head. In 2023, she requested and was granted additional state funds to provide grants to support cooperative enterprises but developments have been slow (RMC, 2023). She said she knows of rural enterprises that considered forming as a co-op but became frustrated with the timeline. Cooperative businesses tell her that the challenge is in finding leadership that the members "support and trust". She added: "There's always that one doer that takes on all the tasks and they get burnt out... You have to try to motivate the other ones to do something and be engaged. They've got to be able to understand the vision, because it is long. It is a really long process".

Urban Co-ops and Rural Co-ops: BRED and RMC Advocacy

One of the biggest successes for cooperatives in Maryland in 2025 was passage of the Maryland Limited Worker Cooperative Association Act by the State Legislature. This law goes into effect in October 2026, and provides clear legal guidance on the rules and procedures of formation, governance, tax and profit distribution, conversion, and dissolution of enterprises that elect to be either a "Limited Worker Cooperative Association (LWCA)," or, a subset of this, a "Collective Worker Cooperative" (Maryland Limited Worker Cooperative Association Act, 2025). Prior to this bill, worker cooperatives were not legally recognized under the State Corporations and Associations Article, causing confusion among private and public companies about worker cooperatives' process for incorporation, getting loans, gaining workmen's compensation insurance, and paying taxes (Fiscal and Policy Note, 2025). An additional feature of this bill is that it provides clarity for multistakeholder co-ops, specifying that, "An LWCA may include multiple classes of members whose rights and membership interests are determined by the cooperative agreement" (Fiscal

and Policy Note, 2025, p. 3). This would create smoother passage for food co-ops like Catonsville Co-op Market that call for both consumer and worker members in its bylaws (Catonsville Cooperative Market et al., 2019).

The journey to passage of this law shines a spotlight on the patient advocacy of Baltimore Roundtable for Economic Democracy (BRED) and its sponsors in the Legislature. Led by BRED Project Officer Anna Evans-Goldstein, this bill had unanimously passed the Senate but was stalled in the House in the previous legislative session.

In 2025, 29 individuals from almost as many cooperative or community organizations testified in support of the bill either orally or in writing. Charlotte Davis from RMC testified that in rural areas, as “aging business owners and farmers... wish to retire, converting to a worker-owned cooperative could retain needed businesses and jobs in areas desperate in need” (Davis, 2025, p. 1). The appeal to legislators in both urban and rural areas is likely to have helped to strengthen the bill.

These actions show that cooperative initiatives are gaining ground in Maryland due to calls from independent voices of different backgrounds. Yet once organized and recognized, co-operatives and supporting organizations in the ecosystem must still overcome hurdles of financing and technical support.

Resources Available to Maryland Food Co-op Startups

“The store is expected to cost as much as \$4 million to open and operate, and residents will likely still be waiting several years for the store to materialize.” (Renner-Wood, 2019)

This was the message that Indian Head residents heard at the first meeting held to gain interest in establishing a food co-op in their town. That \$4 million estimate was made before the COVID pandemic. FCI estimates that construction costs have gone up by 50% or more since COVID, increasing the fundraising goal and taking longer for communities to raise the funds needed. According to JQ Hannah during an interview, pre-COVID, it used to take 3 to 5 years to launch a food co-op. COVID made the time frame jump to 10 years. Now, in 2025, the time frame averages 8 years and will, hopefully, continue to decrease. These increased costs mean that raising capital only through membership equity is unlikely to reach the goal. “Nobody is open anymore without significant grants or donations,” says Hannah, with the rare self-funded food co-op startup in the country being the exception, rather than the rule.

The social enterprise conceptual framework lists mainly financial resources in this area such as “(i) non-payable resources for startup and scale, (ii) resources from income-generating activities, (iii) repayable resources mainly used to finance investments, and (iv) fiscal breaks, advantages and incentives” (Borzaga et al., 2020, p. 72). These categories apply in the Maryland food co-op startup context. Financing cases draw an overall picture of scrappy resourcefulness, using a variety of funding sources and carefully conserving resources. Figure 7 displays the Resources quadrant within the Ecosystem Conceptual Framework for Maryland Food Co-op Startups.

Membership Equity Case: Catonsville Co-op Market

Receiving member equity funds as members sign up is the traditional way for cooperatives to raise the capital needed for startup. Another source of funds is member loans. Other sources, such as donations, grants, or commercial loans complete the typical funding strategy. Catonsville Co-op Market began its membership drive in 2011 and gained its most members in 2016 (63) and 2017 (53) (Catonsville Co-op Market, 2025). By the end of 2016, it had about 210 members and had raised \$31,581 through membership equity since 2011 (Catonsville Cooperative Market, 2017, p. 5). A 2017 revised Business Plan estimated that an additional 60 full memberships and 60 work-equity memberships would be needed, along with \$180,000 in member loans, \$25,000 in crowd funding, and an outside loan of \$224,135

Figure 7: Maryland Food Co-op Ecosystem Conceptual Framework Featuring Resources



to raise a total of \$490,216 (Catonsville Cooperative Market, 2017, p. 2). This amount would fund the expenses for a small store (3,000 sq. ft retail) and operating costs for the first month of operation. This effort proved more difficult than expected, leading to a consequential October 2018 special meeting in which members overwhelmingly voted to focus on improving the current location in the church basement and gradually increasing members, rather than risk effort, money, and time on fundraising and gaining new members for another store location (Beer, 2018). Since 2018, there has been an increase in Work Equity membership, in which a member contributes 15 volunteer hours with a \$25 membership fee (Catonsville Co-op Market, 2025). While the volunteer hours are needed to run the weekly market, the decrease in \$200 memberships has affected the level of equity the co-op raises. In 2025, Catonsville Co-op Market is re-assessing its plans with hopes to build a profitable business model that involves partnerships and greater outreach.

Grant Funding Case: Wholesome Harvest Food Co-op

Since the pandemic, grants have become a more common way to raise resources, as grantors are more aware of the need for strengthening the local food system. Wholesome Harvest Food Co-op in Frostburg, Maryland was fortunate to receive a USDA Local Food Promotion Program grant when it got its start in 2018 that helped it to open in only nine months. Davis et al. (2024) describe the process. The co-op began from a conversion of a market from a retiring single proprietor who gathered residents together to ask them to consider a transition from single ownership to a food co-op. Concerned customers organized and signed up 100 member owners at \$125 membership fee. They saved money by moving to a new location with lower rent. They also were able to increase revenue by selling prepared food from a commercial kitchen. They received two USDA Local Food Promotion Program implementation grants in 2018 and 2021. These grants enabled Wholesome Harvest to accept some memberships at no cost to the member owner. In 2022, Wholesome Harvest received a Rural Maryland Prosperity Investment Fund grant from Rural Maryland Council by creating a "Healthy Food Bag" program. In this program, Wholesome Harvest assembles a bag of fresh produce and grains prescribed by doctors to be delivered to seniors and others in need of access to healthy food. Davis et al. report that, according to Nancy Giunta, Board Chair at the time, this service has also been a revenue booster to the food co-op.

Non-Extractive Loan Funding Case: Cooperative Community Development

Meanwhile, CCD in Baltimore made use of "patient, non-extractive capital" from BRED to purchase a building for use as an incubator hub, including a food co-op (BRED, n.d.-b). BRED, a member of the national network cooperative, SEED Commons, offers technical assistance and "cooperative-tailored non-extractive loans – given with no credit score reviews, no demands on personal assets, and no expected repayments until the cooperative is profitable" (Nwanevu, 2024). Executive Director Christa Daring said in an interview that BRED is focused on supporting primarily worker-owned cooperatives or multi-stakeholder cooperatives in the Baltimore area. In 2024, they loaned twelve worker cooperatives a total of \$15,864,684 (Hunter, 2025). Daring also said that all loans "are based on some sort of trigger for repayment...So we do all of the business planning with the co-ops to make sure that we're actually getting them to a place where they'll be able to afford to repay the loan".

CCD also creates earned revenue through its landscape business, gains contracts from social welfare groups, and holds fundraisers. In his interview, J. Martin, Jr. reported that the building purchased still needs an estimated \$2.3 million in renovations. CCD plans to raise these funds through earned revenue, donations and grants, and membership equity.

Public Funding Case: Oasis Fresh Foods Market

The journey of Oasis Fresh Foods Market in Indian Head, Maryland, while it is not a food co-op, illustrates how several local, regional, state, and federal resources might come together for a common cause. The Indian Head Food Co-op leaders who introduced the idea to residents were not far off when they told attendees at the first meeting that the food co-op might cost \$4 million and take several years to complete. The actual cost was over \$5 million and took five years to open (Economic Development Team, 2024). Funding support of \$5.5 million came from several public sources, including federal, state, and local governments (Wynn, 2024), among them, RMC and the Charles County Economic Development Department (Oasis Fresh Foods Market, n.d). The owners credit the formation of an advisory board with the support that the project gained. In a video by Charles County Economic Development

Department (2025), co-owner Mark Steele said: “The [Oasis Fresh Foods Market] Advisory Board was key into helping us get the funding, the connections, with the county, with our delegates, with our county commissioners”. Kelly Robertson-Slagle, Director of Charles County Economic Development Department, added: “The advisory group started meeting on a regular basis, assisted in providing feedback, brainstorming, resources...I think that has really been part of the secret sauce”. She also noted that there was additional incentive in supporting Oasis Fresh Foods Market because the business also revitalized an area adjacent to the entrance to the Naval Support Facility military base and provides a market to the military families and new associated defense contractors moving into the area.

The fact that Oasis Fresh Foods Market ultimately did not form as a food co-op likely shortened the time needed until opening, as the owners provided significant financial investment and they personally guaranteed the state loans (Economic Development Team, 2024). There are also seven apartments that were built above the store, providing rental income that may support the business (Torres, 2024). Seven months into operation, the market owners are working seven days a week, and say they are concerned that tariffs imposed by the Trump administration will disrupt revenue flows (Torres, 2025).

Resources vs. Resourcefulness: Sean Park’s “Bootstrap” Advice to Food Co-op Startups

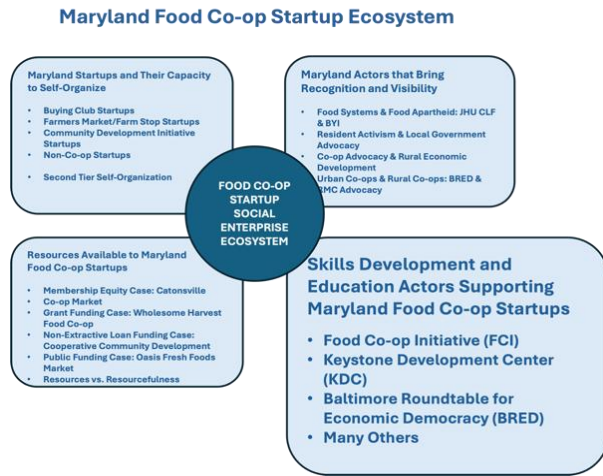
Sean Park, a cooperative developer at Western Illinois University, tries to encourage co-op groups to think more entrepreneurially and to grow “by the bootstraps.” He explained in an interview that his first effort at assisting a community to raise funds for a market in a rural low-access area was able to launch with an investment of only “\$89,000 soup to nuts...and that includes equipment inventory”. He continued: “And it was in business for five years through COVID and only closed when one of the Dollar General markets came in and took about 30% of their fresh food sales”. Working with startup food co-ops in rural and urban areas, he recommends a do-it-yourself approach, avoiding commercial loans and using an existing building to save on construction expense. Park compared this to the aspirations of co-op startup groups:

When I work with co-ops especially, they have this bright shiny idea, we’re going to do this and we’re going to have all those wrap around services. Everything’s going to be brand new, culturally appropriate food. That’s great as a goal, but you’ve got to have steps in between. So if you can go into an existing building and cut your overhead that much? You don’t have that finance cost to pay off. Proof of concept. If you’re open and you can make money and pay rent, then you’re probably going to be easier to get a loan to build them.

So they want to skip all that - that start. And I think that’s why co-ops tend to take a long time. Because we’re just going to start by raising \$4 million. That’s one of the bigger issues I see in the co-op world. They need to be more in tune with small businesses – the bootstrapping that goes on with the guys that stay there – we could pay a contractor to paint the inside of this, or me and my brother could do it this weekend...People look at Harley-Davidson and want to be Harley-Davidson right away. Those guys started in the garage. Microsoft started in the garage. All these places, you don’t jump out and become Kroger.

Skills Development and Education Actors Supporting Maryland Food Co-op Startups

Figure 8: Maryland Food Co-op Startup Ecosystem Featuring Education & Skills Development Actors



It is hard to imagine a food co-op startup group that would not seek out technical assistance in forming their co-op. All the Maryland co-op startup groups interviewed and studied used at least one, usually several, cooperative development organizations to guide them. Cooperative development groups provide a) general cooperative education and guidelines on the path toward opening a food co-op; b) specific technical assistance on incorporation, board governance, business plans and market feasibility, fundraising, grants, and loan planning, community mobilization efforts, etc.; and c) many connect startup groups with each other for peer-to-peer support.

The conceptual framework of the cooperative ecosystem in this area, as shown in Figure 8, includes actors that provide education and skills development to food co-op startups. This project focused on three major organizations providing technical assistance: FCI, KDC and BRED.

Food Co-op Initiative

FCI is a national nonprofit organization that focuses solely on providing support to food co-op startups and those in early stages of operation. It is perhaps the most approachable assistance, offering many free webinars, online resources, and free technical support to anyone curious about embarking on the food co-op journey. Wholesome Harvest, Catonsville Co-op Market, and Indian Head Food Co-op specifically mentioned the webinars, technical assistance, and/or connections facilitated by FCI (Catonsville Cooperative Market, 2017; Davis et al., 2024; Indian Head Food Co-op, 2019).

In 2023, FCI recognized that it had failed to address inequities in access to assistance in the past:

“Our resources, technical assistance, and programming have not historically centered communities that face the greatest systemic barriers to opening a food co-op, or honored the innovative solutions these communities have developed to overcome these barriers. That exclusiveness has meant that our support and resources haven’t always been effective at addressing, and even at times misaligned with, the needs of organizers in marginalized communities.... FCI recognizes the ways in which our approach to supporting startups must change.” (FCI, 2023a, p. 4)

With a new focus centered on equity, FCI pledges further to prioritize groups facing “economic oppression and community disinvestment” (FCI, 2023a, p. 4). JQ Hannah, FCI’s Executive Director, noted in an interview that about half of FCI’s startup groups are now from LILA communities.

Hannah also said that FCI applies a grassroots service approach in which startup groups or individuals contact them for information and guidance. Currently many groups are contacting them from around the country, particularly from the Northeast, California, and Southeast, noting that “everyone is very, very busy”. The US is experiencing a new wave of interest in cooperatives, particularly led by Black communities organizing to combat food apartheid in their communities. FCI offers education and information to those just learning about food co-ops, one-on-one technical assistance, and peer-to-peer networking. FCI Live! is a series of free webinars by experts and co-op board members or managers on a range of topics. In 2025, out of the 20 webinar offerings, financing was a popular theme. Resource speakers explained grants, donations, and tax credits, and how to manage these funds once they are received (Hannah, 2025). FCI also offers an online series of eight lessons called QuickStart, “intended to help newly elected startup board members get up to speed fast on the basics of the responsibilities of a working board of a

startup food co-op and on the startup food co-op development model” (FCI, n.d.-d). The annual Up and Coming Conference is FCI’s in-person three-day event (its only in-person educational programming) that can energize food co-op startups by enabling participants to “reconnect with your ‘why’” by offering “education, inspiration, and connection to fuel your work” (FCI, 2025a).

FCI also holds free peer-to-peer learning groups that group participants by their stage of co-op development to “learn, discuss, and build community with experts and their peers” (FCI, 2023b). Monthly virtual one-hour meetings are held from January to October led by a co-op developer and focused on topics identified by the group and their needs. Since their beginning in 2020, over 60 startups have participated. Of these, nearly all felt the program was important for their startup education (FCI, n.d.-b).

A new element of FCI’s approach is to “co-create strategies for overcoming systemic barriers to community-controlled food access with food co-op organizers experiencing the greatest barriers” (FCI, 2023a, p. 2). In 2023, FCI began a process for developing a new framework of food co-op development that is less prescriptive and more adaptable to meet the goals of the community. “The Framework has been created to capture the universal best practices that speak to the needs of any startup food co-op aiming for success, while explicitly identifying that how those best practices and milestones are met can take multiple ways. There is no one cookie-cutter way to meet them” (Hannah, 2024). Some new features include: a) a greater emphasis and prioritization of vision and whether the business model and resources are serving that vision; b) a clearer articulation and communication of the co-op’s core values that must be upheld in order for members to identify it as their own; c) specifying business development, governance, and co-op organizing as areas of work that are necessary at every stage of the process, and d) the addition of Trust as a resource that must be gained (FCI, 2025b). The Framework pieces and tools are being developed collaboratively throughout 2025, and in 2026, FCI will convene a summit to review and adapt it as part of a three-year evolutionary cycle of developing the food co-op startup concept and process (FCI, n.d.-c).

FCI is based in Minneapolis and has three staff members. When interviewed, Hannah had hopes to add two more staff members by 2026 because “demand is through the roof”. While FCI is excited by the high interest in startups now, it recognizes that enthusiasm for food co-op movements historically fluctuate, and Hannah would like to see more permanent elements of the ecosystem developed: “We have a food co-op wave now but there need to be structures in place when popular support for it dies down”. More advocacy support and funding sources for food co-ops will be needed to sustain and grow the movement. This is especially important as once reliable federal support is in jeopardy under the Trump administration. For the past fifteen years, FCI has received one-third of its funding from USDA grants. The remainder has come from private grants and sponsorships, Hannah said. Fortunately, more foundations are supporting food co-op development since the pandemic. The idea of FCI gaining a base of funding through fees from established food co-ops or through membership in a secondary network is still not applicable, Hannah explained, because co-op funding organizations in the US have limited funds that must support many types of cooperative enterprises.

Keystone Development Center

KDC is a regional cooperative development center assisting agricultural producer, worker, and food co-ops primarily in Pennsylvania, Maryland, New Jersey, and Delaware. Founded in 1999, it is known for its intensive technical assistance services to startups that may last four to five years. Like FCI, Keystone’s approach is to serve those requesting assistance. Unlike FCI, they work on a fee for service basis “to businesses that can pay,” however, they will try to offer discounts to nonprofits and startup groups. They are able to offer free or partial payment of services if the startup meets certain eligibility criteria enabling services to be funded from a grant (KDC, n.d.-a). Startups located in rural Maryland may meet the eligibility criteria, as KDC is USDA’s designated Cooperative Development Center for rural Maryland, as well as Pennsylvania, New Jersey, and Delaware (USDA Rural Development, 2022). Vogel reported in an interview that KDC now has more clients outside of Pennsylvania than ever before, including New York, New Jersey, Maryland (though not food co-ops), West Virginia, and Virginia.

While KDC has significant experience supporting food co-ops in Maryland – KDC prepared Catonsville Co-op Market’s 2014 feasibility study – the type of patient, long-term assistance that Vogel described in her work with Aliquippa Food Co-op in Beaver County, Pennsylvania, shows the breadth and depth of support that KDC can offer.

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Aliquippa is a close-knit, former steel mill town northeast of Pittsburgh. The Aliquippa Food Co-op website features an excellent video that tells a Rust Belt story of how Aliquippa went from a city that was active with plentiful food access to a town in decline with low food access and reluctance among the community to cooperate (Human City Creative, 2025). Former Division 1 College football player, and successful real estate developer, Ty Patillo, wanted to give back to his Aliquippa hometown community and enrolled in KDC's Co-op Academy in 2023 to learn how to organize a food co-op (Blottenberger, 2024).

Keystone's Co-op Academy is a cohort program for 6-7 teams that meets bi-weekly online for four months "and covers everything from Co-op History to Business Planning." KDC, n.d.-b). When interviewed, Vogel indicated that between sessions, those groups that want to proceed with a business plan receive individualized support. Vogel said they work closely with FCI and will refer co-op organizers to the Up and Coming Conference and FCI virtual programming to accompany their own co-op education and training materials. They also encourage networking among co-ops and have asked cooperators to present their experiences at the PASA Sustainable Agriculture Conference.

From the Co-op Academy, Patillo learned how to organize and create a business plan. He formed a steering committee and, as a group, they set about organizing and fundraising with significant support from KDC (Blottenberger, 2024). Autumn Vogel, in an interview, described helping the co-op apply and secure a Healthy Food Financing Initiative grant as well as an NCBA CLUSA grant. This funding allowed Aliquippa to pay for the technical documents needed, such as a feasibility study and a pro forma by National Co-op Grocers, as well as pay for a part-time outreach coordinator. If needed, Vogel indicated, KDC may also serve Aliquippa as a fiscal sponsor that will accept funds on behalf of the co-op. Aliquippa is now in the process of developing a membership campaign and hopes to open in 2026 or 2027 (Blottenberger, 2024). Their experience demonstrates how KDC's one-on-one coaching and consulting services are co-designed with their client and adjusted and adapted as needed. This highly individualized approach may have helped Aliquippa avoid setbacks and time lags in their process.

Like FCI, KDC also relies heavily on USDA funding: "Our [KDC's] history is bound up in USDA funding," Vogel said. "We wouldn't really exist without that partnership. It is the bulk of funding that our center gets, and I know that is true for other centers as well". These grants are now in question under the Trump administration. In addition to USDA support, Vogel indicated KDC is consistently awarded funding from the Pennsylvania Department of Agriculture, which provides for cooperative development in both rural and urban areas. Navigating between supporting co-op startups through grants that are only eligible in rural areas versus those for mostly urban areas can be tricky, Vogel said. To complete the patchwork, KDC regularly applies for grants from private foundations.

Baltimore Roundtable for Economic Democracy

In addition to BRED's advocacy work and its provision of non-extractive financing to startup worker and multistakeholder co-ops, the organization provides education and training to anyone curious to learn about worker co-ops, as well as free business plan and governance worksheets, peer-to-peer workshops, and one-on-one training and mentoring. Providing support mostly in Baltimore allows BRED to work closely with its network of worker co-ops and respond rapidly to retiring owners interested in converting their business to worker ownership: "the ability to pair local relationships and connections with a streamlined process for accessing and deploying capital has made it possible for BRED to move quickly when new opportunities for worker ownership in the sector arise" (Duda, n.d.). Christa Daring noted in an interview that this geographic focus has enabled BRED to have real impact in building Baltimore's cooperative economy, and "it puts pressure on other businesses to treat their workers better".

BRED offers a one-day free in-person workshop called "Worker Cooperative Jumpstart" that is an intensive orientation featuring panels of worker co-op speakers. BRED holds workshop series on special topics and organizes a six-month worker co-op apprenticeship training program that builds skills in a cohort of cooperators (BRED, n.d.-a). For those business owners or worker co-op startups requesting technical assistance or mentoring, they submit a BRED intake form online. BRED's time and advice are not charged to the client.

In an interview, Daring said that BRED, founded in 2015, has eight co-workers that make business decisions through a democratic process. Most of the staff have worked in worker-co-ops prior to working at BRED. As a peer member

of SEED Commons, which now has 38 peers in the US, one in Canada, Argentina, and Nicaragua, Daring explained, “We operate as a cooperative, make decisions together, and everyone has access to the same wealth”. When asked how BRED grows as an organization, Daring said that most of BRED’s operational funding comes from SEED Commons which distributes a shared resource allocation to each member. “But we have sort of reached the ceiling, and it’s a conversation we’re having a lot about if we want to continue to grow our staff, grow our capacity or programming, how are we going to do that? And what is the holistic message that we want to send around about what our priorities are? We were just talking about this this morning that we’ve been head down, doing the co-op work. And now we need to look out a little bit and start telling the story about what we’re doing. Not only so that it can be replicated in other places, but also so that we can diversify our funding”.

Others to Mention

Other sources for technical assistance available to food co-op startups include Columinate, Black Yield Institute, and National Co+op Grocers. Each have played important but different roles in the Maryland food co-op ecosystem. Columinate is a national consulting firm for co-op startups with a large resource section on its website. It tends to be more closely affiliated with technical assistance related to the retail grocery industry and can provide feasibility studies and assistance with pro forma budgets, among many other services. For example, Poolesville residents suggested and the local government hired Columinate consultants to write their grocery feasibility study (Town of Poolesville, 2024). Black Yield Institute is a Baltimore-based nonprofit that excels in community organizing and participatory processes and facilitated the organizing behind Cherry Hill Co-op. As a Baltimore nonprofit, it can do what Columinate cannot by going directly to potential members in the community and assisting them in organizing and considering various options. National Co+op Grocers provides guidance to food co-ops as part of membership in its wholesale purchasing, but startups must already be in operation. All cooperative development organizations’ websites provide helpful resources.

Analysis: Emerging Tensions, Synergies, and Gaps in the Ecosystem

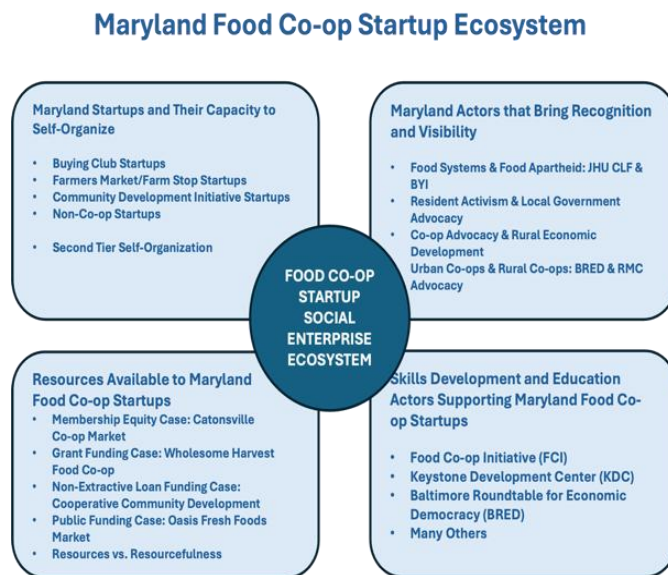
This review of Maryland’s food co-op ecosystem was written to give food co-op organizers a guided description of the elements and actors they may encounter or seek out while forming their community-owned enterprise. Through a conceptual framework that characterizes food co-op startup groups as a type of social enterprise, self-organization and peer-to-peer networking are emphasized over external elements of support (Figure 9). The following synthesis of the findings raises tensions and synergies for food co-op startups to consider.

Emerging Tensions

The Scale of Community Organizing is One of Food Co-op Startups’ Biggest Challenges: The nature of a food co-op startup is more like a social enterprise in that the level of community organization through civic volunteerism required for launch is significant - usually greater than other types of co-op startups. As confirmed in interviews, this means it may take many years for food co-ops to begin operations.

Experienced co-op developers note that the connection between community and the co-op must be strong, and the co-op must be responsive to the needs and values of the community it seeks to serve. In Maryland, what this has shown is that organizing that may have begun as interest in forming food co-ops, may end with other forms of enterprises. Or that the problems of low food access that might typically be addressed by a food co-op are solved in

Figure 9: Food Co-op Startup Ecosystem Conceptual Framework Reviewed



other ways. Much depends on the organization's ability to organize and mobilize those in their community, as well as their skills to create a business model that aligns with the community's needs and capacities.

Food Markets Emerge from a Variety of Models: Organizing a market has taken various forms in various places in Maryland. Some begin as buying clubs, others as farmers markets, others from community development initiatives, and others as nonprofits or LLCs. Whether this is because the grocery business model requires so much capitalization that community members have been hesitant to take on that level of investment, or because workers or producers, rather than consumers, initiated the enterprise, a retail grocery food co-op is one among many ways that food markets can form. There may be something to learn from alternative types of enterprises, such as farmers market or farm stops, nonprofit ownership, LLC-to-ESOP (Employee Stock Ownership Plan) approaches. However, Maryland experience has shown that no matter the business structure, succeeding as a stable grocery business in this competitive "age of grocery giants" is an unpredictable feat (Steinman, 2019).

Financing is a Multi-Source Tension Requiring Specific Skills and Knowledge: Irrespective of the type of enterprise, the level of capitalization to launch a grocery market is high and usually comes from multiple types of sources, requiring either experienced and connected organizers, or technical assistance from experienced cooperative development organizations or consultants. Resourceful enterprises have also found ways to save money, cut costs, or create additional sources of revenue, but few of the recently opened operating retail markets or startup groups have yet gained the revenue momentum to consider themselves on firm financial ground.

Technical Assistance is Available but Startups Must Reach Out: In most cases, the food co-op startup must take the first step in reaching out to secure education, skills, and a process to navigate the complicated steps of launching a food co-op. Co-op development specialists, like FCI or KDC, are operating at a national or regional level, serving startups from many states. While the availability of free online resources helps to educate and orient food co-op organizers to the process, startups need to have the capacity to connect and maintain relationships with co-op developers to gain individualized support. Alternatively, BRED's approach of localized support allows it to be more pro-active in reaching out to potential startup groups and encouraging them to organize themselves. BRED can also connect startups with the many successful worker co-ops existing in the area, showing them proof of concept and giving them an immediate local network of resource people who startup organizers may access.

Technical Assistance Organizations Need to Diversify Funding Resources to Build a Resilient Co-op Ecosystem: The Trump administration and Congress's efforts to reduce federal funding calls into jeopardy co-op developers' reliance on USDA support. BRED's growth is also currently limited by the resource allocation provided by SEED Commons, but this is a resource that is dedicated to serving its members. The current political climate as well as the wave of national interest in building cooperative movements may provide an opportunity to develop more resilient independent funding strategies for co-op development.

Emerging Synergies

Peer-to-Peer Networks Create Powerful Synergies: MAFCA has acted as a lifeline to startup organizers who may feel isolated and needing direction. The members participating from well-established food co-ops go out of their way to encourage and support inexperienced volunteers on startup boards or committees. Unfortunately, MAFCA's geographic range from New York to Virginia for their bi-annual meetings limits the accessibility of the network to food co-op groups. FCI, KDC and BRED also have peer-to-peer networking programs that create community among cooperators and increase skills and resource knowledge within the groups.

Citizens and Local Public Leadership Can Be Aligned: Independent voices that speak to local governments can have an impact on government policy and increase recognition and visibility of food co-ops in Maryland. Individuals, researchers, community organizers, civil servants, and co-op developers have changed the course of town, city, and state policy toward investing political and financial capital in the cooperative movement. Maryland public leaders have been receptive to this cause.

Urban and Rural Collaboration Can Develop a Statewide Policy: Representatives from BRED and RMC worked together to get the Maryland Limited Worker Cooperative Association Act passed as law in 2025. This was a powerful example of advocating for cooperativism's ability to adapt to diverse environments and economies, allowing both urban and rural, Democrat and Republican representatives to get behind the new legislation.

Gaps in the Ecosystem

A review of the food co-op startup context and ecosystem reveal gaps or areas that would benefit from building stronger bridges among cooperative organizations and support networks. Key gaps include:

- The need for startups to consider themselves as social enterprises and to be recognized as such by those in policy and funding spheres.
- The need to strengthen self-organization of Maryland startups and established food co-ops through partnerships and local networks.
- The need for alternatives to the retail grocery business model that startups can readily achieve or that more specifically address other community healthy food access problems.
- The opportunity for food co-ops to activate their members and communities as “citizen consumers” and engage in cultivating a questioning, responsive, and knowledgeable source of referral and guidance about the food supply chain.
- The development of advocacy strategies to capitalize on co-ops’ emerging visibility and recognition in Maryland that include voices from consumer and multistakeholder cooperatives as well as worker cooperatives.

The gaps listed are ones that food co-op startups could address themselves if they had the capacity and organization to do so. A large gap not covered by this project is the need to develop stronger connections to research institutions to build greater knowledge of Maryland food co-op startup needs and their support for local and regional food systems. Another is the general lack of knowledge about the history of cooperativism in Maryland by Marylanders that might change attitudes, misconceptions, and biases about cooperative enterprises.

Conclusion

The exercise of describing and synthesizing Maryland’s food co-op startup experience in the context of a social enterprise conceptual framework has brought greater clarity to seemingly disparate co-op startup stories throughout the state. As they have in the past, communities seek ways to gain the food autonomy and food benefits that they feel they rightfully deserve. Maryland food co-op startups have faced tremendous hurdles, doubts, and resistance because the entrenched forces of capitalism have erased the confidence of communities’ ability to control their own enterprises. In order for communities to create and develop their own co-ops, there must be an investment in their ability to collectively organize, lead, and make decisions. Communities must acknowledge that they are the ones that will bring about change and outside agencies must support them in ways that incentivize and encourage their autonomy and democratic self-governance.

Self-Identification of Food Co-op Startups as Social Enterprises

Identifying food co-op startups as social enterprises may more appropriately orient their functions as community organizing entities dependent on civic volunteerism, because the level of community mobilization, the reliance on volunteers to guide them, and the purpose of meeting community needs, are better aligned with this conceptual framework. Since it often takes years to establish a food co-op, food co-op startup groups should recognize themselves and be recognized by others as social enterprise entities *in themselves*, not just ad-hoc formations on the way to different organizational structures or management. More research could be done to connect the literature on social enterprise development in Europe and Canada to food co-op startups in the US. This might assist startups in receiving the recognition they need to fulfill their mission.

Creating “Complex Cooperative Networks of Experimentation and Innovation”

Of all the actions that might be indicated by this research project, there are two that may be most immediate to fellow Maryland food co-op startup organizers, experts, and advocates: 1) We need to get together, and 2) We need

to find new alternatives that serve our communities better than the fiercely competitive retail grocery business model.

This project found more food co-op businesses and initiatives in Maryland than anticipated, in varied circumstances and stages. However, very few co-op startups know each other or their experiences. It is encouraging that successful Maryland food co-op managers and board members wish to offer assistance to Maryland food co-op startups. Co-op developers at the local, regional, and national levels are also encouraging and interested in learning more about these startups. It seems evident, then, that a Maryland food co-op network would benefit those working to start food co-ops in their communities. It could also facilitate more structured interaction with other cooperative enterprises in Maryland, which would strengthen alliances and bring greater visibility to the variety of cooperatives existing in the State.

This research also uncovered Maryland startup stories ending in failure or stalled, or communities that had abandoned the cooperative model because it took too long or required too much financing. There is quiet recognition on the part of some of the expert co-op developers and food co-op people interviewed that operating as a grocery is a business model with many problems. Hannah of FCI, with their work on a Food Co-op Development Framework, emphasized the shift from “model” to “framework” to show there “is no one cookie-cutter way,” while FCI is exploring development of alternatives to the grocery business model. Maryland experiences could contribute to the conversation about how alternative business models that promote cooperative identity might effectively serve the vision and values of the community. Baltimore’s wealth of resources on worker co-ops as well as Bethesda’s and rural Maryland’s traditions of producer co-ops could expand food co-op startups’ understanding of multi-stakeholder models. Maryland has much to offer if Maryland co-ops can come together to “create their own system in complex networks of mutual support and solidarity representing spaces of experimentation, innovation, resistance to challenges, or offering an alternative to the dominant practices and norms” (Rodrigues et al., 2024, p. 1).

Maryland’s food co-op ecosystem is not yet developed but it has the legacy, the needs, and the civic interest necessary to build a better system. With a clearer vision of statewide ecosystem development, communities can feel more confident in embracing their own local social enterprise—a food co-op startup that aims to lead them on a journey to greater community, leadership, and resource autonomy and invests in the well-being of Maryland’s citizens.

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Adaptation Over Replication: Mondragon and the U.S. Cooperative Ecosystem

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Abstract: This paper examines whether the Mondragon Corporation's cooperative model, widely regarded as one of the most successful in the world, can be effectively replicated or adapted within the United States. The objective of the research is to assess the structural, financial, educational, and cultural components of Mondragon's cooperative ecosystem and determine their applicability to U.S. contexts. Through a comparative case study approach, the paper evaluates four cooperative initiatives in the U.S.: Co-op Cincy (Ohio), Manufacturing Renaissance (Chicago), Coalition of Worker Ownership and Power (Massachusetts), and New York City Network of Worker Cooperatives. These cases are analyzed across five dimensions drawn from Mondragon's internal ecosystem: finance, education, solidarity, governance, and policy support. The research finds that direct replication of Mondragon's model is unfeasible due to systemic differences, but selective adaptation is both possible and already underway in several ecosystems. The paper ends with practical suggestions for creating better cooperative systems in the U.S., highlighting the importance of non-extractive capital, education programs for cooperatives, support between cooperatives, and helpful government policies. Ultimately, the study suggests that a U.S. cooperative ecosystem inspired by Mondragon's values (but rooted in local realities) offers a promising path forward.

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Keywords: cooperative ecosystem, Mondragon, U.S. cooperative ecosystems

Introduction

The Mondragon Corporation, located in the Basque region of Spain, is widely considered one of the most successful cooperative ecosystems in the world. Its origins trace back to 1941, when a young Catholic priest, José María Arizmendiarieta, arrived in the industrial town of Mondragón (Arrasate in Basque), which was still reeling from the Spanish Civil War and suffering from widespread poverty, unemployment, and repression under Francisco Franco's dictatorship (Whyte & Whyte, 1991). Believing in the transformative power of education and solidarity, Arizmendiarieta established a technical school in 1943 to prepare youth not only with technical skills but also with a deep sense of social responsibility and cooperative values (MacLeod, 1997). His educational philosophy was rooted in Catholic social teaching, but it evolved into a pragmatic framework for economic democracy and worker participation.

This school eventually produced the founding members of Ulgor (later renamed Fagor), the first industrial cooperative, which opened in 1956 with just five workers (Whyte & Whyte, 1991). Arizmendiarieta did not hold a formal leadership position in the cooperative but served as the intellectual and moral architect behind its development, encouraging democratic governance, profit-sharing, and reinvestment into the community (Kasimir, 1996). Over the following decades, this single cooperative expanded into a network of interconnected enterprises spanning manufacturing, finance, retail, and education.

The ecosystem grew not through state support or philanthropic capital but rather through internally generated financing mechanisms and mutual aid among cooperatives, most notably through the creation of Caja Laboral in 1959, a cooperative bank that provided funding, technical support, and business advice for emerging cooperatives (Errasti et al., 2017). The organization's unique governance model, collective financial system, emphasis on education, and formal solidarity mechanisms offer an alternative to conventional capitalist business structures. Established during a context of extreme political and economic adversity, Mondragon's emergence and endurance are widely seen as a testament to the resilience of cooperative enterprise.

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Further, unlike many cooperative movements that relied on state sponsorship, Mondragon developed without political backing during its early decades, navigating a hostile environment with limited legal or institutional protections (Kasmir, 1996). Its emphasis on community-rooted development and local control mirrors other grassroots cooperative ecosystems, such as the Antigonish and Cape Breton movements in Nova Scotia, which also formed under conditions of economic marginalization and leveraged education, mutual aid, and social capital to build sustainable alternatives (Dubb, 2023).

To really understand what makes Mondragon's model distinctive, however, it is useful to define the concept of a "cooperative ecosystem." A cooperative ecosystem refers to an interconnected network of institutions that support a community of cooperatives through finance, education, governance, and mutual support. Specifically, Mondragon defines its ecosystem through several key pillars (Figure 1):

- **History & Culture:** Deep community identity, shared values, and worker solidarity have fostered Mondragon's growth. The Basque cultural tradition of mutual aid and social cohesion provided fertile ground for cooperation (Azkarraga, 2018).
- **Finance:** Cooperative banking and internal capital reinvestment are central. Mondragon's bank, Caja Laboral (now Laboral Kutxa), historically provided capital and technical assistance to new co-ops, ensuring financial stability within the network.
- **Education:** Mondragon established its own educational system, culminating in Mondragon University, to train workers and managers in cooperative principles and technical skills. This has created a pipeline of cooperative-savvy talent (MacLeod, 1997).
- **Innovation & Entrepreneurship:** Mondragon's R&D centers and incubation of new co-ops demonstrate an emphasis on continuous innovation and adaptation to economic change.
- **Inter-Cooperative Solidarity:** A formal solidarity mechanism redistributes resources among co-ops (e.g., a collective capital fund and employment transfers) to weather downturns, reflecting the motto "we all rise or fall together."
- **Governance:** Each cooperative and the federation's second-tier bodies practice democratic decision-making. Worker-members participate in governing councils, and the General Congress coordinates strategy across the network.

Figure 1: Key Components of Mondragon's Cooperative Ecosystem



By contrast, U.S. cooperative networks operate in a far more fragmented system. Financial support, education, and governance structures for co-ops in the U.S. are not deeply integrated. For example, while the U.S. has Community Development Financial Institutions (CDFIs) and credit unions that serve cooperatives, these organizations are spread across a vast geography and lack a centralized cooperative banking system akin to Caja Laboral. Similarly, U.S. co-ops, such as in Cincinnati and New York, which will be discussed in this paper, have developed local education programs and municipal support, but they do not yet have the inter-cooperative solidarity mechanisms that sustain Mondragon's federation over time.

Nevertheless, several scholars have cautioned that direct replication of Mondragon in different contexts is not feasible due to fundamental differences in economic structures, policy environments, and historical context (Bretos & Errasti, 2017; Dow & Putterman, 2000). Ewest and Cafferky (2019) observe that "the cooperative experiment is always a product of its local historical, economic, and social context," meaning models must be tailored. Mondragon succeeded in a manufacturing-based regional economy with strong community ties. Comparatively, many U.S. worker cooperatives operate in dispersed, low-margin service industries and face intense market competition (Clamp, 1986; Kasmir, p. 5, 1996). Moreover, scholars such as Kasmir (1996), MacLeod (1997), and Cheney (2002) have further analyzed how local contexts, labor cultures, and governance models shape the transferability of Mondragon's experience beyond the Basque region.

Rather than attempting a wholesale imitation of Mondragon, a more pertinent question is, what elements of Mondragon's ecosystem can be adapted to strengthen cooperative development in the U.S., specifically within worker cooperatives? This study addresses that question by comparing Mondragon's cooperative ecosystem with four contemporary U.S. cases in Chicago, Cincinnati, Massachusetts, and New York: Manufacturing Renaissance in Chicago integrates industrial workforce development with cooperative business succession; Co-op Cincy in Ohio builds unionized co-ops with educational and financial support; in Massachusetts, the Coalition of Worker Ownership and Power (COWOP) network unites CDFIs and incubators under a shared ecosystem; and in New York City, the New York City Network of Worker Cooperatives (NYC NOWC) leads the nation's largest urban co-op support network. These cases vary in structure, but all reflect deliberate efforts to build cooperative ecosystems.

By evaluating these cases, we can discern which aspects of Mondragon's success are present or lacking in U.S. cooperative efforts while identifying practical strategies to bolster U.S. cooperative networks. The research will provide an overview of each case study, setting the stage for a comparative analysis of their structures, achievements, and limitations relative to Mondragon.

Methodology

This research adopts a qualitative, comparative case study methodology to explore the adaptability of the Mondragon Corporation's cooperative ecosystem in the United States. Given the complexity and unique embeddedness of Mondragon's model within the Basque region's historical, economic, and cultural context, this study does not assume that replication is possible or desirable. Instead, it seeks to identify which structural features of Mondragon's cooperative ecosystem can inform ecosystem-building efforts in the U.S., where cooperative development tends to be fragmented and under-resourced. The research process was carried out in four phases: a literature review; four U.S. case studies; a comparative analysis of U.S. ecosystems with the Mondragon model; and the identification of strategies for strengthening the U.S. cooperative ecosystem.

An extensive review of scholarly literature and practitioner-oriented publications was conducted to understand Mondragon's foundational principles, structural components, historical development, and operational logic. This review emphasized themes such as federated governance, cooperative education, and financial interdependence, which are often cited as key to Mondragon's longevity. In parallel, literature on U.S.-based cooperative development was reviewed, including ecosystem-focused analyses by Cheney, Vieta, and Camp (2024). These texts provided a lens for examining the opportunities and constraints within American cooperative movements and highlighted the structural fragmentation, lack of shared financing, and policy gaps often cited as barriers.

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To ground the comparative analysis, four U.S. cooperative development ecosystems were selected as case studies:

- **Co-op Cincy** (Cincinnati, OH): A union-cooperative incubator inspired by Mondragon's U.S. collaborations, with a strong focus on worker education and democratic governance.
- **Manufacturing Renaissance** (Chicago, IL): A workforce development and industrial retention program focused on converting legacy manufacturing firms to worker ownership.
- **COWOP Ecosystem** (Massachusetts): A state-level network anchored by the Local Enterprise Assistance Fund (LEAF) and other CDFIs like Ujima, Wellspring, and the ICA Group, offering technical assistance and non-extractive capital.
- **NYC NOWC** (New York City): The nation's largest municipal-level co-op support network, working closely with immigrant and low-income communities through education and microfinance.

These cases were chosen for their geographic diversity, institutional variation, and differing relationships with labor, finance, and state policy. All four reflect active, ongoing efforts to build cooperative ecosystems, though each has emerged from unique local circumstances.

This study relies on publicly available data from academic publications, policy briefs, organizational reports, websites, and public financial documents. Where possible, source triangulation was used to confirm claims and contextualize findings. A key strength of this approach is the inclusion of real-world cooperative development efforts, moving beyond theoretical replication.

However, there are several limitations. First, the research did not include primary interviews, which may further enrich understanding of informal governance dynamics, power-sharing arrangements, or behind-the-scenes financial strategies. Second, the selected U.S. ecosystems are relatively young compared to Mondragon's six-decade history, limiting the ability to evaluate long-term institutional resilience. Finally, the diversity of cooperative models in the U.S. makes generalization difficult, as each case reflects distinct local histories, partner networks, and funding mechanisms.

Comparative Analytical Framework

This paper employs a five-pillar framework: finance, education, inter-cooperative solidarity, governance, and policy, drawn from Mondragon's ecosystem design. While these pillars are useful for cross-context analysis, they originate from a specific historical and cultural context rooted in the Basque region's postwar reconstruction, Catholic social teachings, and traditions of mutual aid. This framework is adapted here with those origins in mind, allowing for comparative analysis while acknowledging the contextual differences shaping cooperative development in the U.S. The dimensions are:

1. **Finance and Capital Access**—including cooperative banks, loan funds, and non-extractive lending infrastructure.
2. **Education and Training**—with an emphasis on cooperative-specific programs, leadership pipelines, and technical assistance.
3. **Inter-Cooperative Solidarity and Federation**—such as revenue pooling, shared services, and mutual support mechanisms.
4. **Governance and Democratic Participation**—internal co-op governance, federated representation, and member engagement structures.
5. **Policy and Legal Environment**—including enabling legislation, public investment, and municipal or state-level cooperative support.

Figure 2 highlights these five core components of cooperative ecosystems, each essential for cooperative growth and resilience (Restakis, 2010; Bretos & Errasti, 2017).

Figure 2: Cooperative Ecosystem Core Components



While the five pillars are presented here as distinct categories, in practice they are deeply interrelated. For example, Mondragon's financial system enables cooperative education and solidarity mechanisms, while strong governance ensures alignment across firms. These relationships are mutually reinforcing, not isolated. In comparing to U.S. contexts, the presence or absence of these overlaps, and the strength of coordination among them, serves as a key indicator of ecosystem coherence and potential for cooperative resilience. Each U.S. case study was evaluated across these pillars to assess ecosystem depth and identify areas where adaptations of the Mondragon model are already underway, missing, or underdeveloped.

Case Studies of U.S. Cooperative Ecosystems

A. Manufacturing Renaissance (Chicago)

Manufacturing Renaissance (MR) is a nonprofit initiative in Chicago dedicated to rebuilding the city's industrial base through worker ownership, advanced manufacturing training, and advocacy. Founded in the early 2000s in response to deindustrialization and the loss of union manufacturing jobs, MR works to demonstrate how industrial firms can be revitalized via employee ownership and community-driven investment (Manufacturing Renaissance, n.d.). Its programs include the Young Manufacturers Association (a youth training and mentorship program), policy research and advocacy for manufacturing, and technical assistance for business succession planning toward worker ownership. Although MR is not itself a worker cooperative, it champions cooperative and employee-ownership models as tools for inclusive economic development (Dubb, 2023).

Strengths

A key strength of MR is its strong connection to organized labor. The organization has actively collaborated with the Chicago Federation of Labor and other unions to advance policies supportive of industrial worker ownership. Notably, MR helped negotiate the creation of the Chicagoland Manufacturing Renaissance Council (CMRC) in 2005, a coalition uniting the Chicago Federation of Labor and the Illinois Manufacturers' Association to promote manufacturing as a tool for community wealth building. This labor-business partnership has given MR a robust network of allies and helped legitimize cooperative models within traditional industry circles. MR has also succeeded in securing modest municipal support; for instance, it influenced the City of Chicago's 2022 Community Wealth Building Initiative, which earmarked \$15 million for shared ownership projects (City of Chicago, 2022). The Kauffman

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report (2022, as cited in Clamp, 2024) affirms MR's strategic focus on asset-based development and the potential of inclusive ownership models to generate community wealth without displacement. These engagements with unions and city agencies enhance MR's credibility and resources for scaling its vision.

Challenges

Despite its promise, MR faces major barriers to translating its vision into a self-sustaining cooperative ecosystem. Foremost is the absence of a dedicated cooperative financial institution akin to Mondragon's Caja Laboral. Without access to substantial mission-aligned capital, worker buyouts of manufacturing firms or cooperative start-ups remain difficult to finance. MR's efforts thus far have relied on ad hoc grants and external funding rather than an internal cooperative bank or fund, which limits the scale of conversions (Whyte & Whyte, 1991). Systemic barriers, such as disjointed financing ecosystems and risk-averse local policies, hinder replication of scaled cooperative networks in cities like Chicago (Clamp, 2024). Additionally, MR lacks the inter-cooperative infrastructure to ensure long-term solidarity among any new worker-owned firms that emerge. Its model functions more as a policy and advocacy catalyst than as a federated network of linked enterprises. Without a formal federation or solidarity fund, any worker co-ops incubated through MR may risk operating in isolation (2024).

Comparison to Mondragon

Compared to Mondragon, MR occupies only a portion of what constitutes a fully cooperative ecosystem, with its core contributions concentrated in workforce development, youth education, and public policy advocacy. While these areas are critical, they fall short of the vertically integrated infrastructure that defines Mondragon's success. Mondragon's ecosystem includes its own cooperative bank, university, technical training institutions, and an overarching inter-cooperative governance system that links individual enterprises through a solidarity fund, coordinated R&D, and profit-sharing agreements (Whyte & Whyte, 1991; Bretos & Errasti, 2017).

MR also lacks dedicated cooperative finance mechanisms, such as an internal capital pool or development bank, which makes it dependent on grant funding and municipal partnerships to catalyze new projects. Additionally, it has no formal educational pipeline akin to Mondragon University that embeds cooperative principles into business and technical training at scale. Its absence of a federation or formal inter-cooperative governance also means that any worker co-ops emerging from its support tend to operate independently, without mechanisms for shared risk, mutual support, or strategic alignment (Clamp, 2024).

Philosophically, MR's focus on industrial worker ownership and its vision of community wealth-building aligns with Mondragon's cooperative ethos. However, without integrated support structures across finance, education, and governance, these efforts remain siloed. Mondragon's model demonstrates that cooperatives thrive not just through grassroots energy or isolated conversions, but through coordinated ecosystem infrastructure that enables them to compete and collaborate in complex markets (Bretos et al., 2020). The Kauffman Research Report (2022, as cited in Clamp, 2024) additionally emphasizes that cooperative ecosystems must be holistic—bridging workforce development, capital access, shared governance, and public policy—to be sustainable and scalable. MR's experience, while promising, ultimately highlights the need for complementary ecosystem-wide institutions to support and stabilize cooperative enterprises in the U.S. context.

B. Co-op Cincy (Cincinnati)

Co-op Cincy (formally the Cincinnati Union Cooperative Initiative) was founded in 2011 and operates under the union-cooperative model developed by the Democracy Collaborative and informed by Mondragon's partnerships in the U.S. (Hilton, 2022). It serves as a cooperative business incubator, launching new worker cooperatives, converting existing businesses to worker ownership, and providing extensive education through its "Co-op U" training program (2022).

Over the past decade, Co-op Cincy has helped establish more than a dozen cooperatives in industries such as energy efficiency (e.g., Sustainergy Cooperative) and food distribution (Our Harvest Cooperative) (2022). Uniquely, these businesses are structured as union co-ops, blending collective bargaining with worker ownership. Co-op Cincy's close relationship with the United Steelworkers and other labor unions reflects its belief that unions can play a key role in scaling worker ownership (Schildt, 2022).

Strengths

Co-op Cincy's greatest strength is its commitment to education and leadership development (Hilton, 2022). Its Co-op U program provides intensive training in cooperative governance, finance, and democratic decision-making for new cooperative members and managers. This focus on "cooperative literacy" mirrors Mondragon's emphasis on education as the foundation of a successful co-op ecosystem (Co-op Cincy, n.d.). Another strength is Co-op Cincy's strong community and institutional partnerships. The organization has leveraged relationships with local anchor institutions, foundations, and union locals to support cooperative development. Notably, the involvement of labor unions (including United Steelworkers collaborations) lends credibility and organizing capacity, helping the network scale beyond what a standalone co-op developer might achieve (Schildt, 2022). Co-op Cincy has also taken steps to formalize inter-cooperative solidarity. In 2022 it implemented a *Network Agreement* among its member co-ops, codifying principles of mutual support and shared services (Co-op Cincy, 2022). This internal agreement—essentially a pact that each cooperative will participate in collective initiatives and uphold certain standards—begins to emulate Mondragon's federation agreements on a small scale.

Additionally, to tackle financing needs, Co-op Cincy established a revolving loan fund in partnership with the Seed Commons national cooperative lending network (Co-op Cincy, n.d.). The fund provides member co-ops with access to non-extractive loans administered by Seed Commons and notably does not require personal guarantees from worker-owners. Such financing support, coupled with fiscal sponsorship for co-ops seeking grants, has been crucial in launching co-ops that lack collateral or conventional credit (n.d.). These innovative arrangements demonstrate Co-op Cincy's integrated approach to education, finance, and solidarity.

Challenges

Despite its successes, Co-op Cincy faces notable challenges, primarily related to scale and capital. The network still lacks a robust cooperative financial institution of its own. Its loan fund through Seed Commons is valuable but relatively small; most co-op start-ups under Co-op Cincy have had to rely on philanthropy, one-time grants, or partner CDFIs for major capital needs (Co-op Cincy, 2022). Again, the absence of a cooperative bank or substantial community investment fund limits co-ops' ability to expand and weather setbacks (much as Mondragon's early co-ops might have struggled more without Caja Laboral). This makes long-term financial sustainability an ongoing concern. Another challenge is the sectoral limitation of its co-op network. Most of Co-op Cincy's cooperatives are in small-scale or service industries (food, cleaning, energy services), which, while important, do not yet include large industrial or high-growth enterprises. There is not yet a clear pipeline for expanding into capital-intensive sectors like manufacturing, where Mondragon excelled (Co-op Cincy, n.d.). This raises questions about how much impact the model can have on the broader regional economy if it remains concentrated in relatively niche industries.

Finally, while union involvement has been a boon, it may also introduce complexity in governance and decision-making, requiring careful navigation to ensure both cooperative members and union partners are aligned.

Comparison to Mondragon

Co-op Cincy closely embodies Mondragon's values of worker education, community solidarity, and labor empowerment. In fact, its union-cooperative hybrid model was directly inspired by Mondragon's partnership with the United Steelworkers a decade ago (Barker & Vera, 2023). In practice, however, Co-op Cincy falls short of Mondragon in *institutional integration*. To review, it does not have a central cooperative bank or a federated governance structure connecting all its co-ops beyond the new network agreement. Financial ties between the co-ops are limited; there is no equivalent to Mondragon's internal capital transfer or insurance system. As such, each co-op must largely stand on its own financially, which hinders the kind of mutual reinforcement seen in Mondragon. Moreover, Mondragon's ecosystem achieved diversification into large manufacturing firms and technology companies, generating substantial surpluses that fuel the whole system. Conversely, Co-op Cincy's focus has so far been on smaller enterprises, which, while providing community benefits and good jobs, have yet to demonstrate an engine for expansive growth or reinvestment.

In summary, Co-op Cincy highlights the importance of education and coalition-building (very much in line with Mondragon's example) but also illustrates the critical gap that exists in cooperative-specific finance and scale in the

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U.S. context. Developing stronger financial instruments and larger-scale cooperative ventures will be key to moving closer to Mondragon's level of integration.

C. COWOP (Massachusetts)

The Coalition for Worker Ownership and Power (COWOP) is a Massachusetts-based alliance of co-op developers, advocates, and worker-owners formed in 2021 (COWOP, n.d.). Unlike the previous two cases, COWOP is not a single organization, but a statewide coalition aimed at coordinating cooperative growth efforts and policy advocacy across Massachusetts. Members of COWOP include nonprofit developers, cooperative businesses, community organizations, and policy groups.

Rather than directly incubating businesses, COWOP operates as an organizing and advocacy network to build a more supportive ecosystem for cooperatives at the state level. Its formation was driven by the recognition that Massachusetts had many disparate co-op initiatives and lenders that could achieve more through collaboration (n.d.). COWOP's activities focus on policy advocacy, education, and linking co-ops to resources, under the principle that a stronger statewide platform can advance employee ownership more effectively than isolated local efforts.

Strengths

COWOP's primary strength lies in policy advocacy and coalition-building (n.d.). The coalition played a critical role in the passage of a 2022 state law establishing the Massachusetts Center for Employee Ownership within the state's economic development office (n.d.). This legislation (enacted as part of an economic development bill) provides for a dedicated state office to support education, technical assistance, and financing for employee ownership and cooperatives (Commonwealth of Massachusetts, 2022). Securing government recognition and funding is a significant win, creating an institutional foothold for co-ops in the public sector that few other states have. Additionally, COWOP successfully advocated for direct state funding, including a FY2025 budget allocation of \$500,000 to staff the employee ownership office and inclusion of worker co-ops in a \$7.65 million small business technical assistance fund (COWOP, n.d.). These policy victories demonstrate COWOP's effectiveness in bringing diverse stakeholders (co-op businesses, CDFIs, labor, and community groups) together to speak with a unified voice.

Also, the coalition's broad membership is itself a strength: its steering committee includes representatives from a worker cooperative, the U.S. Federation of Worker Cooperatives, a cooperative loan fund (the Cooperative Fund of the Northeast), a cooperative development center, organized labor, and other community groups (COWOP, n.d.). This diversity allows COWOP to align strategies and share resources statewide in a way that no single organization could. In essence, COWOP has begun to approximate Mondragon's engagement with policy and multi-stakeholder governance, but at a state policy level rather than within a federation of businesses.

Challenges

Despite its progress, COWOP faces challenges in building the kind of integrated support system that Mondragon has. There is a pattern forming here within these cases studies, in that a major gap is the lack of a centralized cooperative finance mechanism, in this case, specifically in Massachusetts. There is no state-level cooperative bank or mutual guarantee fund to sustain co-op growth (indeed, such institutions rarely exist anywhere in the U.S.) (Clamp, 2024). Massachusetts co-ops rely on a patchwork of financing from sources like LEAF and the Cooperative Fund of the Northeast, two mission-driven lenders based in the region (2024). These lenders provide valuable capital. LEAF, for example, has financed numerous co-ops in Massachusetts but they operate independently of COWOP's coalition and have limited resources compared to a bank like Caja Laboral (2024). Without the direct integration of finance into the co-op development system, scaling up worker ownership will remain difficult.

Another challenge is sustaining momentum and coordination among COWOP's many members. As a volunteer coalition, COWOP must continuously organize disparate groups, each with their own priorities, despite only recently receiving modest funding for a coordinator (COWOP, n.d.). Keeping dozens of organizations aligned on long-term initiatives can be labor-intensive. What's more, like other U.S. co-op ecosystems, most existing Massachusetts worker co-ops are small and in service or light manufacturing sectors (Democracy at Work Institute & U.S. Federation of Worker Cooperatives, 2023). As such, the coalition's work has yet to crack the challenge of expanding into larger industrial enterprises. Mondragon's experience suggests that achieving significant economic impact will require

growth in scale and perhaps the conversion of mid-sized companies to worker ownership; goals that are still on the horizon for COWOP.

Comparison to Mondragon

COWOP illustrates an approach to ecosystem-building that differs from Mondragon's internal federation: instead of a single federation of co-ops, it is a network of support organizations and advocates aiming to create a favorable external environment for co-ops. In many ways, COWOP has made strides analogous to Mondragon's policy relationships. Just as Mondragon eventually benefited from Basque government support and an enabling legal framework, COWOP has successfully engaged state government to support cooperative development (e.g., the establishment of the state Center for Employee Ownership) (COWOP, n.d.). However, COWOP lacks Mondragon's institutional depth.

Mondragon didn't merely have supportive policies. Its internal institutions allowed Mondragon to be self-sufficient and cohesive. COWOP, by contrast, must rely on external institutions (state agencies, independent lenders, educational nonprofits) to fulfill those roles. Like the case studies conducted earlier, the absence of a unified financial institution or educational arm under COWOP's control means the Massachusetts cooperative ecosystem remains loosely connected.

In short, COWOP approximates Mondragon in the realm of policy engagement and multi-stakeholder collaboration, but it falls short in creating the kind of centralized financial and educational institutions that underpin Mondragon's integrated ecosystem. The Massachusetts experience suggests that policy support, while vital, is only one piece of the puzzle; building cooperative-owned institutions for finance and training is again, another key lesson from Mondragon that has yet to be fully realized in the U.S.

D. NYC NOWC (New York City)

NYC NOWC is the largest worker cooperative network in the U.S., representing more than 80 worker-owned businesses and cooperative support organizations across the five boroughs (NYC Network of Worker Cooperatives, n.d.). *Established in 2009, NYC NOWC serves as a hub for communication, advocacy, and mutual aid among the city's cooperatives. Its member co-ops span industries such as home care, cleaning, catering, creative services, and retail. Furthermore, NYC NOWC provides a range of services to its members: technical assistance (either directly or via partner organizations like the Democracy at Work Institute), worker-coop training and peer learning events, marketing assistance, and community-building activities (n.d.).* It also engages in policy advocacy at the city and state level and works closely with the municipal government on programs to support cooperative development. Markedly, NYC's worker cooperative ecosystem has grown in tandem with city government initiatives over the past decade, positioning NYC NOWC as a key intermediary between grassroots co-ops and public support structures (NYC Network of Worker Cooperatives, n.d.).

Strengths

One of NYC NOWC's major strengths is the significant municipal support behind worker cooperatives in New York City. Since 2015, the New York City Council has funded the Worker Cooperative Business Development Initiative (WCBDI), allocating between \$2 and \$4 million annually to support the incubation of new co-ops and the expansion of existing ones (New York City Department of Small Business Services, 2022). Through this initiative, NYC NOWC and allied organizations receive public funding to provide technical assistance, education, and outreach to potential co-op entrepreneurs. This steady municipal investment is unparalleled in the U.S. and has directly contributed to an increase in the number of co-ops in the city.

Another strength is NYC NOWC's robust ecosystem of education and training services. The network partners with groups like Green Worker Cooperatives, which runs a Co-op Academy for start-ups, and The Working World (Seed Commons) to educate and finance cooperatives (Green Worker Cooperatives, n.d.; The Working World, n.d.). NYC NOWC itself hosts regular workshops, an annual conference, and peer mentoring, which helps diffuse best practices among cooperatives.

Adaptation Over Replication: Mondragon and the U.S. Cooperative Ecosystem

The diversity of the network is also notable. Many member co-ops are owned by immigrants and women of color, and NYC NOWC has focused on leadership development in these communities to ensure the movement is inclusive (NYC Network of Worker Cooperatives, n.d.). And, in terms of solidarity, NYC NOWC has fostered a sense of community among an otherwise disparate set of small businesses. Regular member meetings, committees, and collaborative projects (like joint marketing initiatives) have created a citywide cooperative identity and informal mutual aid (n.d.). This echoes Mondragon's principle of cooperation among cooperatives, albeit in a less formalized way.

Challenges

Despite significant support, NYC NOWC and the cooperatives it represents face challenges that mirror those seen elsewhere in the U.S. and in this report. First, access to capital remains a limiting factor. Even with the city's grant funding for technical assistance, worker co-ops in NYC struggle to obtain financing for growth. There is only one cooperative bank in New York, Amalgamated Bank, but it is an outgrowth of the housing cooperatives, in particular, Amalgamated Housing. Therefore, co-ops rely on a handful of nonprofit loan funds (e.g., Seed Commons, The Working World) and credit unions, as well as reinvesting their earnings. This phenomenon makes co-ops heavily dependent on grants and operational revenue, constraining their ability to scale up or weather downturns. The ecosystem is thus vibrant but still financially fragile.

Second, the sectoral concentration of NYC co-ops poses challenges. A large proportion of the city's worker cooperatives are in service sectors like cleaning, childcare, and domestic work. While these co-ops have provided stable jobs (often formalizing previously informal work), they tend to have low profit margins and limited opportunities for expansion (WIEGO, 2014). The emphasis on service-sector businesses, as opposed to higher-wage industrial or tech firms, limits the potential for wage growth and broader economic impact. Part of the situation reflects the local economy and barriers to entry in other sectors, but it remains an issue for long-term viability.

Another challenge is fragmentation. NYC's co-ops, even under the NYC NOWC umbrella, operate independently, and there is no central governing body or binding agreement that coordinates their business decisions (NYC Network of Worker Cooperatives, n.d.). While NYC NOWC does provide networking, it lacks the authority to enforce mutual support (for example, co-ops are not pooling profits or systematically sharing employees) (n.d.). This means the network's cohesion relies on goodwill and voluntary cooperation, which can be difficult to maintain as the number of co-ops grows or if economic conditions deteriorate.

Comparison to Mondragon

NYC NOWC's development shows both the possibilities and limits of a municipally supported cooperative ecosystem. In some respects, New York's ecosystem has replicated elements of Mondragon's support structure. For instance, the city's financial support for co-op development functions comparably to how Basque public institutions eventually supported Mondragon's growth (albeit New York's support is grant-based and not an ownership stake) (New York City Department of Small Business Services, 2024; Wikipedia, 2024). Moreover, the focus on education and technical assistance in NYC parallels Mondragon's investment in education—though on a smaller scale and provided by nonprofits rather than a university.

However, New York's cooperatives appear to remain largely fragmented and service-oriented, lacking a centralized institution to coordinate strategy or investment across the network. Mondragon's approach, where cooperatives collectively own supporting institutions (bank, school, research center), is fundamentally different from NYC's approach, where support is facilitated by external entities (city government, NGOs). Thus, the NYC experience highlights the importance of external support in jumpstarting a cooperative ecosystem but also underscores that without internal economic integration (cooperative-to-cooperative supply chains, shared capital funds, etc.), the network can only achieve a certain level of scale and resilience. In essence, NYC NOWC has built a vibrant cooperative community and secured valuable public backing, yet it remains a loose federation when compared to the tight-knit Mondragon federation. The challenge moving forward is whether that community can evolve more robust inter-cooperative linkages and perhaps develop its own institutions (a citywide cooperative fund or mutual insurance, for example) to more closely mirror Mondragon's self-sufficiency.

Comparative Analysis: Gaps and Opportunities

The case studies above demonstrate that U.S. cooperative networks are making inroads in finance, education, solidarity, and policy, but they remain far from the level of integration achieved by Mondragon. Mondragon developed an integrated financial pillar early on because postwar Basque cooperatives had little access to mainstream banks, forcing them to create Caja Laboral as both lender and coordinator. In the U.S., by contrast, cooperatives emerged in a landscape already populated by credit unions, CDFIs, and philanthropic funds. These actors filled some of the financing roles but remained external to the cooperative sector, resulting in a more fragmented and less integrated financial pillar. Thus, several common themes and gaps emerge when comparing these U.S. ecosystems to Mondragon's model: financial infrastructure; education and cultural attitudes; inter-cooperative solidarity and integration; **policy and enabling environment**; and **sectoral focus and economic impact**.

Financial Infrastructure

All four U.S. cases lack a central cooperative financial institution. Mondragon's Caja Laboral was pivotal—it provided start-up capital, loans, and technical oversight to member co-ops, effectively functioning as the financial engine of the ecosystem (Whyte & Whyte, 1991). In the U.S., cooperatives must patch together financing from various sources. The absence of a dedicated cooperative bank or credit system means U.S. co-ops are often undercapitalized. For example, both MR and Co-op Cincy cite the lack of patient, cooperative-friendly capital as a major barrier to scaling worker ownership. Co-ops end up relying on grants, philanthropy, or mainstream lenders who may not understand cooperative structures (Whyte & Whyte, 1991). This financial gap limits long-term planning. Without assured access to growth capital or funds to rescue struggling co-ops, each cooperative is on its own financially. But of course, there are signs of partial solutions emerging.

U.S. cooperative lenders and loan funds are increasingly collaborating to share risk and support larger cooperative projects (Project Equity, 2023). For instance, LEAF, Shared Capital Cooperative, and the Seed Commons network have co-financed transactions by pooling their resources, essentially forming ad hoc lending syndicates for worker co-op deals (Figure 3). In Massachusetts, LEAF has partnered with other CDFIs to finance co-op expansions, acting as a mini "Caja Laboral" by providing industry expertise and flexible terms (Opportunity Finance Network, 2018).

Figure 3: CDFIs Currently Partnering with LEAF

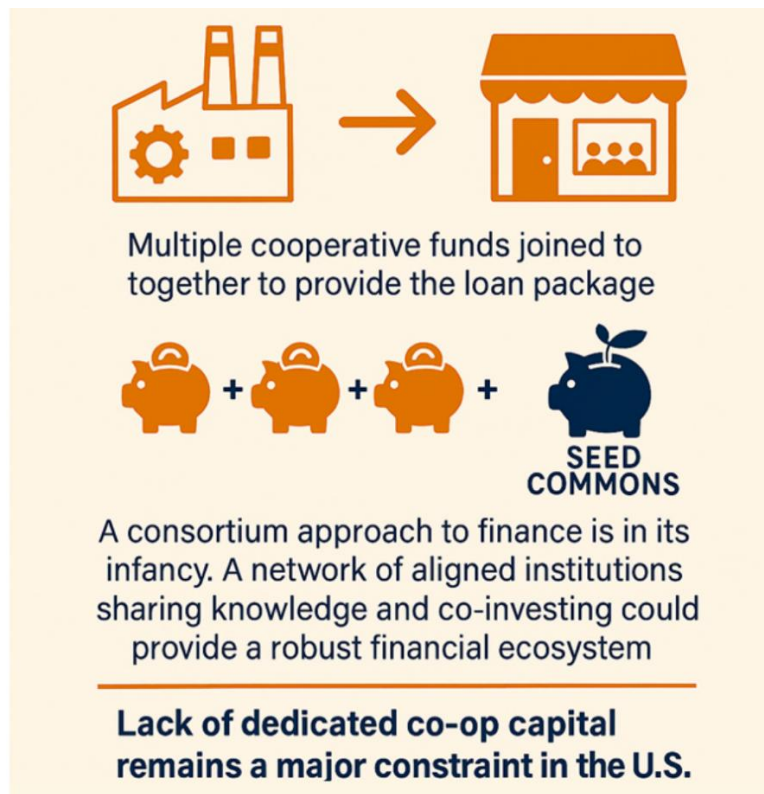


Note: Information from LEAF (n.d.)

Such collaborations allow each lender to take on a portion of the loan, reducing individual risk and enabling bigger projects than any one fund could handle alone. While this model falls short of a single cooperative bank, it mimics some of Caja Laboral's functionality in a decentralized way. An illustrative example is the financing of a worker co-op conversion of a business: multiple cooperative funds joined together to provide the loan package, a practice that is becoming more common (Seed Commons has facilitated several such multi-lender deals). This consortium approach to finance is still in its infancy, but it highlights a potential path forward. U.S. co-ops may achieve a robust financial ecosystem not through one bank, but through a network of aligned institutions sharing knowledge and co-investing. Formalizing these partnerships and perhaps creating a national cooperative loan guarantee pool could further bolster what is currently a fragile financial environment for co-ops (Storey et al., 2014). Until such mechanisms mature, however, the lack of easily accessible, dedicated co-op capital will continue to be a primary constraint in the U.S.

Figure 4 illustrates how cooperative funds, including Seed Commons, are collaborating to finance worker co-op conversions—an emerging model to address the lack of dedicated co-op capital in the U.S. (Seed Commons, n.d.; Storey et al., 2014).

Figure 4: Collaboration Among Cooperative Funds



Education and Cultural Attitudes

As reviewed, Mondragon's ecosystem heavily emphasizes education, which has imbued generations of workers with cooperative values and skills (MacLeod, 1997). In the U.S., on the other hand, cooperative education is often ad hoc and not integrated into the mainstream education system. None of the case study regions have a university devoted to cooperative management, for example. Co-op Cincy's Co-op U's and NYC NOWC's various workshops are promising initiatives, but they reach only dozens of people at a time and have limited resources (Palmer, 2022).

Unfortunately, many U.S. cooperatives struggle to find managers who both understand business and embrace cooperative governance, a gap Mondragon addressed through its education system (Bretos & Errasti, 2017).

Culturally, American attitudes toward business can be a hurdle for cooperatives (Whyte & Whyte, 1991, p. 247). The U.S. economic ethos tends to celebrate individual entrepreneurship and rapid growth, often perceiving cooperatives as a niche or even quaint form of business (Kasimir, 1996). Worker co-ops are frequently associated with small-scale, alternative enterprises rather than considered a scalable model for the broader economy. Several case studies have noted this perception, dismissing co-ops as “feel-good” projects rather than serious businesses (Whyte & Whyte, 1991, p. 248). Furthermore, the broader public (and many policymakers) have low awareness of worker cooperatives (p. 249).

In the U.S., cooperatives are rarely part of the popular economic narrative, unlike in the Basque region where cooperatives like Mondragon became a source of regional pride (1991). This skepticism can influence everything from consumer behavior (preferring familiar investor-owned brands) to the willingness of talented graduates to seek careers in cooperatives. Changing such perceptions is a long-term challenge. Some progress is being made—successful co-ops in New York and other cities are gaining media attention, and academic interest in cooperatives is rising (Cheney et al., 2023).

Nevertheless, without a concerted effort in education and public awareness, cooperatives in the U.S. risk remaining marginal. Mondragon’s experience suggests that normalizing cooperative enterprise (making it a visible, respected option) was as important as any technical innovation. U.S. cooperators may need to invest more in marketing the model, integrating cooperative studies into university programs, and demonstrating that co-ops can compete in major industries.

On the positive side, the U.S. cooperative movement is becoming more diverse and rooted in communities of color and immigrant communities (as seen in NYC NOWC), which could broaden the cultural appeal and relevance of co-ops as tools for economic empowerment. Overcoming cultural and educational gaps will likely require partnerships with educational institutions, inclusion of co-ops in workforce development programs, and showcasing “flagship” cooperative businesses that capture the public imagination.

Inter-Cooperative Solidarity and Integration

One of the defining characteristics of Mondragon is the high level of inter-cooperative solidarity. When a co-op encounters difficulties, other co-ops may take on its employees, and they share profits for mutual gain. Such an arrangement creates a powerful sense of collective security and incentive for collaboration. In the U.S., such formal solidarity mechanisms are largely absent (Whyte & Whyte, 1991, pp. 118–120). Each cooperative is typically an independent entity with its governance and finances. The case studies show some initial moves toward solidarity. Co-op Cincy’s Network Agreement is a notable attempt to bind its co-ops together under common principles and mutual aid commitments, and NYC NOWC has fostered a culture of cooperation among co-ops (e.g., referrals of business to each other and joint promotional events) (Palmer, 2022, pp. 10–12). However, these are informal or newly formalized arrangements compared to Mondragon’s long-established systems.

Elsewhere, the lack of federated governance means there is no platform for U.S. co-ops to make collective decisions about resource allocation or strategic direction. For instance, Mondragon’s cooperatives collectively decided on contributions to a central investment fund and on limits to wage disparities across the network (Whyte & Whyte, 1991, pp. 119–120). Nothing of that sort exists in the U.S. examples—each co-op sets its wage scales, and only loose norms encourage “cooperation among cooperatives” (p. 249). This fragmentation can lead to missed opportunities. Without federated structures, cooperatives have weaker bargaining power with suppliers, can’t easily share services, and may even end up competing in some cases. Building federations or consortia could address these issues. Internationally, we see examples like the Italian cooperative federations (e.g., Legacoop), which provide shared services to member co-ops. In the U.S., there are beginnings of sector-specific alliances (for example, worker co-ops in home care have started to network to share training) (Palmer, 2022, p. 13). Solidarity is present, yet it requires institutionalization. The Mondragon model suggests that formal agreements and shared institutions (like a joint insurance fund or purchasing cooperative) greatly strengthen solidarity.

As U.S. co-op networks mature, establishing federated entities at city, state, or national levels could ensure co-ops help each other succeed. The Cooperative Economic Alliance of NYC (a network beyond just worker co-ops) and

statewide associations like California Worker Cooperatives (CAICO) are early moves in this direction (p. 14). Increased communication and joint initiatives, for instance, a multi-city cooperative marketing campaign or an inter-coop emergency fund—would begin to create the kind of collective identity and resilience that Mondragon enjoys.

Policy and Enabling Environment

Policy support (or the lack thereof) is a significant differentiator between Mondragon's context and the current U.S. context. Mondragon developed under a dictatorship with no state support but later benefited from Spain's cooperative laws and Basque regional policies that provided favorable tax treatment and R&D support (Errasti et al., 2017). In the U.S., there is still no comprehensive federal policy supporting worker cooperatives (Palmer, 2022, p. 6). As noted, the U.S. cases rely on municipal or state-level initiatives. New York City's financial support and Massachusetts' new state office are among the most advanced examples of government support. Chicago's nascent efforts and Cincinnati's pursuit of city funding (Vera, McGilligan & Pinchback-Hines, 2022) show that local governments can be persuaded to back co-ops, but these remain the exception rather than the rule. Overall, U.S. economic policy continues to privilege conventional small businesses and corporations; worker co-ops often must fit into existing categories (e.g., applying for Small Business Administration (SBA) loans designed for conventional firms, where they often don't qualify easily). There have been some recent positive developments: the WORK Act, signed into law in 2018, authorized \$50 million for worker ownership promotion¹ (USFWC, 2023), and the Main Street Employee Ownership Act (2018) opened some SBA programs to co-ops. Still, these efforts are modest relative to the need. Due to the comparative lack of policy support, U.S. co-ops are forced to operate in a more hostile environment, competing with investor-owned firms on an uneven playing field that includes fewer subsidies and more difficulty in raising capital. This reality emerged in each case study as a limiting factor that Mondragon did not face to the same degree once it matured² (Cheney et al., 2023).

Nonetheless, the advocacy successes of groups like COWOP suggest a path forward, building coalitions to lobby for policies at state and federal levels. If multiple states establish employee ownership centers and funding (as Massachusetts did), it could create a groundswell that leads to broader national programs. The goal would be to integrate worker cooperative development into mainstream economic development policy, making co-ops eligible for the same incentives and support that other businesses receive and acknowledging their public benefits (jobs, community wealth) with targeted programs. Mondragon's trajectory implies that having an enabling ecosystem, including supportive laws (for incorporation and taxation) and public-private partnerships for training and technology, can greatly accelerate cooperative growth (Whyte & Whyte, 1991, pp. 91–94). U.S. cooperatives are beginning to secure footholds in this area, but significant gaps remain, especially at the federal level.

Sectoral Focus and Economic Impact

A final comparative point is the sectoral composition of cooperative ecosystems. Mondragon's co-ops are heavily based in industries that generate substantial revenue and can achieve economies of scale. This industrial base allowed Mondragon to create high-quality jobs (many technical and professional) and reinvest profits into new ventures. In the U.S., most worker cooperatives are concentrated in service and artisanal sectors (cleaning services, home care, food, crafts, etc.), which typically operate on thinner margins. As noted in the NYC case, these sectors often limit wage growth and don't accumulate large surpluses for reinvestment. The case studies reflect this.

Aside from some manufacturing initiatives in Chicago (which are still aspirational), the bulk of U.S. co-ops discussed are service-oriented (Palmer, 2022, p. 8). This presents a challenge for achieving Mondragon-like impact. An ecosystem of small service co-ops can improve livelihoods for those members, but it may not significantly shift regional economic indicators or create large numbers of jobs (p. 9). To approach Mondragon's scale (some 70,000 employees), U.S. cooperatives will need to break into larger, capital-intensive sectors or find ways to significantly grow some of their enterprises. The current sectoral distribution is partly a result of path dependence (co-ops often start where they are easiest to form, which is in simpler service businesses) and partly due to structural barriers (e.g., starting a worker-owned manufacturing firm requires a lot of capital and technical know-how) (p. 9).

One opportunity is the conversion of existing businesses to cooperatives, particularly in manufacturing or established service companies. As the baby boomer generation retires, there is a wave of small to mid-sized businesses up for succession; some of these could be transitioned to worker ownership (p. 15). Cooperative

advocates are targeting these to get worker co-ops into more substantial industries (this is a focus of Co-op Cincy and COWOP's efforts) (p. 15). If even a handful of 50–100 employee companies converted to co-ops in each region, it would significantly change the landscape (p. 16). Mondragon itself grew by converting some local companies and then by acquiring firms outside Spain—tactics U.S. co-ops have barely explored (Whyte & Whyte, 1991, pp. 88–89).

Another sectoral opportunity is emerging fields like renewable energy and platform cooperatives (co-ops in the digital economy), which could allow co-ops to enter higher-growth arenas (Palmer, 2022, p. 17). Platform cooperatives (e.g., driver-owned ride-sharing apps) have so far been limited in scale, but the concept holds potential if backed by sufficient capital and user buy-in (p. 17). The comparative analysis underscores that to truly scale up, U.S. cooperatives may need to venture beyond the “niche” sectors and target a presence in the broader economy (p. 18). Without that, even perfecting the cooperative model organizationally might not translate to a significant macroeconomic role. In summary, the U.S. cooperative ecosystems currently reflect the industry limitations that Mondragon managed to overcome, and addressing this will be crucial for any Mondragon-like success in the U.S.

Figure 3 below summarizes how Mondragon's key ecosystem pillars compared with their counterparts (existing or nascent) in the U.S. cases and a comparative analysis compilations based on drawn information from the case studies.

Figure 5: Comparison of Mondragon's ecosystem pillars with those observed in U.S. cooperative efforts.

Ecosystem Pillar	Mondragon (Basque Region)	U.S. Counterparts (Case Study Examples)
Finance & Capital	<i>Caja Laboral cooperative bank; internal capital pool; cross-guarantees ensure co-ops have funding for start-up and expansion.</i>	<i>No equivalent cooperative bank. Reliance on CDFIs, credit unions, and grants. Some co-op loan funds (e.g. Seed Commons, LEAF) co-finance deals, but integration is limited. (Co-op Cincy's Seed Commons fund is a small-scale example.)</i>
Education & Training	<i>Mondragon University and vocational schools embed cooperative principles and technical training, producing cooperative-minded managers and skilled workers.</i>	<i>No dedicated co-op university. Local programs like Co-op Cincy's “Co-op U” and incubator workshops (NYC NOWC, Green Worker Co-op Academy) teach co-op skills, but reach is modest and not standardized nationally.</i>
Inter-Cooperative Solidarity	<i>Formal federation (Mondragon Congress) and solidarity fund redistribute profits; cooperatives rescue each other in crises; joint R&D and social welfare institutions are collectively owned.</i>	<i>Nascent solidarity mechanisms. Mostly informal networks and associations (e.g. NYC NOWC fosters mutual support through networking). Co-op Cincy introduced a Network Agreement among its co-ops (a mini solidarity pact). No pooled funds or mandatory support – co-ops operate independently, with voluntary collaboration.</i>
Governance	<i>Multi-tier governance: individual co-ops elect councils; representatives sit in Mondragon's General Congress and sector councils, ensuring strategic coordination and adherence to cooperative principles.</i>	<i>Fragmented governance. Each co-op is autonomous. City or state networks provide forums (e.g. NYC NOWC member meetings; COWOP coalition gatherings) but no binding governance across cooperatives. Nationally, the U.S. Federation of Worker Co-ops advocates for co-ops but participation is optional.</i>

Overall, the comparative analysis highlights and maintains that U.S. cooperative ecosystems remain fragmented and under-resourced relative to Mondragon. The U.S. cases have developed important pieces (education programs, advocacy coalitions, and some financial tools) but these pieces have yet to coalesce into a self-sustaining system. The next section discusses strategies to strengthen U.S. cooperative ecosystems by building on these findings.

Strategies for Strengthening U.S. Cooperative Ecosystems

Drawing on the Mondragon experience and the gaps identified above, several strategic interventions could significantly bolster the development of worker cooperatives in the United States:

1. *Developing Cooperative Financial Institutions*

To address the chronic capital gap, the U.S. cooperative sector should build mission-aligned financial institutions analogous to Mondragon's Caja Laboral. This strategy could include establishing regional cooperative investment funds, credit unions dedicated to worker co-ops, or even pursuing state-chartered cooperative banks. Public policy can support this by seed-funding such institutions or providing loan guarantees (p. 19). For example, states could create revolving loan funds for employee-owned business conversions, or the federal government could support a secondary market for co-op loans³ (Storey et al., 2014).

In the interim, strengthening networks among existing cooperative lenders is essential. Continuing to formalize and grow the consortium approach, where multiple CDFIs jointly finance larger co-op projects, would spread risk and leverage more capital. Over time, these collaborations might even evolve into a national cooperative finance umbrella. The goal is a system where co-ops have ready access to patient capital and technical financial advice, rather than being relegated to one-off solutions. As capital availability improves, more entrepreneurs and retiring owners will consider the cooperative model viable, creating a virtuous cycle of growth (p. 19).

Some cooperative financiers—like LEAF, Shared Capital, and Seed Commons—have begun coordinating multi-lender deals, allowing them to share risk and finance larger conversions or start-ups collaboratively.

2. *Expanding Cooperative Education & Training*

Education is vital for building any cooperative ecosystem. Establishing national or regional cooperative training centers, beyond niche industries, could lead to mainstream cooperative business education. For instance, we could encourage land-grant universities and community colleges to offer courses or certifications in cooperative management through funding or partnerships. Business schools might integrate case studies on Mondragon and U.S. co-ops into their curricula, exposing future managers to cooperative models.

Programs like Co-op Cincy's, Co-op U, and New York's incubator workshops provide templates that could be scaled up or replicated elsewhere (Schildt, 2022). Also, peer learning networks, where established co-ops mentor new co-ops, should be strengthened, potentially with public support. Cooperative values and skills could even be introduced earlier, in high school or vocational programs, especially in communities where cooperative development could address economic disparities. Scholarships or loan forgiveness could incentivize talented graduates to work in the cooperative sector. By creating a talent pipeline of cooperative-savvy individuals, U.S. co-ops would be better equipped with skilled leadership and informed membership, increasing their chances of success and longevity.

3. *Strengthening Inter-Cooperative Solidarity*

As discussed, a hallmark of Mondragon is its institutionalized solidarity. U.S. cooperatives can foster mutual support through federations or alliances that provide shared services. For example, co-ops in a region or industry could form a cooperative federation to handle back-office functions (HR, accounting, legal) collectively, reducing costs and achieving economies of scale (Bianchi & Vieta, 2020). They could also form group purchasing cooperatives to buy supplies or health insurance for members at better rates. Another strategy is creating mutual aid funds, e.g., co-ops contribute a small percentage of profits to a joint fund that can help a member co-op in distress or finance new co-ops. Such an arrangement would emulate Mondragon's internal solidarity fund on a smaller scale. Further, policy can encourage such collaboration by offering tax incentives for inter-cooperative transactions or by recognizing cooperative federations in law. Some U.S. co-ops have begun practicing solidarity informally including referring clients to each other or co-marketing their services (p. 12). Formalizing these practices through written agreements or cooperative secondary co-ops will deepen trust and resilience. Cooperatives can cultivate a culture of solidarity over time, viewing each other not as competitors but as collaborators in building a broader movement. This cultural shift, supported by concrete mechanisms, is essential to move from isolated co-ops to a cooperative network with collective impact.

4. *Legal and Policy Support for Worker-Owned Businesses*

Governments at all levels have a role to play in enabling cooperative development. Key policy steps include enacting clearer incorporation statutes for worker cooperatives (to simplify their formation in every state), expanding access to Small Business Administration loan and guarantee programs for co-ops, and providing tax incentives or credits for business owners who sell to their employees (as is done for employee stock ownership plans in the U.S.). The 2022 Massachusetts initiative offers a model: dedicating a state office to employee ownership helps institutionalize support and coordinate resources (Commonwealth of Massachusetts, 2022). Other states could follow suit, establishing offices or at least task forces to promote worker co-ops. At the federal level, creating a U.S. Employee Ownership Bank or funding program could dramatically increase capital flow to co-ops. In addition, integrating worker cooperatives into community economic development plans—like including co-ops in the Department of Housing and Urban Development community block grant eligibility or Economic Development Agency programs—could normalize them as part of economic strategy. Public procurement policies can also help.

Next, cities and states could give preference or points to cooperatives in contracting, recognizing their benefits in retaining community wealth and local ownership. Not to mention, raising the visibility of co-ops through official channels (proclamations, hearings, etc.) can educate public officials and agency staff. The combined effect of these policy measures would be to reduce the barriers cooperatives face and to signal that they are valued contributors to economic development. Just as Mondragon eventually benefited from a supportive policy environment in Spain, U.S. cooperatives need an enabling legal environment that provides them fair opportunities to compete and grow.

Implementing these strategies will require concerted effort by cooperative leaders, advocates, and allies in government and finance. Encouragingly though, the momentum around employee ownership recently is growing. More states are exploring legislation, and federal agencies have shown increased interest in inclusive ownership models. By taking proactive steps now to build the necessary institutions and supports, the U.S. can cultivate cooperative ecosystems that, while adapted to American realities, achieve the self-sustaining dynamism exemplified by Mondragon.

Conclusion

The U.S. cooperative movement is charting its own course. Distinct from Mondragon's yet informed by its legacy. The case studies explored in this paper reveal that while no single region has fully replicated Mondragon's integrated infrastructure, elements of its ecosystem, such as education, labor partnerships, and policy advocacy, have taken root across the country in diverse and promising ways. These efforts demonstrate not a lack of ambition, but rather the need for deeper coordination, long-term investment, and supportive public policy to transform scattered innovation into systemic strength.

What remains elusive in the U.S. context is the cohesion that defines Mondragon: its embedded financial institutions, inter-cooperative solidarity mechanisms, and centralized governance structures. But this gap should not obscure the real momentum building across regions. With heightened interest in employee ownership, a growing field of cooperative financiers, and new policy footholds at the municipal and state levels, the foundation for a more expansive cooperative economy is forming.

The road ahead will require more than scaling up existing efforts; it will demand a deliberate strategy to create shared infrastructure. Regional hubs for cooperative capital, education, and federation could become the backbone of a modern cooperative economy. Targeted replication of successful pilots—such as New York City's co-op funding initiatives and Massachusetts' policy leadership—can accelerate institutional learning across jurisdictions. Meanwhile, the impending generational transition in business ownership presents an extraordinary opportunity for conversions on a scale not previously seen.

Importantly, the path forward must also address cultural and perceptual challenges. As more communities encounter successful co-ops, in retail, care work, food production, or advanced manufacturing, cooperatives will increasingly be seen not as alternatives, but as serious, competitive enterprises. A significant cultural barrier to cooperative development in the United States is the deeply rooted emphasis on rugged individualism, too, which contrasts with the communitarian values that persist in places like the Basque Country. Within the Mondragon

cooperative group, a strong collective orientation continues to shape both organizational practices and interpersonal dynamics (Forcadell & Bretos, 2022).

Mondragon offers not a blueprint, but a benchmark. Its story is a reminder that building durable cooperative ecosystems takes more than good intentions, it takes aligned institutions, shared values, and time. By adapting those lessons to local conditions and acting boldly in this moment of opportunity, the U.S. cooperative movement can grow into a powerful force for inclusive, democratic economic development. The vision is not to recreate Mondragon in America, but to let its principles inform a distinctly American model of cooperative resilience and scale.

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Notes

¹ It is worth noting that although the legislation was signed into law, no federal funds have been allocated to implement it. Given the current administration's priorities, future funding remains unlikely. Additionally, cooperative development capacity within the USDA has diminished, as the last three cooperative specialists left their positions in April 2024. Compounding the issue, recent SBA funding intended to support organizations such as LEAF has not been distributed; in April, applicants were notified that the SBA lacked sufficient staffing to process their applications (NCBA CLUSA, 2024).

² Also worth noting that the loss of USAID funding has significantly affected the National Cooperative Business Association (NCBA), which functions both as a domestic trade association and an international development organization through its Cooperative League of the USA (CLUSA) division. International development activities previously made up approximately half of NCBA's overall budget (Chaddad, 2023).

³ Massachusetts and New Mexico have both introduced legislation to establish public banks modeled after the Bank of North Dakota. Although these proposed institutions would serve a broader economic purpose beyond just cooperatives, they could provide a mechanism for channeling municipal public funds into the cooperative sector, supporting its growth and financial sustainability (Public Banking Institute, 2023; Gorenstein, 2022).

A Connected Framework: Social Capital and the Cooperative Identity

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Abstract: This research paper explores the connection between social capital and cooperatives through a narrative literature review, examining how social capital offers a unique advantage in a world increasingly in need of a more human-centred and balanced economy. The first research objective is to unveil the mystery of social capital by providing a preparatory introduction to the recognized definitions found within the ethos of social sciences. The second research objective utilizes case studies and cooperative features to examine the seemingly natural connections and interactions between social capital and the "Statement on the Cooperative Identity" by the International Cooperative Alliance (2015, p. 2). The research presents a 'Connected Framework' to highlight opportunities such as resilient trust, bolstered resiliency, improved quality performance, grounded local impact, increased member participation, and enhanced intellectual capital generation for cooperatives. These values, advantages, and benefits showcase the insights and outcomes of this research, illuminating the compelling connection between social capital and cooperatives.

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Keywords: Social Capital, Cooperative Identity

Introduction and Background

The concept of Social Capital has garnered increasing attention over the past several decades, evolving from an "emerging excitement phase" (Alder & Kwon, 2002) to being "routinized" (Woolcock, 2010) and a recognizable concept in today's discourse. While a significant amount of literature is available, social capital remains largely mysterious, misunderstood, and underutilized. In an examination to uncover and discover social capital harmony, this paper presents the principles and values of the "Cooperative Identity" by the International Cooperative Alliance (ICA) (2015, p. 2) alongside social capital definitions and case studies to discover the connections throughout the literature and ultimately put forward a 'Connected Framework'. The framework exhibits social capital advantages and benefits such as people-centeredness, enhanced resiliency, increased quality performance, local impact, member participation and intellectual knowledge exchange for cooperatives committed to the Cooperative Identity. At the same time, the paper aims to illustrate how social capital promotes collective action and common good economics — pressing elements required in a world torn apart by crises, divided by political conflicts, and compelled to adapt to worsening environmental challenges (United Nations, 2015, p. 5; Novkovic, 2019, p. 316).

Research Objectives

The first research objective is to explore and prepare an introduction to social capital. This paper reviews social capital definitions through the perspectives of prominent and recognized researchers and explores available explanations within the social sciences ethos.

The second research objective is to examine and argue the seemingly natural connection between social capital and cooperatives. This paper questions the interaction between social capital and the “Statement on the Cooperative Identity” by the ICA (2015, p. 2). The definition of a cooperative, as well as cooperative values and the seven principles, are explored to examine their relevance and connection to social capital. Case studies and cooperative features are utilized to assess values, benefits, and learning opportunities. This segment posits that social capital is embedded into a cooperative's purpose, grounded within its humanistic governance, and represents an ‘identity’ advantage through the principles and values of cooperation. The research culminates with the development of a ‘Connected Framework’. Here, the argued relationships between social capital, cooperatives, and the values, benefits, and advantages are displayed and summarized. Finally, this paper concludes with several important points: a discussion regarding the relationship between social capital and isomorphism, a consideration of potentially darker aspects, and a summarizing conclusion.

Methodology

This paper employs a narrative literature review research methodology. Snyder (2019) supports this approach as “an effective and well-conducted review as a research method [which] creates a firm foundation for advancing knowledge and facilitating theory development” (p. 333). A narrative approach was selected for its ability to explore and outline extensive research areas encompassing multiple subjects for reinterpretation and interconnection. The primary aim is exploratory and explanatory, intending to examine causal relationships between social capital and cooperatives.

The research strategy was structured into four phases. *Phase 1* encompassed designing the research question, setting objectives, selecting search terms, and determining inclusion and exclusion criteria. Secondary data sources, such as research papers and case studies, were the desired form of information for the study. Search terms included ‘social capital’, ‘cooperatives’, and ‘cooperative identity’. These few terms yielded considerable results; selecting the relevant and most applicable sample was critical to ensure research remained on track. *Phase 2* reviewed and selected the resources, conducted the search effort, evaluated the literature sample, selected the applicable and reliable data sources, prioritized and documented the sample, published a final sample, and produced a preliminary journal article synthesis. Literature was prioritized based on applicability, relevance, and interconnection between social capital and cooperatives. *Phase three* involved a study of the selected data and literature, the abstraction of relevant information, and the documentation of key findings. *Phase four* consisted of writing the narrative literature review, with continuous evaluation of structure, research questions, objectives, and outputs.

Social Capital Primer: Definitions and Prominent Researchers

Social Capital (social capital) is not just a theoretical concept but a practical tool that empowers people to cooperate, succeed, and grow. It is built on the foundation of shared norms and values (Putnam, 1995) and the willingness to work collaboratively (Putnam, 1995; Coleman, 1988), and facilitates the achievement of collective goals (Putnam, 1995). While there are numerous definitions of social capital, a comprehensive, universally accepted, and approved definition is yet to be established. To truly grasp the essence of social capital, it is essential to delve into the work of the most prominent social capital researchers and theorists in order to advance towards social capital's applications and achieve the research objectives of this paper. The paper starts by exploring and progresses to an appreciation of social capital's social cohesion and tightly woven community fabric, which illustrates the connections among individuals and the essential spirit that fosters cooperation and effective networks.

One of the earliest definitions of social capital was presented by Bourdieu (1986). He posited that social capital is not uniformly available to members of a group or collective but to those who try to acquire it by achieving positions of power and status and developing goodwill (Bourdieu, 1986). He defined it as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized

relationships of mutual acquaintance and recognition" (Bourdieu, 1986, p. 248). An important element in this approach is Bourdieu's focus on differential access to the cultural capital linked to social class that facilitates and sustains class reproduction. For Bourdieu, social capital is a social force that enables collaboration with others to achieve personal and collective objectives.

For Coleman (1988), social capital is inherent in social structures and is a source of resources such as information, support and shared norms that are available through social connections. Coleman emphasizes the effectiveness of connections facilitating actions, particularly collective activities of mutual benefit. Other theorists continue to provide variants of these more pronounced definitions. Fukuyama (1995) states that "Social capital is a capability that arises from the prevalence of trust in society or in certain parts of it" (p. 26). Arguing here that social capital is significant in facilitating collective action and extending social interaction beyond families and close circles of acquaintances, he lays the foundation for economic growth. Fukuyama adopts an economic approach to defining social capital, linking it closely to societal trust, which in turn fosters positive economic development.

Putnam (2000) conceptualized and popularized the concept by proclaiming alarm at the decline of social capital in America, which could threaten the integrity and strength of democratic institutions. He leverages data to intercept and make sense of America's growing disconnectedness from one another, its communities, and social structures as evidenced by decreases in memberships in civic associations and volunteer organizations, as well as an increase in social isolation referred to as "bowling alone" (Putnam, 1995). His definition is a cornerstone in the understanding of social capital: "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (Putnam, 1995, p. 67). For Putnam, social capital underscores "the connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense, social capital is closely related to what some have called 'civic virtue'" (Putnam, 2000, p. 19). While Putnam's work is most foundational, an ultimate and agreed-upon universal definition for social capital is still lacking. Bianchi and Vieta (2000, p. 1603), argue that Putnam's approach "is not able to fully explain from where the [social] networks originate nor does it explain how other forms of capital are involved in them"; his concepts also lack nuance for power dynamics, like social hierarchy and the inequalities that are persistent amongst groups and communities (Bianchi & Vieta, 2000, p. 1604).

A related and overarching perspective is offered by Nahapiet and Ghoshal (1998) who highlight the market advantage facilitated when firms develop social capital, which enables the growth of intellectual capital by affecting the conditions necessary for information exchange. They adopted the definition of social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual of the social unit" (Nahapiet & Ghoshal, 1998, p. 243). This view contends that assets are mobilized through social networks, establishing intellectual capital for firms. Nahapiet and Ghoshal (1998) group their research into three interrelated subdivisions of social capital: structural, relational and cognitive dimensions (p. 243). Their literature concludes with two outcomes. Firstly, social capital increases the efficiency of action through information diffusion and high levels of trust, which reduces transaction costs through collective approaches and avoids costly monitoring processes (Nahapiet & Ghoshal, 1998, p. 245). The second theme indicates social capital's implications for adaptive efficiency, creativity, and learning: "researchers have found social capital to encourage cooperative behaviour, thereby facilitating the development of new forms of association in an innovative organization" (Nahapiet & Ghoshal, 1998, p. 245).

Adler and Kwon (2002) argue that the sources of an individual's social relations give rise to social capital through Opportunities, Motivation and Ability (OMA). Their literature argues that social capital grew out of the concept of 'goodwill' as the substance of social capital, and that social capital's "effects flow from the information, influence, and solidarity it makes available to the actor" (Adler & Kwon, 2002, p. 18). They evaluate leading definitions while examining social capital dimensions through market, hierarchical and social relations. For Adler and Kwon (2002), the important emphasis of networks thus becomes clear while their definition also appreciates norms and values, similar to Putnam and others. Here, network structures present the Opportunity for social capital development: "an actor's network of social ties creates opportunities for social capital transactions" (2002, p. 24). External network structures create avenues of opportunity that can be leveraged to access the resources of outside contacts. Internal connections "create opportunity to work together" (Adler & Kwon, 2002, p. 25). These connections are initiated by

the individuals participating in the opportunities of the network. The same literature follows with Motivation as a direct source of social capital and reinforces, like Putnam, norms and trust as foundational components to the integrity and effectiveness of social capital. Similarly, Adler and Kwon (2002) discuss the concept of generalized reciprocity as a fuel/motivation towards collective action and a part of binding communities; “it transforms individuals from self-seeking and egocentric... into members of a community with shared interests, a common identity, and a commitment to the common good” (p. 25). Finally, the OMA acronym is rounded out with Ability—the competencies and resources throughout the network—as the final source of social capital. Abilities enable the opportunities and motivations of social capital to come to fruition for individuals, and social capital may struggle to meet every challenge without the capability to implement these aspects.

Reflecting on the outline of these definitions, it becomes clear that social capital is not an individual characteristic or a personality trait but a resource that resides in the networks and groups in which people participate. A core notion consistently expressed is that groups and networks have value and represent an opportunity for investment and a more nuanced appreciation than currently granted in today’s outlook. It is also important to illuminate that these characterizations reveal distinctive contextual presentations of social capital. Bourdieu (1986) asserts social capital as social exchanges (p. 241), and somewhat similarly, Coleman (1988) contextualizes social capital as a structure and function that facilitate actions among actors. Fukuyama (1995) also adopts an economic context with social capital as the prevalence of trust across society, and Putnam (1995) reinforces that it is features of social capital (networks, norms and trust) that facilitate coordination and cooperation. Nahapiet and Ghoshal (1998) suggest social capital as a resource embedded in and derived from networks of relationships. Adler and Kwon (2002) present a contextual view of social capital as goodwill derived from social relationships. This summary provides multiple contextualizations of social capital (i.e., resources, exchanges, features) and an opportunity to appreciate the definitions’ variation and their contextual differences and similarities.

The Cooperative Identity and Social Capital

This section examines the seemingly natural connection between cooperatives and social capital, considering social capital one of cooperatives’ primary attributes. As Saz-Gil et al. (2021) state, “Cooperatives are social enterprises in which trust and cooperation are basic pillars” (p. 5). They propose this notion while examining the relatedness of social capital and the “Statement of the Cooperative Identity” by the ICA (2015, p. 2), charting the definition, principles, and values and linking each to social capital. The Cooperative Identity is the foundational commitment of all cooperatives worldwide, a system and network that creates a common union to enhance cooperation and create economic opportunity. Cooperatives are guided by their principles, operationalizing how their value systems and structures are implemented. By incorporating case study research that expresses social capital advantages and cooperative connections, a rationalized Connected Framework is presented to advance the research outcomes of the interrelationship between the Cooperative Identity and social capital and the intrinsic benefit of their association and exchange.

A cooperative is “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (ICA, 2015, p. 2). Embarking on an appreciation of social capital, it becomes apparent that a cooperative may cease to exist without social capital. Uniting voluntarily suggests coming together through trust to create a network of people, a strong nod to Adler and Kwon’s (2002) social capital definition, which emphasizes the goodwill of groups and individuals coming together, and similar to Fukuyama’s (1995) outline of social capital stemming from trust throughout society. Meeting common economic, social, and cultural needs suggests mutual grounds of norms, generosity, and reciprocity; all elements expressed throughout social capital definitions. Joint ownership indeed declares and demands trust and networks, alongside strengthened democracy as a standardized norm and expectation within the humanistic governance of cooperative organizations.

Cooperative values include “self-help, self-responsibility, democracy, equality, equity, and solidarity along with ethical values of honesty, openness, social responsibility and caring for others” (ICA, 2015, p. 2). Social capital dimensions as advanced by Putnam (1995) shine through these values both explicitly and implicitly: Networks make these values possible, norms inspire and reinforce, and trust builds strength and inspiration through the

empowerment of honesty. Following the ICA (2015), the seven cooperative principles are ingrained in the cooperative values. In the following sections, each cooperative principle is linked explicitly to social capital.

A further connection between cooperative values and the initial building block of people-centeredness is described in the “Cooperative Enterprise Model” by Miner and Novkovic (2020, p. 8), which highlights the significance and relationship among cooperatives, social capital, and individuals. Though not explicitly declared, ‘people-centeredness’ is a cooperative characteristic that resonates throughout the ICA’s statement on the Cooperative Identity (2015, p. 2). It stands as incredibly important in determining how and why cooperatives are created: persons unite voluntarily to meet their common economic, social, and cultural needs and aspirations. Through the definitions of social capital, people-centeredness can be connected to a critical understanding that “social capital is not an individual characteristic or a personality trait but a resource that resides in the networks and groups to which people belong” (Mouw, 2006, p. 79). People-centeredness, a fundamental and essential characteristic critical to the cooperative movement and the enterprise model, is a key factor in the formation of cooperatives, establishing a distinct connection across cooperative values and social capital.

Principle # 1 – Voluntary and Open Membership

Principle #1, “Voluntary and Open Membership,” is a central aspect of the cooperative movement since its inception in the first half of the 19th century (ICA, 2015, p. 5). Reaffirming the importance of people participating in and committing to their cooperative, it is voluntary to join and be involved with others to achieve shared economic, social, and cultural objectives. Open membership is a foundational principle, emphasizing inclusivity and anti-discrimination. The right to free association, which allows individuals to choose whether or not to join others in pursuing common goals, is a “fundamental right outlined in the United Nations Universal Declaration of Human Rights” (ICA, 2015, p. 5).

Returning to a cornerstone definition of social capital by Putnam (1995), this principle is similar to the “features of social organization, such as networks, norms, and social trust, that facilitate coordination and cooperation” (p. 67). Voluntary and open membership expresses the right to freedom of association and is a fundamental human right. These norms of reaffirming choice and inclusivity form a foundational structure of a cooperative enterprise and exhibit a clear connection to social capital dimensions. Trust becomes embedded through the collective actions and pursuit of the common good for cooperators. The ‘openness’ of this first principle is also critical and relevant to the potential for perverse social capital (social capital that benefits an individual(s) but may not benefit the larger community).

Guttman (2023) examines the ICA’s (2015, p. 2) principles and values of cooperation in connection with ‘Ostrom’s design principles for commons’, which formed as a response to surmounting negative capitalistic impacts (Guttman, 2023, p. 35). His analysis found a correlation to Ostrom’s first principle of ‘Clear Boundaries’, which concerns who may use or access the commons, and was positively juxtaposed across cooperative Principle #1 for voluntary and open membership, describing “a similar responsibility... so that members can freely pursue their common, social, economic and/or cultural needs” (Guttman, 2023, p. 44). High standards of ethical behaviour are required of members of both the commons (Ostrom) and cooperatives; for example, norms of reciprocity, honesty, and responsibility adopt and connect a social capital viewpoint. Cooperative members may find it easier to meet higher ethical standards when they view the output of their collective effort as a commons itself (Guttman, 2023, p. 44).

Principle #2 – Democratic Member Control

Principle #2, ‘Democratic member control,’ distinguishes the valuable task of producing a voice for each person individually, ensuring that norms and values are well represented as a collective. Democracy is not just correlated to voting in general assemblies or elections; it has deep roots in the prominent characteristics of cooperatives, such as collaboration, consensus, and collective decision-making. Under this distinctive and important cooperative principle, power is distributed across cooperatives through equal voting rights of “one member, one vote” (ICA, 2015, p. 2) as an important ideal that aims to organize function and decisions democratically. This representative approach humanizes decision-making, reorganizing and distributing power dynamics among cooperative members, employees and groups. Across the Cooperative Enterprise Model, members jointly own and democratically govern

the cooperative, and this critical self-governance is described as the “underlying engine of autonomous cooperative enterprises” (Miner & Novkovic, 2020, p. 8).

According to Miner and Novkovic (2020), Democratic Governance is a fundamental building block adhering to Principle 2 in a cooperative enterprise (p. 8). Following democratic governance principles is central to the “minimum core” of a cooperative (Bouchard et al., 2020, p. 6) and represents the “underlying engine of autonomous cooperative enterprises” (Miner & Novkovic, 2020, p. 8). For smaller cooperatives, democratic practices may be more straightforward; however, as cooperatives grow, their provision of collective governance may become more challenging, particularly as their governance structure also becomes more complex (Birchall, 2017, p. 10). Social capital, united with democratic control, is likely to enhance the ability of individuals, teams, and organizations to resolve collective problems more efficiently through norms, networks, trust, and shared understandings, ultimately benefiting both the individual and the collective. This point is supported by Novkovic and Miner (2020), who state, “the more diverse voices are at the table, the better information sharing and processing capacity, and better governance” (p. 8). This is conveyed through the humanistic governance properties of cooperatives (see Novkovic et al., 2023).

Research by Friedel and Dufays (2023) examined the democratic governance practices of agricultural cooperatives in Flanders, Belgium to investigate how they bring social capital into practice. Their study concluded that there is a link between all three dimensions of social capital (networks, norms, and trust) and the principles of humanistic governance practices (p. 274). At the culmination of their work, they reinforced the importance of “a genuine interest in the well-being of the members” (p. 274), made possible through active engagement, transparent information sharing, and consultation. Finally, their study identified a high level of social capital when combined with lived and intentional cooperative principles (p. 275), such as democratic member control.

Cooperatives can illustrate social capital as the co-op ‘*spirit*’ or a ‘Cooperative Advantage.’ A cooperative enterprise is established on unique characteristics; it is *people-centered*, jointly owned, and democratically controlled by its members (Novkovic & Miner, 2020). Through its democratic governance system and emphasis on humanistic aims, cooperatives distribute an enhanced appreciation for social, economic, global, and local realities (Novkovic & Miner, 2015, p. 11). The “Needs Theory of Governance” by Sacchetti and Tortia (2021) links human psychology to economic institutions through governance structures. It reinforces cooperatives as purpose-driven organizations with “governance solutions consistent with needs theory in human psychology” (Sacchetti & Tortia, 2021, p. 1) and connects human needs as the driving force of governance choices (Sacchetti & Tortia, 2021, p. 23). Governance can therefore be understood as a functional solution designed to meet human needs, thereby contributing to self-actualization and well-being. A connection is established here through social capital and humanistic governance, where cooperatives genuinely care for the well-being of their members; this connection to social capital development is achieved by actively engaging members in daily practices, such as sharing transparent information, consulting with them, and implementing democratic decision-making processes. The humanistic aims and characteristics of cooperatives lead to the conclusion that their purpose is determined and accomplished through well-established social capital by means of human-centred democratic governance systems, aimed at meeting members’ social and economic needs. As people-centered and democratically controlled organizations, cooperatives are designed to recognize a broad spectrum of social needs and leverage their ‘Cooperative Advantage’ through deep-rooted social capital focuses and governance structures.

Principle #3 – Member Economic Participation

Principle #3, “Member Economic Participation,” of the Cooperative Identity establishes that “Members contribute equitably to, and democratically control, the capital of their cooperative” (ICA, 2015, p. 29). This principle outlines how members invest in their cooperatives by raising or generating capital and allocating surpluses. A cooperative’s purpose is to meet people’s needs, not to generate a speculative return on investment or to benefit the cooperative’s capital. The primary motive for people forming a cooperative is to become self-reliant as a collective and to meet the needs of the cooperative members. The key economic concept enshrined within this principle is that “in a cooperative, capital is the servant, not the master of the enterprise” (ICA, 2015, p. 2). This principle serves as the financial translation of the definition of a cooperative’s identity. As this notion is associated with social capital, the critical elements of norms and trust within a cooperative that focuses on meeting member needs is emphasized

rather than return on investment. It is easy to connect the norms of reciprocity, generosity, and value creation for members by meeting the needs of the people. This norm is outside of self-interested values of capital accumulation and capital speculation. The cooperative movement, enabled by this distinctive financial approach, makes business decisions in the name of what is best for people, members, communities, and the planet: “concern for social and environmental sustainability makes business sense and helps to sustain a co-operative’s economic success” (International Cooperative Alliance, 2015, p. 86). Cooperatives offer a breakthrough type of business model rich in social capital and trust and norms of shared values are plentiful.

To evaluate the effects of social capital on member participation, Cerya et al. (2020) investigated a student cooperative in West Sumatra. Across cooperatives, users, in this case, students, have the dual identity of being both members and owners of the cooperative, and the “active involvement of members determines the sustainability of the student cooperatives and the benefits that will be obtained by its members” (Cerya et al., 2020, p. 277). While this perspective takes a more qualitative view, the implications and exploration are directly comparable to Principle #3 for Member Economic Participation, as the cooperative’s primary goal is improving its members' welfare (Cerya, 2020, p. 278). Their review suggests that strong social capital will “increase the effectiveness of an effort to increase welfare; on the other hand, weak social capital will diminish the spirit of togetherness, exacerbate poverty and hinder any efforts to improve welfare” (Cerya, 2020, p. 276). This is a robust statement through the lens of both cooperation and social capital. Their view suggests that the social capital in this case was so poor that it greatly and negatively influenced participation (p. 278). Their review indicates that trust, social networks, and norms, all elements of social capital, significantly influence the participation levels of cooperative members, and, if they were strengthened, then member participation would also increase (Cerya, 2020, p. 283).

Principle # 4 – Autonomy and Independence

Principle #4, ‘Autonomy and Independence,’ focuses on the relationship between cooperatives and national governments, as well as international governmental organizations. However, it also has implications for the relationship between cooperatives and other commercial entities. Autonomy and independence are critical characteristics of a cooperative, existing as organizations that have the freedom to act independently to govern themselves, control their affairs, and set their own rules of operation (ICA, 2015). A cooperative is not autonomous and independent unless control rests internally with its members in accordance with sound, open, transparent, and accountable democratic practices. While the words autonomy and independence may signify notions of individuality, the essence of a cooperative and its connections to social capital as a critical strategic advantage should not be overlooked. Acting autonomously requires social capital elements to be activated, and the notion of social capital networks becomes increasingly apparent in how cooperatives function independently yet as a complete ecosystem with social motivations.

A compelling strategic advantage in the sphere of social capital becomes the ability of cooperatives to harness or expand their innate social capital resources towards amplifying their existing resilience (Birchall & Ketilson, 2009, p. 2). The notion of resiliency is particularly important, both academically, practically and in association with Autonomy and Independence in today’s world, due to the sheer intensity of rapid change, heightened crises, and mounting inequalities. Wulandhari et al. (2022) synthesized multiple fields of study to provide a bundled definition of cooperative resiliency as “the organization's ability to recover from disruptions, maintain dynamic integrity in the presence of ongoing stress, and exploit opportunities that pivot on achieving economic and social goals” (p. 376).

Wulandhari et al. (2022) also deliver a relevant case study that provides an empirically grounded framework of social capital mechanisms enabling cooperative resilience. Aiming to answer the question ‘*How can cooperatives strategically utilize social capital to build resilience?*’, their investigation of producer cooperative ‘Koperasi Kerta Semaya Samaniya’ (KSS) in Bali, Indonesia, highlighted its resilience amid regional and internal challenges and displayed how effective social capital mechanisms can support adaptation. Their work presents three dynamic and interrelated propositions.

The first proposition states that adversities concerning institutional, political, or market voids and deficiencies can motivate a cooperative to form and thus turn to social capital to establish alternative structural support and reinforce mutual objectives. This proposition emphasizes the connection to the cooperative principle of autonomy

and independence. KSS harnessed challenges as an opportunity and responded by pivoting, strengthening shared narratives, offering understanding/compassion, and making clear communication pathways to foster closeness by emphasizing shared values and building up the farmers' welfare within the region. Particularly inspiring, "the cooperative's ability to turn difficulties into opportunities also led to the formation of a cognitive explicit dimension of social capital, showcased by a sense of the spirit of '*modal berani*' or 'capital of braveness'" (Wulandhari et al., 2022, p. 380). The second proposition argues that cooperatives can channel and target social capital mechanisms, developing individual resilience (Wulandhari et al., 2022, p. 381). The third and final proposition outlines that cooperatives can utilize social capital to build process transparency, collaborative work, and widening of networks that will result in enhanced flexibility and velocity of the cooperative (Wulandhari et al., 2022, pp. 382-383).

The KSS cooperative experience and their explicit 'capital of braveness' likely sounds familiar to cooperators globally. Cooperatives are organizations often born out of a desire to meet needs where a void or deficiency exists (Birchall, 2009, p. 2). This human-based market response formalizes as a 'cooperative' and generates social cohesion towards mutual objectives to benefit the collective and community. These findings highlight the essential link to the cooperative principle of autonomy and independence, reminding us of the power and importance of self-governance and individual freedom. From this perspective, social cohesion binds together mutual interests and forms the strategic advantage of social capital through strengthened cooperative resilience, further reinforcing and perpetuating the communal foundations of cooperative organizations.

Principle # 5 – Education, Training and Information

Principle #5, 'Education, Training, and Information,' is the cooperative movement's long-standing and distinguished commitment to education (ICA, 2015, p. 2). The three components— 'education,' 'training,' and 'information' —each serve a different function in cooperative education. 'Education' involves understanding and applying cooperative principles and values in daily operations and providing members with broader development opportunities (ICA, 2015, p. 57). 'Training' focuses on building the practical skills required for managing a cooperative, whereas 'Information' refers to the responsibility of educating the public about the values and principles that underpin cooperative enterprises, as well as the broader benefits they contribute to society (ICA, 2015, p. 57). A social capital view of this principle suggests norms of reciprocity as cooperatives reinvest knowledge and information across members, individuals and the general public. This principle becomes critical to enlightenment and social progress, as education could undoubtedly be a 'norm' within the cooperative movement. Cooperatives educate their members, elected representatives, managers, and employees so that they can re-contribute to the development of their cooperative. This invokes the norm of reciprocity, where investment today is a particular return on the cooperative longevity and long-term opportunity and possibility.

Applying Nahapiet and Ghoshal (1998)'s examination of social capital as a lens to cooperative Principle #5 may reveal opportunities for enriching and empowering cooperative training, education and information exchange. Their view is that "the roots of intellectual capital are deeply embedded in social relations and the structure of these relations" (p. 260) and that firms with higher abilities to create and exploit social capital will also recognize a measurable difference in performance. Their work further contributes to a Principle #5 discussion by displaying that social capital increases the efficiency of action through information diffusion and high levels of trust and also positively affects adaptive efficiency, creativity, and learning: "researchers have found social capital to encourage cooperative behavior, thereby facilitating the development of new forms of association in an innovative organization" (p. 245). These perspectives support the importance of cooperative Principle #5 and that social capital offers advantages in aspects of training and education through access to intellectual capital exchange, value appreciation, and motivation to exchange intellectual capital within the cooperative and its ecosystem.

Singh et al. (2021) consider a social network approach to investigate a cooperative's success with information sharing and advice-seeking. Their work explores how co-educating and learning effectively functioned for active members of the Dairy Cooperative Society (DCS), a village-based and community-managed collective enterprise in India. Information sharing "allows members to acquire new opportunities and knowledge" (Singh et al., 2021, p. 2), while advice-seeking enables members to gain technical and strategic insights. Studying these two learning behaviors runs comparably to 'Combination' and 'Exchange' of information to generate intellectual capital, as postulated by Nahapiet and Ghoshal's (1998) social capital framework. Singh et al.'s (2021) conclusion displayed an efficient

exchange of knowledge and learning among members, evidence of smooth transfers of leadership roles, and found an “inclusive, efficient information exchange network and balanced advice seeking network” (p. 10). There was an indication that information and advice exchange was not excessively centralized, leading to flatter hierarchies and high reciprocal relationships. These features together “contributed to the success of DCS” (Singh et al., 2021, p. 10). This case illustrates that the social capital and the network of the cooperative played an integrated and mutually reinforcing role in the learning systems of DCS’s members and their community. This relationship and positive outcome should be considered in appreciation of Principle #5 on Education, Training and Information for cooperatives.

Principle # 6 – Cooperation Among Cooperatives

Principle #6, “Cooperation among Cooperatives,” illustrates how cooperatives positively engage with one another in their business operations and contribute to the growth of the global cooperative movement. Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through networks and structures. This principle correlates to the cooperative networks and relationships that bridge, bond and link (Saz-Gil et al, 2021); and the core idea of social capital theory is that social networks have value (Bourdieu, 1986; Coleman, 1988; Adler & Kwon, 2002). Networks link clusters, subgroups, and cooperatives together to create structures that may otherwise not be connected if not for the cooperative identity, common purposes, and commitment to Principle #6. These different types of networks can be crucial for leveraging resources, ideas, and information, which also play a role in social well-being and cooperative success. Working together as a cooperative movement establishes trust, while also developing norms of reciprocity and acts of generosity, both big and small, which become the underpinnings of the cooperative community and cooperation among cooperatives. These identifiable norms foster cooperation and collective action, sowing the seeds of social trust and helping to make social order possible. A commitment to cooperation is the hallmark of the business enterprise and the movement; it is the clearest expression of a shared desire to create a better, more sustainable, and equitable economic future for all humanity. The normative approach is for cooperatives to collaborate in competitive markets by forming cooperative groups, secondary cooperatives, and federations to harness the enterprise advantage and create a commonwealth for mutual benefit. The sixth principle signifies that cooperatives are enhanced by working together, and it is the foundations and inherent advantages of social capital that make this principle possible and endlessly reciprocal.

Market pressures, globalization and digitalization place fundamental pressures on all businesses worldwide (United Nations, 2015, p. 5). Cooperatives must remain strategically committed to their principles and goals, both social and economic. Bonner et al. (2021) present a research study on the contribution of social capital to organizational performance, explicitly exploring two separate architectures of social capital: entrepreneurial and cooperative social capital. This work helps to uncover the relationship between cooperative social capital and strengthened cooperation among cooperatives.

Entrepreneurial social capital is a work style that “seeks the advancement of the individual” (Kang & Kinnie, 2013, as cited in Bonner et al. 2021, p. 3855). Cooperative social capital emphasizes “teamwork and collective trust” (Wu, 2008, as cited in Bonner et al., 2021, p. 3855). From this introduction to Bonner et al.’s work, an alternative definition of ‘cooperative’ and ‘cooperation’ is being utilized, taking the words in their more literal sense of working together and collaborating, as opposed to the formalized business association structure of being a cooperative. The literature remains prevalent and insightful, helping to identify the underlying strategic social capital advantage that cooperation, or a cooperative approach, fundamentally represents and establishes at its core.

When discussing operational performance, Bonner et al. (2021) adopt a multidimensional, constructive approach, ultimately identifying several agreed-upon measures within the operations management discipline to assess four aspects of operational performance: quality, delivery, flexibility, and cost (p. 3856). They espouse and connect the idea here that “social capital can improve operation’s speed, flexibility and responsiveness through employee knowledge exchange” (Zhang et al., 2017, as cited in Bonner et al., 2021, p. 3856). Examining the outcomes of this work, leads to considering how operational performance may influence and strengthen the capacity of cooperatives to collaborate and excel together.

Bonner et al. (2021) found that *cooperative* social capital (as opposed to *entrepreneurial* social capital, which is more focused on individual benefits) significantly impacted quality performance. This finding was based on cooperative social capital, which upholds a higher level of cohesive knowledge sharing, team integration, and efficient cross-functional knowledge transfer, and promotes employee involvement and managerial commitment—all of which contribute to increased quality performance (p. 3859). How these advantages are linked to cooperative traits can be appreciated, particularly in how they may enhance internal and external collaboration within cooperatives.

Cooperative social capital also had a considerable impact on delivery performance compared to the results of entrepreneurial social capital. This corroborates that a cooperative approach fosters stronger buyer-supplier relationships, shared values, and more substantial connections across networks (as opposed to an individualistic culture), enhancing operational performance and outcomes. Cooperative social capital also impacted flexibility performance and costs; findings supporting a collective culture will foster communication across departments, potentially facilitating cost reductions (Bonner et al., 2021, p. 3861).

Ultimately, Bonner et al.'s (2021) analysis indicates that a cooperative structure, inclusive of social capital, enhanced all four dimensions of operational performance studied, whereas an entrepreneurial approach was not significant (p. 3861). Creating cooperative social capital improves organizational operations' quality, flexibility, delivery, and cost performance. Having a shared language, trust, and a willingness to exchange knowledge enables the exploitation of both tangible and intangible resources for the betterment of the organization. This conclusion underscores how cooperative social capital can enhance collaboration among cooperatives. It highlights that prioritizing a common language, building trust, and fostering a willingness to share knowledge provides a considerable advantage for advancement. A case study example of this collaborative ideal is offered by Etxezarreta et al. (2021), who examined how the non-profit cooperative Agintzari S. Coop activated ecosystem scaling processes that strengthened the cooperative and its surrounding entities without expanding the organization or compromising its commitment to the Cooperative Identity (ICA, 2015, p. 2). Their research revealed an "ecosystemic model over an organizational one" (Etxezarreta et al., 2021, p. 3), which also scaled the entity's social impact without expanding the organization. In this example, the cooperative was motivated by internal factors, such as reconnecting with its founding motives (p. 14), alongside external factors, including the threats and opportunities presented by the 2008 financial crisis (p. 15). These motivations resulted in a scaling strategy of either replication, utilizing Agintzari as an "ideological base" (Etxezarreta et al. 2021, p. 17), or scaling via structure in the formation of a cooperative group (p. 17). This study demonstrates that cooperatives can grow through these inter-cooperative growth strategies and deepen their social impact without expanding in size (Etxezarreta et al. 2021, p. 20). This concept from a social capital perspective is adopted here, as this case study highlights the importance of shared languages, commitments, and trust in fostering a willingness to collaborate. This example of inter-cooperation provides a healthy ecosystem approach to cooperation among cooperatives.

Principle # 7 – Concern for Community

Finally, Cooperative Principle #7, 'Concern for Community,' ultimately promotes and brings to life the values element of the cooperative identity: honesty, openness, social responsibility, and a caring approach towards others (ICA, 2015). Cooperatives emerge from and are rooted in the communities in which they conduct their business; their success is based on the ability of these communities and local networks to survive, thrive, and develop sustainably. Concern for the community is a fundamental principle guiding how cooperatives approach their work and business. It challenges cooperatives to demonstrate that it is possible to be a successful and sustainable enterprise that benefits its members, communities, and the environment. Cooperatives offer an alternative because they recognize the interconnected bottom lines of human, planet, and profit. 'Concern for Community' is embedded in the cooperative blueprint as the 7th Cooperative principle: "concern for social and environmental sustainability makes business sense and helps sustain a cooperative's economic success" (ICA, 2015, p. 86). This principle links cooperatives with economic development and positive impacts visible within their local territories, which has been illustrated through a well-researched social capital framework established by Bianchi and Vieta (2020). The seventh cooperative principle is therefore especially well-linked to social capital theory. Trust and common norms inspire cooperation and collective action towards a better future for all humankind. It reinforces group and collective interests in an enduring and sustainable future for people and the environment, expressing gratitude for the world we live in and promoting collective action towards its protection.

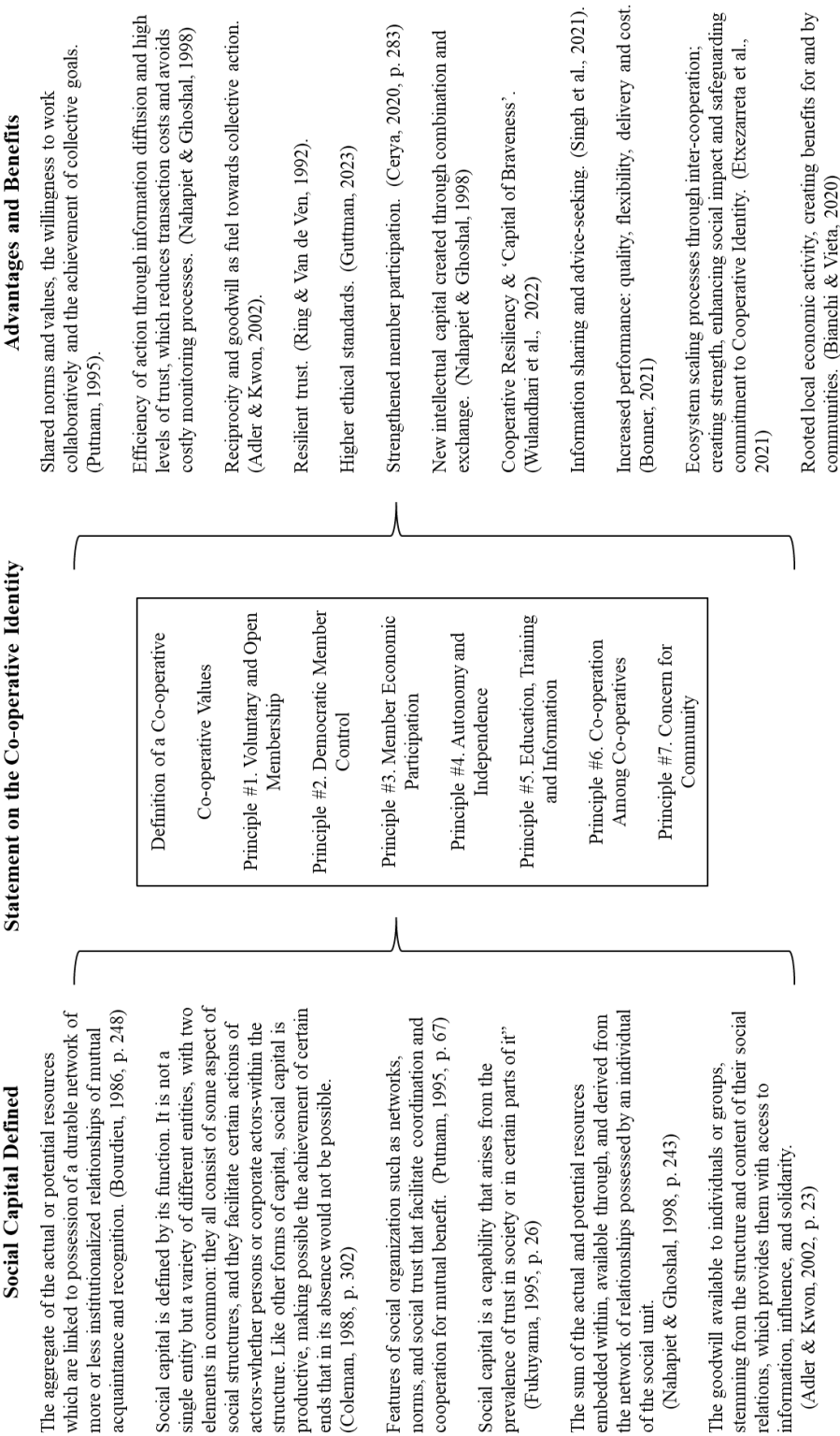
Bianchi and Vieta (2020) interrogate social capital to analyze the link between cooperatives and their resultant local community and territorial benefits. The analysis postulates cooperative business organizations are rooted in “local social, economic, cultural, and political dynamics, and are thus ideal for anchoring a territory’s economic activities in endogenous rather than exogenous interests” (Bianchi & Vieta, 2020, p. 1600). This work helps us to explore socioeconomic contexts and understand the advantages of cooperative business organizations as coordinators of local economic activity creating benefits for and by communities. The conclusion, via a compelling social capital framework, encourages community connections and cooperatives rooted in the local territory: “cooperatives can be seen to mobilize collective social capital as coalesced and guided by a co-op members’ habitus or members’ common dispositions and practices oriented toward meeting shared needs via collective actions and goals” (Bianchi & Vieta, 2020, p. 1612).

Connected Framework

The second objective of this research is to explore Cooperative Identity, which has led to establishing a ‘Connected Framework’, outlining the natural relationship and benefits of social capital to cooperatives. Social capital is demonstrated and strengthened through the principles and values of cooperatives, as networks empower them, norms support them, and trust enhances cooperative impacts. Through each of the cooperative principles, case studies and relevant literature were examined to highlight the available social capital advantages for cooperatives. The numerous linkages of the Cooperative Identity (ICA, 2015, p. 2) were reviewed to identify social capital definitions proposed by prominent sociological academics. The outputs of this correlation present a view of a Connected Framework to highlight the opportunity for strengthened people-centeredness, bolstered cooperative resilience, increased quality performance, grounded local impact, new intellectual capital generation and more. These values, advantages, and benefits reflect the powerful insights and positive outcomes derived from this research and connections to the Cooperative Identity.

Figure 1 presents the ‘Connected Framework’ which highlights the relationships between social capital and the cooperative identity, summarizing the current analysis and reiterating the uncovered social capital value, advantages and benefits.

Figure 1. Connected Framework



Critical Reflections

The Connected Framework highlights the linkages between social capital and cooperatives, alongside the benefits and potential advantages of their interconnectedness. It is essential, firstly, to explore the intricate relationship between isomorphic pressures and social capital, particularly in the context of how social capital engages the Cooperative Identity. Understanding this relationship involves examining how external as well as internal pressures influence the development of social capital within cooperative organizations, potentially leading to mission drift (Stoop et al., 2021; Bretos et al., 2023) or even cooperative degeneration (Côté, 2019, p. 28; Bretos et al., 2020). Secondly, the darker aspects of social capital are observed to raise awareness of the potential adverse effects that can arise from social capital (Baycan & Oner, 2022), particularly the potential formation of in-groups and out-groups and, therefore, exclusion.

Isomorphism, Mission Drift and Degeneration

Cooperatives can only tackle collective action dilemmas when sufficient organizational social capital is present; therefore, social capital has consistently been regarded as a particularly effective value or fuel for cooperatives in this paper. A deficiency in social capital can become a side effect of isomorphic pressures, as illustrated by research by Stoop et al. (2021) examining whether the cooperative structure, that is, the declaration of being a cooperative, inherently engages and maintains social capital. Their research was conducted with employees from local banks, which form a significant financial services cooperative in the Netherlands. The research displayed how a “seemingly stable cooperative structure hid the fact that the bank had gradually moved into a new organizational field, away from its social origins to a large extent adopting the practices and norms of its new peers, which were large commercial banks” (Stoop et al., 2021, p. 549). Scaling and integration with larger financial ecosystems weakened relationships with cooperative members and decreased member ratios, a process accelerated by the advancing digitalization of financial systems and the broader economic environment. Stoop et al.’s research concludes that the cooperative structure is “ultimately no safeguard against the erosion of organizational social capital” (p. 549) and instead recommends that “mission drift (from a social enterprise perspective) would need to be countered by active steps to ensure commitment to cooperative principles throughout the organization, and, thus, re-establish the primacy of the original mission” (Stoop et al., 2021, p. 560).

Stoop et al. (2021) and Bretos et al. (2020; 2023) help reinforce the notion that declaring cooperative status and commitment to a cooperative identity is an insufficient strategic advantage for sustaining long-term social capital. Ultimately, social capital is deeply embedded in the original mission of cooperative formation. However, the ongoing commitment to and application of the cooperative principles and values will ensure the longevity of the organization's original intended purpose, which will, in turn, support its strategic advantage in terms of social capital and ward off isomorphic tendencies. Cooperatives must balance economic objectives with social considerations; this dichotomy faces constant pressure, and the duality fundamentally embodies the tension between cooperative enterprises' economic and social values. Novkovic et al. (2022) suggest that “co-operatives have the strongest impact when they acknowledge and take advantage of their unique organizational values and characteristics” (p. 9).

The Dark Side of Social Capital

The potential negative aspects of social capital must also be given attention, to offer a gentle warning about its possible undesirable impacts and outcomes. While social capital is often celebrated for its benefits in fostering connections and building community, it is crucial to acknowledge that it also carries inherent risks (Saz-Gil et al., 2021; Baycan & Oner, 2022). Negative impacts might manifest in various forms, such as the reinforcement of inequality, the creation of exclusive networks that marginalize individuals, or even the potential for manipulation within social structures. Through awareness of these darker aspects, cooperators can gain a deeper understanding of the complexities of social capital and appreciate the importance of a balanced perspective that encompasses both its positive and negative consequences.

Discussed in the critical review literature by Baycan and Oner (2022), Souza Briggs (1998) introduced the concept of “perverse social capital”, which elaborates that social capital may be beneficial for an individual but not always for the community or society as a whole. The premise also speaks to existing *faulty* lines in the nature of our world, such as race and ethnicity, social class, gender and culture. It is important to be aware of normative bias and

appreciate how collective and individual interests are not always equivalent. Baycan and Oner (2022) additionally conclude and highlight that social capital can be argued to be “spatially sticky” (p. 794), space and location-dependent. Brown (2019) discusses the exclusion and cohesion properties of social capital, noting that “insularity can put pressure on group outliers to conform to social norms, and it allows fringe groups to sustain a narrative of opposition to mainstream society” (para. 13).

Saz-Gil et al. (2021) apply the social capital dimensions model developed by Nahapiet and Ghoshal (1998) to outline the harmful effects of social capital on structural, relational and cognitive dimensions. Structurally, social capital “in closed networks can lead to discrimination, exploitation, corruption and domination.... within an organization and a region” (Saz-Gil et al., 2021, p. 4). From a relational and cognitive perspective, extreme trust and insufficient control can result in unnoticed opportunistic behaviours. This warning about trust and its relationship to the right amount of oversight and supervision highlights a delicate balance for cooperatives who might over- or underemphasize trust and people-centeredness.

Interacting with these alerts and concerns with cooperatives, and, more specifically, the Cooperative Identity, it is contemplated how the principles and values of cooperatives might mitigate some of the negative aspects of social capital. Principle #1 for Voluntary and Open Membership ensures that cooperatives are “open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination” (ICA, 2015, p. 2). This first principle serves as a valuable safeguard against the potential exclusionary consequences of social capital. To help balance trust and supervision, Principle #2 for Democratic Member Control may help retain a flatter hierarchy of cooperative control, thereby preserving regulation closer to the heart of the membership base and enacting a somewhat natural supervision mechanism. Cooperators should also note the values of equality, solidarity, honesty, openness, social responsibility and caring for others as explicitly described in the statement of the cooperative identity and enlist these positive norms as helpful defences against perverse social capital.

Conclusion

The research completed here is intended to act as a launching pad towards social capital discourse within the cooperative ethos. It could be suggested that social capital dimensions be incorporated into the study within cooperative education programs, incorporating sociology literature to ensure that it is used as an informed facet of cooperative organizations. Future research opportunities this paper hopes to inspire might include interviews, surveys, or analysis within cooperative organizations to measure social capital levels, raise awareness, and encourage the introduction of social capital measurements and metrics.

The culminating Connected Framework offers an overview of the research within the scope of this paper. It aims to inspire and enrich social capital benefits across the cooperative sector. With the correct amount of exploration and prudence, it can be confidently asserted that social capital provides an unparalleled strategic advantage in a world increasingly desperate for a more human-centred and balanced economy. Social capital is embedded in the overarching purpose of the cooperative sector, as it empowers the primary purpose of cooperation: meeting everyday economic, social, and cultural needs and aspirations through a collectively owned and democratically controlled enterprise focused on the common good for everyone in the world.

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A Model for Healthy Democracy in Canadian Housing Cooperatives

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Abstract: In light of Canada's housing affordability crisis, housing cooperatives play a crucial role in delivering stable, community-based, affordable housing. However, governance and operational challenges, particularly in smaller cooperatives with limited resources, can weaken democracy and the cooperative housing sector's effectiveness. To address these challenges, this research develops a Model for Healthy Democracy in Canadian Housing Cooperatives by identifying key indicators of democratic health through primary and secondary research. The study identifies factors that most influence democratic health, such as Board and membership composition, cooperative rules, norms, culture, and the regulatory environment, and recognizes that such health can vary as factors vary, hence move along a continuum. The model can be used to evaluate democratic health, foster member participation, and inform supportive government policy. The study fills a critical gap by addressing underexplored links between regulatory environments and democratic health in Canada's housing cooperative sector.

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Keywords: governance, cooperative housing, democracy, government, member participation

A. Introduction

This research paper aims to establish a *Model for Healthy Democracy in Canadian Housing Cooperatives* based on indicators identified through primary and secondary research. Healthy democracy is defined as good decisions based on member input with consideration of cooperative identity resulting in long-term cooperative viability and member satisfaction. This research is important and can have positive implications particularly since Canada is facing a housing affordability crisis. It is critical that housing cooperatives be a key part of the solution, as they offer stable, secure, at cost affordable, community-based housing. However, some challenges can plague housing cooperatives, impeding their potential.

Difficulties in housing cooperatives can often be linked to weak governance or management, which are affected by various factors. It is important to examine these areas given how poor decisions and unhealthy democracy in a cooperative tend to lead to heightened member conflict, negatively impact the sector's credibility and jeopardize the long-term future of housing cooperatives and their members.

Additionally, smaller cooperatives can be challenged because they have fewer resources. This can lead to Board of Director burn out, inability to access capital financing for repairs, inability to attract or maintain quality management and operations staff, and an inability to meet member needs through their life stages including changes in family size and aging in place. An international study by Crabtree et al. (2019) noted that Board governance can often "fall to a subset of residents with resultant overload and burnout" (p. 22).

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Healthy democracy can be further influenced by a housing cooperative's rules, norms, and culture and by having a sufficiency of competencies, training and information among its membership, as well as by the regulatory environment. The impact of regulatory oversight on housing cooperatives is an area not well understood or sufficiently studied given the history, devolution and programs affecting housing cooperatives in Canada. It needs to be examined as a key factor in a housing cooperative's ability to practice healthy democracy.

The purpose of the research is to outline factors that most influence and lead to healthy democracy in Canadian housing cooperatives and explain the factors and extent to which healthy democracy exists in Canadian housing cooperatives. The research objectives are to:

- Examine factors and associated indicators to develop a Model for Healthy Democracy for housing cooperatives,
- Recommend policy and practices associated with the model that can further enable healthy democracy, and
- Identify whether housing cooperative size, location and structure impact healthy democracy.

B. Background and Context

Housing cooperatives offer great value yet represent less than 1% of the total housing stock in Canada (Canada Mortgage and Housing Corporation [CMHC], December 2018, p. 2). CMHC's *"1992 Evaluation of the Federal Cooperative Housing Program"* found that 'the dollar value of self-help resident participation [was] substantial,' and its 2003 *Co-operative Housing Programs Evaluation* estimated that co-ops' capital and operating costs were 11% lower than other non-profit rentals" (Coulson, 2024, para 10). In spite of this, there remains skepticism and misunderstanding over the cooperative model derived in part from the lack of understanding of the impact government program requirements have on housing cooperatives. There is also a perception that conflicts of interest may skew and limit the housing cooperative's ability to make sound decisions. Hence, the importance of this paper is in exploring the democratic health of housing cooperatives to alter perception and practices, if needed, in order to support a stronger and viable future.

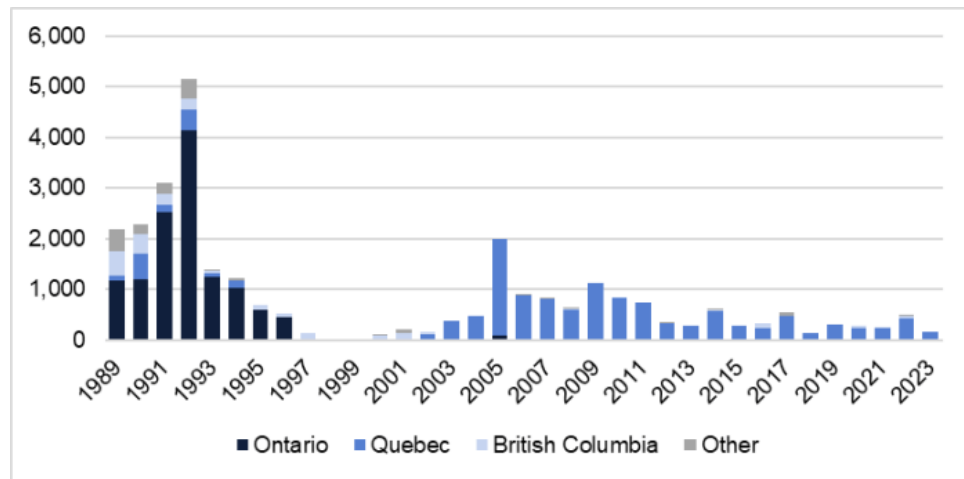
Emergence of Housing Cooperatives

The Canadian housing cooperative sector saw its key growth in the 1970's with the advent of federal programs funding their development until the 1990s (Coulson, 2024, para 2). The government funding programs required the housing built to be affordable for the duration of the funding agreements. Affordable housing is commonly defined as housing costs that do not exceed 30% of the total household income (Verbeek et al., 2024). The percentage of affordable homes within a cooperative varied. The percentage of low income, or rent geared to income households, varied between 15% and 80% of total households in a housing cooperative. Past government programs included a rental subsidy component, in essence to fund the gap between what low-income households paid and the cost of housing. This rental subsidy was part of agreements with housing providers, hence paid directly to the housing providers. Rent Supplements also existed and were paid to the individual, regardless of housing type whether private or non-profit. Housing cooperatives have, in the majority of cases, been built under government programs and served low-income households.

Government involvement and responsibility in and for housing in Canada, has a complex and sporadic history, in part due to a 1949 amendment to the National Housing Act. The amendment declared the provision of low-income housing to be through joint federal-provincial programs (Begin, 1999, para 5).

With the halt to federal program funding in the 1990's, as illustrated in Figure 1, the federal government retreated from providing community and affordable housing.

Figure 1: History of Federal Government Program Funding



Source: Coulson, J., July 22, 2024. Cooperative Housing in Canada. Hill Notes. Library of Parliament.

The Province of Ontario has downloaded responsibility of housing to local government with an inadequate tax base and capacity to manage. Most provinces have played limited roles in housing with government spending at federal and provincial levels nominal and inadequate (Begin, 1999, para 10) to this day.

A lack of government accountability through the decades is debated as “legal experts generally agree that, constitutionally, neither the federal government nor the provinces are legally required to provide affordable housing, nor are they prevented from doing so” (Office of the Auditor General of Ontario, 2017, p. 698).

Evolving Role and Impact of Governments

The parameters around government funding programs and associated agreements have substantially affected housing cooperatives, including their ability to exercise strong democracy and member decision-making control. Funding Programs, or legislation in the case of Ontario, have limited housing cooperatives’ ability to make decisions related to capital reserve contributions and refinancing. They have also limited housing cooperatives’ abilities to exercise options to strengthen their viability through such strategies as mergers, amalgamations or acquisitions.

This research will provide insight into the impact government oversight and regulation have on housing cooperatives, including their ability to operate in accordance with their cooperative identity through democratic member control, ownership and decision-making. The notion and reality of the impact of government have been recognized by cooperatives globally and demonstrated through the Cooperative Law and Regulation Initiative (CLARITY), which stated that “... outmoded legal systems were barriers to cooperative development in many parts of the world” (International Cooperative Alliance, 2024, para 1).

When government funding agreements ended, which were associated with the end of the housing cooperatives’ mortgage payments, the government did not continue with the rental subsidy. However, members’ household incomes did not change and with aging buildings, capital investment needs increased. This resulted in these housing cooperatives facing a revenue shortfall. Being member owned and controlled, housing cooperatives offer security of tenure, and thus were obliged to support housing security for their low-income members. The expectation of government that housing cooperatives would cover the income gap of low-income households was problematic and led to significant capital deficits as housing cooperatives sacrificed the capital requirements needed to maintain the housing cooperative in good condition in order to keep their most vulnerable and low-income resident members housed. This is a difficult dilemma and choice for any cooperative living its cooperative values and identity. Advocacy by the cooperative housing sector led to a new rental subsidy program called the Federal Community Housing Initiative, which was for housing cooperatives built under federal funding agreements.

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In Ontario, with a higher percentage of low-income households in housing cooperatives, the situation continues to be highly problematic. Consequently, current trends show that the financial viability of housing cooperatives in Ontario approaching the end of their mortgage and subject to the Housing Services Act are at great risk. These housing cooperatives have also been under heavy municipal (i.e., Service Manager) oversight and constraints from this regulatory regime. They do not have full decision-making control to set appropriate budgets, nor contribute sufficiently to capital reserves due to problematic regulatory expense benchmarks used by Service Managers (municipal government). These housing cooperatives have further limitations as government approval is required for refinancing and merging with other housing cooperatives.

The Last Decade

As agreements ended, amid financial viability concerns and the need for greater income mix and overall resources, new housing solutions have emerged over the last decade. With the federal government re-entering the affordable housing sector with the establishment of Canada's first ever National Housing Strategy in 2017, new government housing funding programs have also emerged (Lee, 2022, para 1). New programs, however, do not include rental subsidies but still require housing charges (rents) to be below average or median market rent.

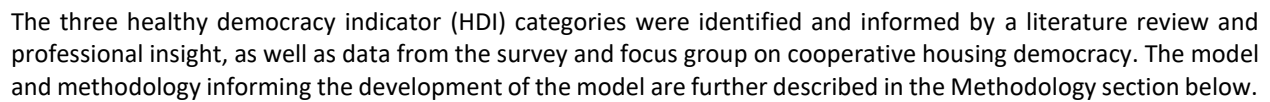
These new housing solutions include land trusts, land cooperatives and larger multi-site housing cooperatives such as Compass Nova Scotia, Community Land Trust (BC) and Co-op Housing Land Trust (ON). Land trust and land cooperatives have also been used to fuel growth in the cooperative sector by bringing together land, buildings and people in a way that offers more opportunities. Combining resources under such umbrella organizations has allowed for greater access to funding, skills and people, and housing types to meet ongoing member needs. There are varying governance and democratic models used across these solutions. This paper will not examine the member democratic control variations among these models; however, it will begin to explore any trends or correlation between these multi-stakeholders or multi layered governance models and the degree of healthy democracy found within them. Ultimately, more research is needed on whether and how new governance structures impact member democracy and long-term decision-making.

Cooperatives are unique housing solutions, offering at cost, stable and community-oriented housing which are strongly needed in today's housing crisis. There is high potential for growth of cooperative housing solutions in today's Canadian economic, environmental and social reality. A strong future, based on the unique aspects of cooperatives is dependent on healthy democracy. Developing a Model for Healthy Democracy in Canadian housing cooperatives with the associated factors, indicators and enablers is an important tool for improving good governance, member understanding, empowerment and participation in the decisions affecting their housing.

Concept of Healthy Democracy

The Model for Healthy Democracy is illustrated in Figure 2 below. It is based on a healthy democracy continuum recognizing that housing cooperatives can move along the continuum throughout their life. The model embeds three broad indicators and related factors that form and can influence the health of a housing cooperative's democracy: 1) Sufficiency of member and Board of Director composition; 2) Enabling rules, norms, culture; and 3) Regulatory environment and member control in decision-making. The model further recognizes the potential impact of the cooperative's structure and that the factors affecting democratic health can change over time.

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This research used a literature review, and primary and secondary data to develop the Model for Health Democracy. The literature review was undertaken to identify key issues and factors influencing healthy democracy, including the impact of government and regulatory environments on cooperatives, and the prevalence and influence of member participation and engagement in the success and democratic functioning of cooperatives. Appendix A: Data Collection and Methods provides further detail.

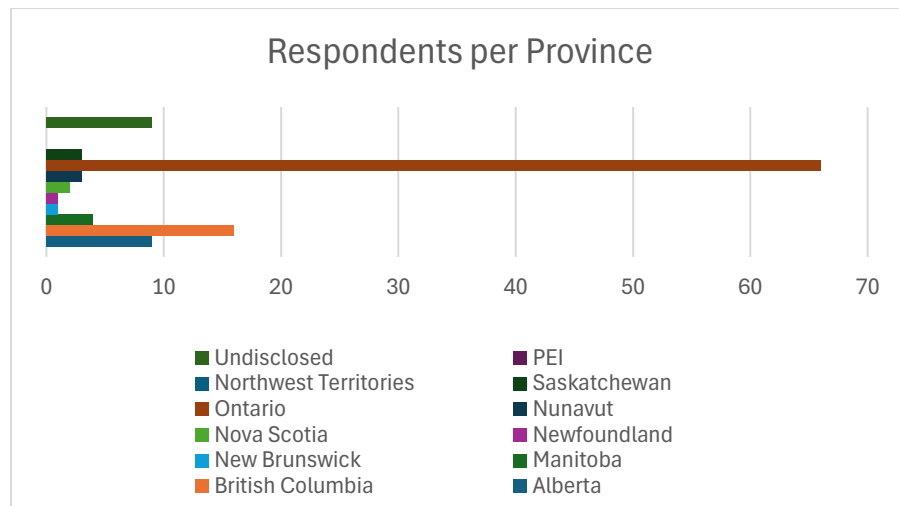
Quantitative primary data was then gathered using a survey questionnaire. It was used to assess the democratic health of Canadian housing cooperatives according to the Model for Healthy Democracy. The survey questions, healthy democracy indicators and associated weighting were identified and used for the analysis in this paper based on key components identified in the literature review (e.g., quality of decision-making based on transparency of information, community involvement and engagement, Board of Director skills and qualifications) in addition to the qualitative data from the focus group. Higher ratings were attributed to healthy democracy indicators of candidate elections, Board of Director planned turnover and training, and impact of regulatory environment.

A Model for Healthy Democracy in Canadian Housing Cooperatives

The survey responses were individually rated according to the Model for Health Democracy factors, then assessed collectively to determine an overall status of democratic health of Canadian housing cooperatives. Drawing on the base profile questions included in the survey, the data was further analyzed to identify potential correlations or trends in healthy democracy ratings against cooperative housing size, structure (land trust, land cooperatives) and location.

The survey was circulated to members of CHF Canada and shared via partner federations, staff and manager interest groups. According to the Co-operative Housing Federation (CHF) Canada, there are approximately 1082 housing cooperatives across all provinces with the exception of Quebec (CHF Canada, 2025). There were 113 respondents to the survey, with majority representation from Ontario, representing a response rate of approximately 10%. Figure 3 below shows respondents per province:

Figure 3: Survey Respondents per Province



Secondary data from the Agency for Co-operative Housing, which administers federal housing programs on behalf of CMHC, was used to further explore financial decision-making and cooperative identity, specifically adherence to the principles of education, information and training and concern for community (in this case, maintaining homes in good repair for future generations). The raw data was retrieved from the Agency for Co-operative Housing's internal database, upon request by the author, and analyzed solely for the purpose of this paper.

The Model for Healthy Democracy was developed based on knowledge of the cooperative housing sector gained through CHF Canada education programming, resources, advisory and financial services, a focus group of cooperative housing staff and managers, and on a literature review of healthy democracy and models. In particular, Souliotis et al.'s (2018) healthy democracy index, as well as, O'Connor and Gates' (2000) notion of healthy communities were helpful. O'Connor and Gates (2000) declared astutely that, "As decision-making is spread more widely and thinly across the many interests of the community, creating a safe civic space to promote meaningful deliberation that leads to decisions based on common values will be crucial to the success of our communities" (p. 160). In addition, the Democracy Fund foundation's healthy democracy framework informed the choice of indicators related to culture, demographic diversity, elections, engagement and regulatory environment (governing institution) (Democracy Fund, 2025).

The model was further informed by CHF Canada's member survey (2022) responses that indicated lack of member engagement, community and financial viability concerns due to actual or potential loss of subsidy as key issues among Canadian housing cooperatives. CHF Canada's 2025 Board of Director report for co-operative advisory and support services further indicated the top requests relate to conflict, governance and financial viability. Gaps in democratic health were clear in the literature review and anecdotal information from sector leaders, managers and organizations indicated gaps and opportunities to strengthen democracy in Canadian housing co-operative.

The contributing factors to healthy democracy (HD) within each of the three Health Democracy Indicator (HDI) will now be described.

HDI: Sufficiency of Member and Board Composition

The first HDI within the model is sufficiency of members and Board of Director composition. Specifically, this includes factors such as the number of members available and subsequently the degree of diversity in skills, qualifications, and interest in the governance of the cooperative. Other factors include whether minimum eligibility requirements for the Board of Director and associated committees exist, the extent to which turnover in the Board of Directors is planned, and the extent to which Board of Director vacancies are filled as a result of elections, which is a prime and pre-requisite factor for healthy democracy. Planned turnover allows for time and member awareness of opportunities to join the Board of Directors and enhances the probability of sufficient numbers and eligibility of candidates and consequently elections, a fundamental aspect of democracy. As cited by Fuad Afgan (2016), “The source of power, in a democratic regime, is election, and consequently it is the basis of legitimacy” (p. 1). Planned turnover of the Board of Directors can be achieved with terms, term limits, and sufficient candidate interest to result in elections.

Since elections are fundamental to democracy, the extent to which Board of Director vacancies have sufficient candidate interest and occur due to a planned vacancy, thereby increasing the likelihood of an election, was considered as a factor in democratic health. The Confederation of Cooperative Housing’s *Governance and Management: Guidance for Co-operative and Community Led Housing*, recommends that a co-operative “prepares to renew and replace governing body members before they stop being active. It has a training programme that supports future sustainability” (2025, p.13).

HDI: Enabling Rules, Norms and Culture

The second HDI is the extent that the housing cooperatives’ rules, norms and culture enable good governance processes. This includes rules and norms that ensure the cooperatives, overseen by the Board of Directors, are fully transparent and proactively and actively make information both available and accessible to members. This was emphasized by Curado Malta et al. (2020) who state, “When there is an information asymmetry in the COOP in aspects considered critical, its members' lack of confidence increases, this shows the importance of improving knowledge about COOP and increasing information dissemination” (p. 4). Information transparency practices promote trust among and across the members and Board of Directors of a cooperative, and promote informed decision-making, important factors in democratic health.

Additional factors include accessibility of information, as it relates both to language (plain language and language of choice) and having information available and distributed in varied formats, such as paper, electronic, and audio. As democracy is founded on participation in decision-making, and decision-making requires information, democracy is founded on enhanced participation and widely accessible information.

Compliance is considered a factor for healthy democracy under the HDI of rules, norms and culture as it relates to setting and adhering to rules to avoid conflict of interest, ensure transparency and meet regulatory requirements. Norms are habits and culture is behaviour. Norms can inform culture. Norms around seeking expert advice and services to perform due diligence and duty of care is a contributing factor to healthy democracy. Rules and norms related to a cooperative as a good employer able to attract and retain good employees are considered a factor for healthy democracy, as are rules that enforce healthy and safe work environments, including being free from workplace violence and harassment, and providing a fair or living wage. According to Barford et al. (2022), providing a living wage to employee(s) can lead to “Greater economic security, higher motivation, and better health [which] contribute to employee satisfaction, improving the overall working environment” (p. 10).

Lastly under the HDI of rules, norms and culture is a culture of learning, based in and reflective of cooperative identity. This includes factors such as regular training of a Board of Directors, irrespective of age and tenure, creating and offering opportunities for member training and education, and, importantly, new member welcome and orientation information. These factors affect members’ ability to be informed, understand, feel confident and equipped to make decisions, hence impact the cooperative’s democratic health.

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HDI: Regulatory Environment and Member Control in Decision-Making

The third HDI category relates to the impact of the regulatory environment of a cooperative on member decision-making control. Aligned with the notion that “Cooperatives can be best promoted by providing the conditions under which they can flourish and compete in the marketplace” (Dobrohoczki, R., 2006, p. 148), the health of democracy among housing cooperatives can be and is greatly affected by government regulation and legislation. As Dobrohoczki (2006) further states, “The consequences of co-operative legislation and government support depend on its character, but usually the consequence is a perversion of the co-operatives” (p. 146). The concept of healthy democracy in cooperatives relies on member control in decision-making, ideally enabled by a supportive regulatory environment. In particular, members should be allowed and empowered to take part in decisions regarding capital reserves and investment, long-term financial planning and inflationary adjustments. This aligns with the cooperative values of self help and leads to healthier democracy.

HDI Rating Scale

Data related to the Healthy Democracy Indicators and factors were gathered through the survey questionnaire and rated to inform individual and then collective results of the health of democracy among Canadian housing cooperatives. Table 1 below shows the factors and ratings associated with each indicator. Higher ratings of 1 or 1.5 were attributed to indicators deemed to have greater impact on democratic health based on the literature review and the author’s sector insights. Positive responses, where the healthy democracy indicator was present, received between 0.5 and 1.5 points. Negative responses were assigned zero.

Table 1: Healthy Democracy Indicators and Rating

HDI Categories	HD Factors	Rating	
		Positive Response	Negative Response
Member and Board of Director composition	Diversity in skills, qualifications, interests of members and Board	1	0
	Board of Director minimum qualifications	1	0
	Planned turnover	1.5	0
	Resignations	0.5	0
	Candidate elections for vacancies	1.5	0
Rules, norms and culture	Communication and information to members	1	0
	Transparency – decisions and financials documentation	0.5	0
	Transparency - open meetings	0.5	0
	Board of Director training	1.25	0
	New member orientation	1	0
	Board of Director duty of care and diligence - COI policy including declarations	1	0
	Board of Director duty of care and diligence - seeking specialized expertise, compliance	1	0

HDI Categories	HD Factors	Rating	
		Positive Response	Negative Response
Level of member control and regulatory environment	Programs, policy and regulatory environment	Helpful = 1.25	Harmful = 0
	Member control (sole authority on capital contributions, housing charges, financing, merge/amalgamate)	1	0
	Long-term planning	1	0

Limitations

Limitations arose from the scope of the study and time constraints affecting the collection of primary data. As a result, research is needed to further explore the extent to which each factor in the model for healthy democracy contributes to overall democratic health. It should also be noted that the focus group and survey did not achieve full national representation. In particular, the overall survey response rate was low at 10% and there was little or no survey representation from the Northwest Territories, Quebec or the Maritime provinces. The findings and conclusions cannot therefore be reliably attributed to housing cooperatives in those regions. However, the survey response was otherwise representative of the distribution of housing co-operatives in Canada and the triangulation of data from the survey, focus group and literature review enhanced the validity and reliability of the findings.

D. Findings

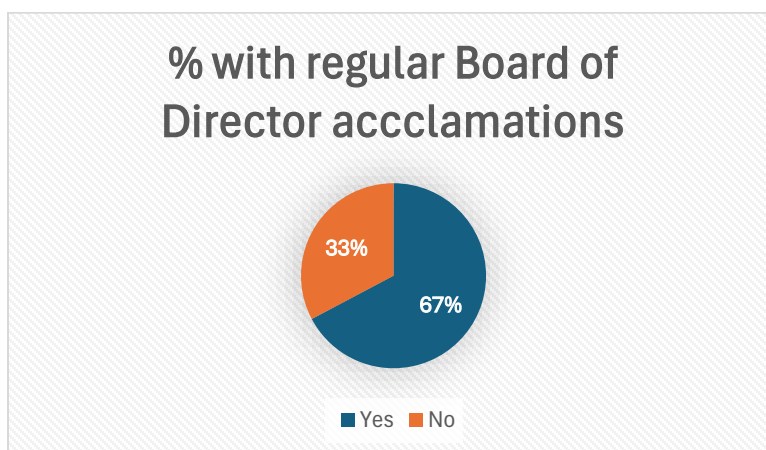
The findings are presented according to each of the model's three Healthy Democracy Indicator (HDI) categories, followed by healthy democracy ratings across Canadian housing co-operatives. Finally, potential correlations related to size and structure of housing cooperatives to their degree of healthy democracy are presented.

i. Sufficiency of Member and Board of Director Composition

a. Member Engagement and Democratic Participation

Lack of member engagement and participation were cited as issues for healthy democracy. The survey showed frequent Board of Director acclamations (67%), where there were no elections, hence no member voting for Board Directors (Figure 4). Of the respondents who identified frequent acclamations of their Board of Directors, it is notable that 60% also had low ratings for information sharing and new member orientation.

Figure 4: Housing Cooperatives with Regular Board of Director Acclamations



A Model for Healthy Democracy in Canadian Housing Cooperatives

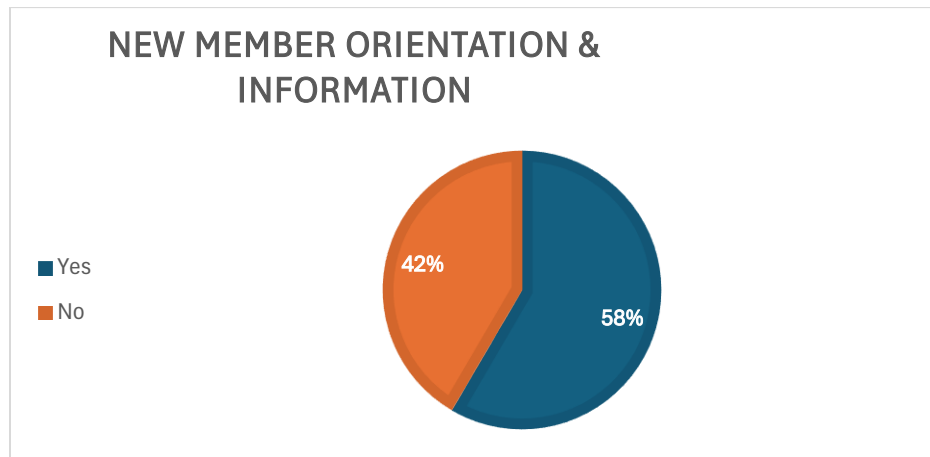
Reasons cited in the focus group and survey data for lack of engagement included the focus on affordability over co-operative identity, lack of time due to financial pressures, apathy and lack of interest, feeling that input won't be considered and burnout of active members.

ii. *Housing Cooperative Rules, Norms and Culture*

a. *Transparency and Communication*

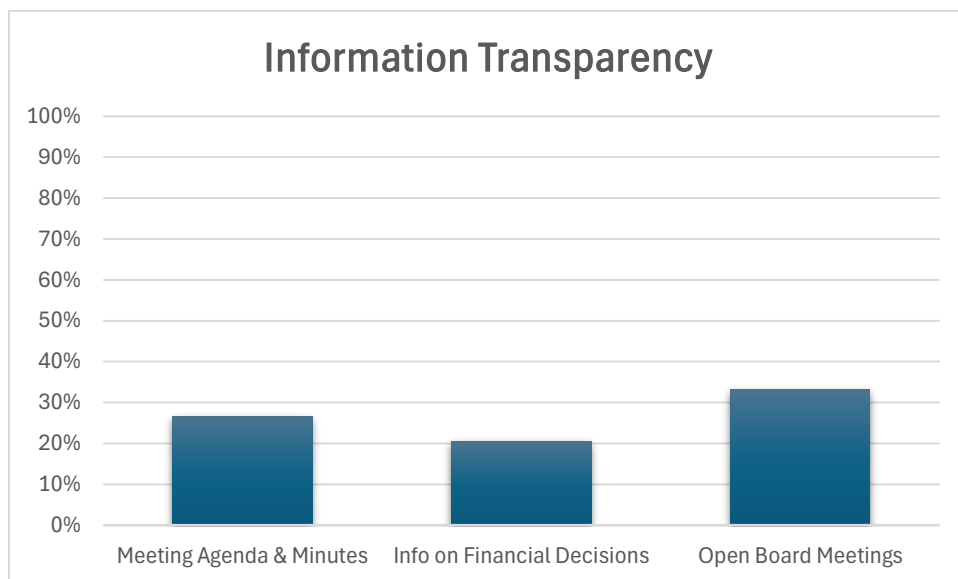
Only 42% of survey respondents indicated having new member welcome information and orientation (Figure 5). Respondents cited, "New members [are] not co-op oriented", and that "members seem more interested in the Co-op due to affordability rather than a desire to be part of a Co-op". There was also feedback from respondents that there is a need to "recommit to the cooperative identity".

Figure 5: Housing Cooperatives with New Member Orientation



As seen in Figure 6, survey responses indicated very low levels of information provision and transparency in the areas of the provision of Board of Director meeting agendas and minutes (27%), open Board of Director meetings where members could attend and observe (33%) and information and communication related to financial decisions of the housing cooperative to members (21%).

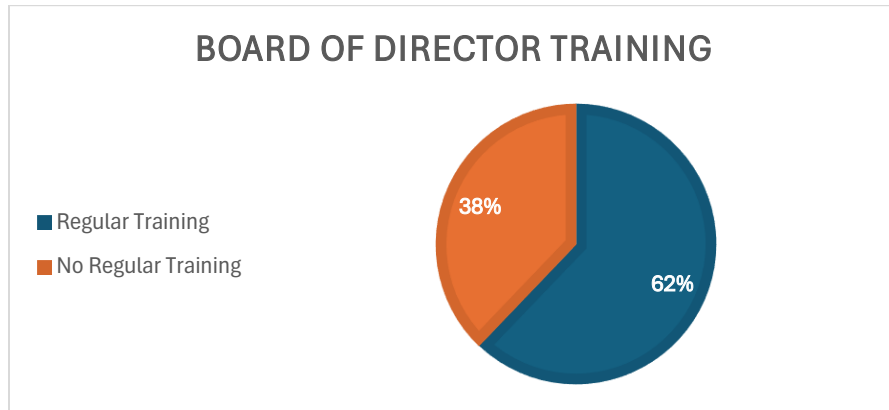
Figure 6: Information Transparency Among Housing Cooperatives



b. Training

The need for enhanced skills and knowledge for improved democratic health was identified in the qualitative primary data, as well as in the secondary data. The survey, which asked about training in general, showed that while only 34% of respondents require specific skills or competencies for their Board of Directors or Board committees, 62% provide regular training (Figure 7). Data from the Agency for Cooperative Housing further showed an average annual spend by housing co-operatives of only \$692 on Board training over a 10-year timeframe.

Figure 7: Regular Board of Director Training in Canadian Housing Cooperatives



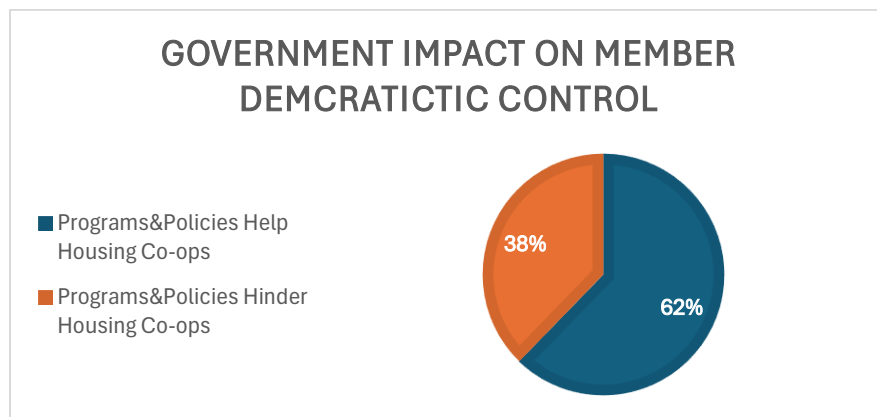
Findings may indicate that training related to fiduciary duties and obligations of a Board of Directors including interpretation and compliance with bylaw(s) and legislation is lacking or insufficient. As previously cited, qualitative data identified potential concerns with adherence to rules and compliance with housing cooperatives' own bylaws. According to the survey, 58% of respondents confirmed that legal or expert advice is sought by the Board of Directors to fully understand how to exercise their fiduciary duty and roles.

One respondent shared that, "Most members have had little to no experience serving on a board or have through their own employment, never supervised staff or been in a position of oversight at any level. The Board relies heavily on the manager in order to maintain good governance".

iii. *Regulatory Environment and Member Control in Decision-Making*

The survey revealed that 62% of respondents found that government policies and programs have helped the cooperative thrive in a manner that respects and maintains their autonomy and member democratic control. However, 38% of respondents felt that government legislation, programs and/or policies impeded their autonomy and/or diminished their member democratic control as per Figure 8.

Figure 8: Government Impact on Member Democratic Control

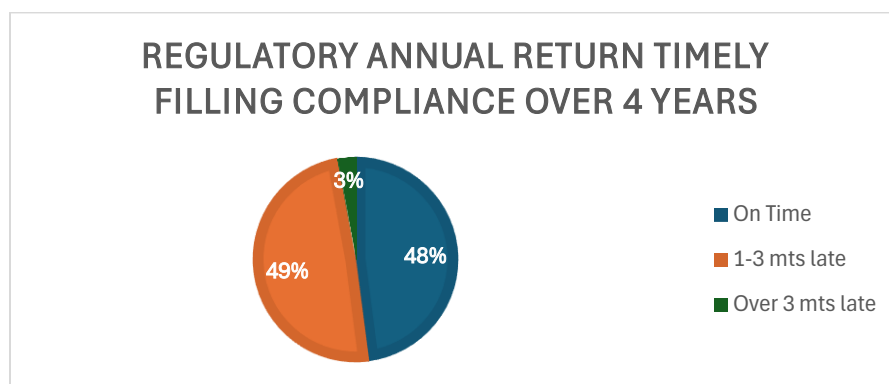


A Model for Healthy Democracy in Canadian Housing Cooperatives

A further 32% of survey respondents stated their cooperative experienced constraints through lack of member control for decisions relating to one or more of the following: capital contributions, housing charge (rent), financing, merger, amalgamation, acquiring land for growth.

The Agency for Co-operative Housing data provided further insight into healthy democracy factors of regulatory compliance, long-term financial decisions and cooperative identity. Its data on federally funded housing cooperatives showed that the timely filling of annual returns happened in less than 50% of coops; however, the majority were submitted within 3 months of the due date.

Figure 9: Regulatory Annual Return Filling Compliance



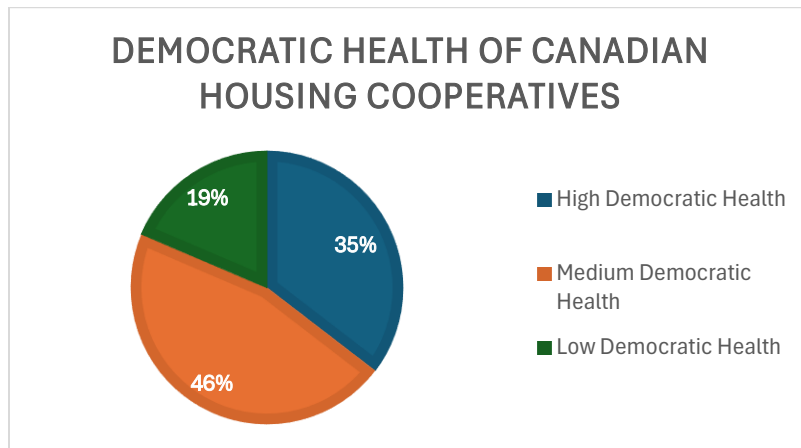
Capital reserve contributions were analyzed using data from the Agency for Cooperative Housing. The data covered a ten-year timespan and were analyzed as an indicator of healthy democracy via sound financial decision-making. This data revealed that 92% of housing cooperatives had capital reserves and 8% had no capital reserves as of December 31, 2024. Similarly, 94% of survey respondents confirmed they maintained a capital reserve. This finding can signify that: 1) the regulatory measures and oversight of the Agency for Cooperative Housing has helped with sound, future financial planning of the housing co-operatives; and 2) housing co-operatives understand the importance of and are making sound decisions related to their financial future. It is worth noting, however, that the sufficiency of the capital reserve contributions was not assessed as part of this study.

iv. Healthy Democracy Ratings Across Canadian Housing Co-operatives

The survey results were used to determine a healthy democracy rating scale by allocating points to practices which contributed to healthier democracy, referred to as healthy democracy indicators (HDI). Further details on the rating scale can be found in the Methodology section (Table 1).

The healthy democracy rating was out of 15. The median rating was 8.88, with ratings ranging from 3 to 14. Figure 10 shows that 46% of housing cooperatives fell in the medium category of democratic health, with 35% in high and 19% in low.

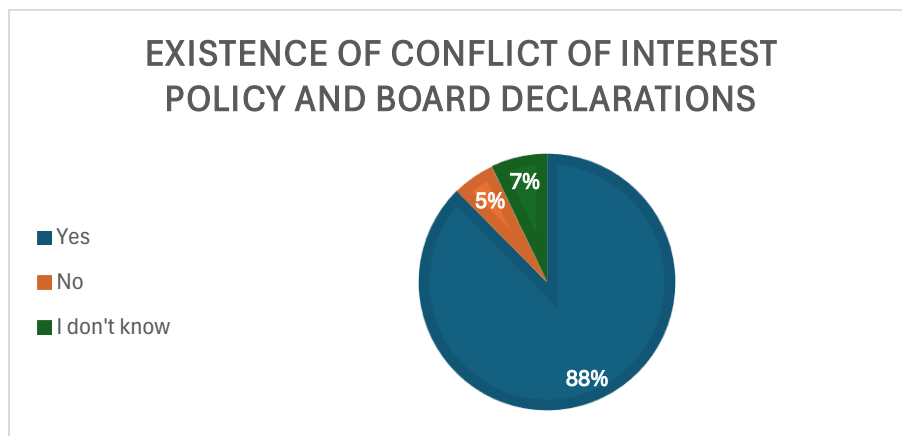
Figure 10: Healthy Democracy Rating of Canadian Housing Co-operatives



Low ratings were most prevalent among the Healthy Democracy Indicator (HDI) factors of elections, Board and Committee qualifications and experience, member control, and transparency and information. These factors are linked to degree of member inclusion, communication and democratic participation, the effectiveness of Board governance practices and government regulation.

Two indicators of Healthy Democracy had consistently high ratings in the survey data. These related to conflict of interest practices (88%) and decisions to maintain capital reserves (94%). Figure 11 shows the majority of respondents indicated the existence of conflict of interest policies and practice of conflict of interest declarations by the Board of Directors.

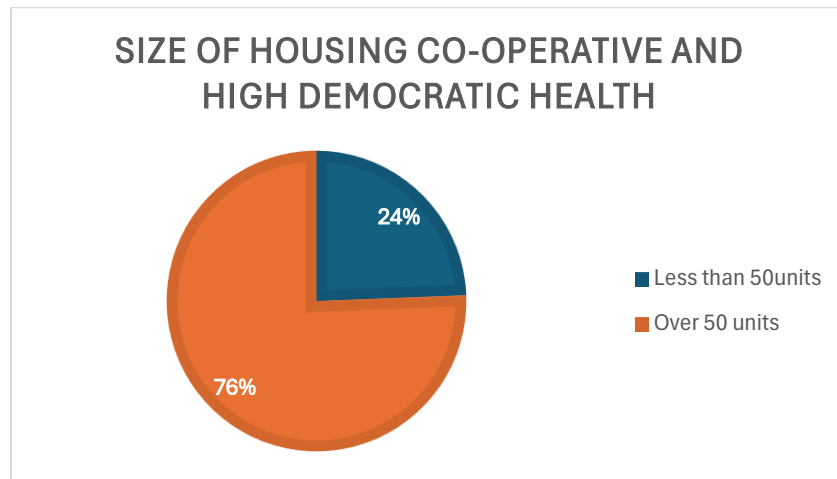
Figure 11: Existence of Conflict of Interest Policy and Board Declarations



v. *Healthy Democracy and Size of Cooperative*

While there was insufficient data to statistically verify correlations between size, location and co-operative structure, the data did reveal, as illustrated in Figure 12, that of the 35% of the housing co-operatives classified as having high democratic health, 76% were medium to large housing co-operatives with over 50 units. In contrast only 24% of small housing cooperatives with less than 50 units were in the high democratic health category. This indicates some correlation and is an area for further research.

Figure 12: Size of Housing Cooperatives and High Democratic Health



The majority of respondents (65 %) were not part of a land trust, nor had a multi stakeholder or non-resident Board of Directors, referred to as alternative governance. As such, there is insufficient data to determine any correlations between governance structure and democratic health. 38% of co-operatives with high democratic health (35%) were part of an alternate governance structure. More research would be required to more fully understand the impact, if any, of governance structure on democratic health.

Additionally, of the housing co-operatives with low democratic health, all but one responded they did not seek legal or expert advice to understand Board obligations and roles; and 97% received zero ratings related to the communication and transparency factors (Board meeting minutes, financial decisions and open meetings). Further research would be needed to substantiate any correlation between understanding Board of Director's obligations including adherence to rules and healthy democracy.

E. Discussion: Gaps and Opportunities for Canadian Housing Co-operative Democracy

Democracy in housing co-operatives is a complex endeavour influenced by a multitude of interconnected factors as the Model for Healthy Democracy shows. Challenges and opportunities were identified during the research with respect to the erosion of co-operative identity, member inclusion, education and engagement, governance effectiveness in transparency and communication, and government control. Loss or lack of cooperative identity is increasingly being examined in the cooperative sector. As Kaswan (2021) astutely observed, "A major topic in the theory literature regarding cooperatives is the degeneration thesis, which holds that, over time, cooperatives gradually lose their democratic character as the pressures of having to succeed economically in a traditional capitalist environment lead to a weakening of cooperative values" (p.191), a phenomenon which resonates in findings from this study. A lack of understanding of co-operative principles appears prevalent and impedes member engagement.

i. Fostering Cooperative Identity – Education and New Member Orientation

The lack and loss of cooperative identity among the membership of housing cooperatives is identified as a critical issue. This was supported by the focus group feedback indicating participation in governance is lacking, and the limited education and training demonstrated by the Agency for Cooperative Housing data and survey data. With only 42% of survey respondents providing new member welcome and orientation information, there is significant opportunity to enhance the understanding of membership and doing so in varied and accessible ways. Many housing cooperatives, particularly in Ontario, have a large portion of low-income households including residents from social housing registries' priority populations. This can contribute to issues of engagement related to language barriers and lack of knowledge of the obligations of being a member. Technology can be leveraged for instant translations, as can the existing and prolific resources available across the cooperative housing sector.

There is also an opportunity to include the review and interpretation of bylaws and applicable cooperative acts in housing cooperative custom training. Cooperatives should consider seeking external expertise for this training, and ongoing support related to adherence to rules and law. The third-party insights and expertise could further enhance trust and transparency and reduce unhealthy conflict in housing cooperatives.

ii. Fostering Cooperative Identity – Social Interaction and Inclusion

A study by Crabtree-Hayes et al. (2024) showed that “...members who feel that participation is equitable and who experience feelings of agency within their co-operative [are] more likely to continue to take part in membership practices” (p.97). Further, Gidengil and Wass (2024), concluded that social interaction is an enabler to participation (p. 427). Therefore, housing cooperatives could benefit from increasing and ensuring there are regular opportunities for social and informal interaction of members of the housing cooperative.

The literature review consistently revealed that investing in member education and fostering a sense of community are seen as vital for strengthening co-operative culture. Ultimately this indicates that cooperatives who are conscientious and intentional about creating a healthy, open, inclusive, learning culture are more likely to experience greater member engagement, cooperative identity, and healthy democracy.

iii. Fostering Cooperative Identity – Communication, Information, Transparency

Another indicator of healthy democracy that can influence member engagement and participation is communication and information, in particular the degree to which it is regular, sufficient, accessible and available. The need for, and importance of providing information in an accessible way, not solely making information available when asked, is seen and supported by Souliotis, K. et al. (2018) who explored patient participation in and for more informed decisions regarding their health, where they found a positive correlation. In essence, better decisions are made when well informed.

As noted in the findings, a housing co-operative Board of Directors can rely heavily on their manager in order to maintain good governance. The notion of heavy reliance on management, particularly where confidence and competence are not strong or maintained at the Board of Director level through information and education, has been identified by scholars. Reliance on management can threaten the cooperative identity and, in turn, the democratic health of a cooperative as articulated by Anu et al. (2022), who found, “...that democracy is mainly interpreted through its electoral conception whereas the quality of democracy remains as an open question since especially in consumer co-operative context the operational management seems to hold an excessive power and thus, the governance system neither actualises its potential nor meets the original ideas of co-op movement” (p. 2).

iv. Fostering Cooperative Identity – Government Versus Member Control

Crabtree-Hayes et al. (2024) reported on the impact of regulation on cooperative autonomy, stating, “we saw instances of participants who felt that regulation had helped their cooperative. Others, meanwhile, felt that it has undermined the autonomy of the sector” (p. 149). While a regulatory framework and some level of oversight is required, it is the degree of intervention and the manner in which it recognizes the cooperative model and identity that is the key differentiator and most important to ensure healthy, strong and sustainable housing cooperatives. It was noted, for instance, that democratic health would improve and cooperatives could be better supported through less frequent operational intervention, such as detailed feedback on housing cooperatives’ policies, and greater focus on programs of support needed for special populations and on member control of member selection. The latter would ensure individuals joining the cooperative are willing to take on the responsibility of membership and understand cooperative living. Respondents shared practical changes government can make to help rather than hinder housing cooperatives, specifically, by “removing government restrictions to make better choices and decisions; ensure proper education and information given to applicants prior to making a selection on the Access to Housing list to choose a co-op housing provider; [providing] better supports to applicants after moving”.

Cooperatives can flourish in the correct environment, one that recognizes and maximizes the principles and values of self-help. As Dobrohoczkim (2006) declared, “Outside control in the form of direct intervention of government cooperative officers in the decision-making of the board of directors or in the work of the manager would leave the board members and the employed staff of the societies with the responsibility for but without the power of decision-

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making....This would be in contradiction to the principles of self-help, identity and democratic management and control and – as a permanent measure – would destroy the co-operative character of the organization in question” (p. 150). It is worth noting that the creation of a sector led body in the Agency for Co-operative Housing provided this correct environment and offers a balance of cooperative understanding and knowledge with higher level oversight through information and tools to support cooperatives in their decision-making.

F. Practical Application of the Healthy Democracy Model and Tool

In this section, suggestions on how to apply the Model for Healthy Democracy to improve housing cooperative democratic health are presented. The model can be used in three practical ways to improve healthy democracy which aims to engage, empower, educate and enable housing cooperatives and members. The model can be used:

1. to inform government action to ensure policy and programs are appropriate to and support healthy democracy within housing cooperatives,
2. as a tool to assess democratic health within housing cooperatives and,
3. as an approach to foster greater participation in housing cooperative democracy.

i. Informing Government Action

Provincial governments can: 1) add the cooperative business model to education curriculums at secondary and post-secondary institutions; 2) increase investment to offer free professional recertification and training to new immigrants to Canada, including financial and technology literacy and English language proficiency; and, 3) provide programs to housing cooperatives who have a higher proportion of newcomers, rather than broadly for individuals, as a more efficient delivery methods. These actions are aligned with the Office of the Auditor General of Ontario’s (2017) recommendations to “develop and implement a process that provides dedicated supports, such as employment or educational supports, to those social housing tenants who are able to enter the workforce or upgrade their education” (p. 726), as well as to “provide training, resources and supports to housing providers to address the challenges they currently face” (p. 740). The skills training would provide the skills members need to feel confident and capable of fulfilling their responsibilities and potentially join their Board of Directors, along with enhancing individual wellbeing and employability.

An additional action, more particular to Ontario, would be to institute mandatory education on housing cooperatives prior to allowing individuals to select subsidized housing cooperative dwellings through the social housing wait lists. This could be in the form of videos provided by housing cooperative experts, a low cost solution.

When implementing programs, governments should assess or consult with housing sector organizations to ensure they have not unintentionally excluded cooperatives. As Yu (2024) cites, the “fourth most pressing challenge [for cooperatives] was that policymakers all too often ignore or fail to take into account the co-operative sector when designing new policies. This can mean that co-operatives are ineligible for programs” (p. 4).

ii. Tool for Assessing Democratic Health

A Tool for Assessing Healthy Democracy in your Housing Cooperative (refer to Appendix B) contains questions to be used to assess Healthy Democracy Indicator factors and provides suggested response ratings. This offers an easy tool for housing cooperatives to identify where they fall on the scale of healthy democracy. Low ratings would indicate the areas for a housing cooperative to explore in order to modify their practices and move up along the continuum to healthier democracy. For example, where a housing cooperative ratings were low in the areas of transparency and communication, it could introduce open Board meetings, make minutes clear and use plain language prior to proactive distribution to all members, or summarize the minutes in plain language and make them available electronically, allowing for the use of free translation tools.

Where participation and engagement in democracy are identified as a challenge by low ratings in elections or diversity of membership, the cooperative could seek to grow or seek alternative governance structures. They could also increase community comfort and social interaction to enrich the experience of members. As Crabtree-Hayes et al. (2024) demonstrated, engaging members in social activities and empowering community events at the housing cooperative, such as having a common garden or holding cultural potlucks, in order to create positive interactions

can be valuable in offering a greater sense of comfort and positive relationships that can enhance participation and experiences for the formal democratic functioning of the housing cooperative. Further, a significant number of respondents to the survey cited discomfort, intimidation, and fear among members of the housing cooperative in voicing their opinions. Democracy—one member, one vote—is fundamental to housing cooperatives. A vote is a voice. Exercising this vote should always be promoted, encouraged and welcomed in a positive, safe and welcoming environment. This can be fostered through practical suggestions found in section iii below.

iii. Enriching the Governance Experience

Healthy democracy can be fostered by making participation in governance an enriching experience. An enriching experience means the Board of Directors and members come away with new skills, increased knowledge, self-confidence, and self-respect. When asked, housing co-operative members said that their experience could be enriched by greater community building and development, more diversity and equality among voices heard, and learning and relying on mediation principles. For instance, a respondent shared that, *"If there was a lot more time spent on community development to assist members to understand the principles of mediation that would allow for everyone's point of view to be heard."*

Other ways this can be achieved are by continuously informing and investing in education for members and providing information in an inclusive manner such as:

- providing information in multiple languages,
- creating safe spaces for meetings and information sharing which can include protocols for speaking such as 'speaker balls', speaker trackers and timers,
- mentoring, modeling and training in nonviolent communication,
- offering the ability to communicate in the member's language of choice and varied formats such as written or audio.

Housing cooperatives can pilot new and unconventional ways to build trust and openness among members with a goal to foster greater understanding of individual perspectives while working toward collective solutions. This can include pre-meetings or meeting practices to shift mindsets and reduce contention such as "awe walks", meditation, and socials. The Trauma Research Foundation (2020) cited the mental health benefits of "awe walks", a practice of being intentionally open during walks to gain fresh perspectives and experience (para 1). These can help shift mindsets and lead to greater diversity in member participation and voices.

In a cooperative where members are less able to participate, often due to factors beyond their control, the cooperative may seek to broaden its member base in order to have more members to draw from for governance responsibilities such as the Board of Directors. Cooperatives can complement each other in various ways, including member composition. One respondent cited that "Merged/amalgamated co-ops offer a possible solution to (achieve) a well-functioning Board of Directors".

G. Conclusion

The research reveals that while Canadian housing co-operatives demonstrate some strengths in maintaining healthy democratic practices, Board of Director diversity, decisions for long-term capital investment and setting conflict of interest practices, significant gaps persist that hinder the overall democratic health of the sector. The majority of co-operatives surveyed fell into the "medium" category of democratic health, with concerning deficits noted in member engagement, transparency, Board governance, and adherence to co-operative principles.

Key areas of concern include the prevalence of Board acclamations over democratic elections, limited member education and onboarding, and weak communication and transparency practices. These challenges are compounded by structural issues such as government regulation that can inhibit autonomy, and insufficient Board training or understanding of fiduciary duties. The erosion of co-operative identity was a recurring and unifying theme across survey and focus group data. In many instances, this was linked to residents joining a cooperative because it offered affordable housing, rather than joining to be a member in a cooperative.

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There is a clear opportunity to improve the health of democracy in Canadian housing cooperatives and reinstate a greater sense of collectivity and equality and reaffirm the cooperative identity. There are opportunities to enhance new member information and orientation, shift to a culture of openness, transparency with high degree of accessible and available information, and to introduce or increase social interactions among members in particular where a sense of others can be enhanced.

To sustain and grow a healthy co-operative sector, both internal reforms and external policy support are essential. Governments must design housing programs and legislation that recognize the distinct nature of co-operatives, while co-operatives themselves must invest in their people, practices, and principles. By intentionally fostering a culture of participation, equity, and mutual support, housing co-operatives can better uphold the core democratic values on which they were founded—and thrive as sustainable, member-led communities. In the words of Mills (2015), “It is important that the challenges of co-operative governance are confronted. New thinking is needed to ensure that our largest societies operate under arrangements which meet the needs of the business and ensure that they will prosper as co-operatives” (p. 113).

The Model for Healthy Democracy in Canadian housing cooperatives can be seen as a contribution towards finding new ways to support and improve governance in the sector to ensure future prosperity.

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Appendix A: Data and Collection Methods

HD Indicator Category	Data Needed	Collection Method
Sufficiency of Member and Board Composition	<p>Primary data:</p> <ul style="list-style-type: none"> Diversity of backgrounds, age, education level, knowledge and skills of housing cooperatives members and Board of Director Board of Directors' skills and qualification requirements Frequency of Board of Director resignations, acclamations Sufficiency and interest in governance role(s) <p>Secondary data related to impact of membership diversity, skills, qualifications and turnover.</p>	<p>Survey questionnaire was used to obtain primary data.</p> <p>Literature review was undertaken for secondary data.</p>
Enabling Rules, Norms and Culture	<p>Primary data:</p> <ul style="list-style-type: none"> housing cooperatives who provide Board of Director meeting material (agendas, decisions, minutes) to members housing cooperatives who have regular open Board of Director meetings housing cooperatives with regular Board of Director training housing cooperatives with conflict-of-interest policies and declarations rely on expertise to understand fiduciary duties and Board of Director roles Education and orientation offered to members Prevalence of good employer practices <p>Secondary data:</p> <ul style="list-style-type: none"> Board of Director transparency and trust Member engagement and participation on cooperative decision-making 	<p>Primary data survey questions.</p> <p>Secondary data on housing cooperative websites or newsletters will be gleaned from operational reviews in the Atlantic region and Agency for Cooperative Housing if available.</p> <p>Board of Director and staff turnover data reports from the Agency for Cooperative Housing.</p> <p>Literature review regarding member communication and transparency, Board training, member trusts and effective decision-making (i.e. healthy democracy).</p>
Regulatory environment	<p>Primary data:</p> <ul style="list-style-type: none"> cooperatives constrained by government agreements or regulations in key financial and viability decisions <p>Primary and secondary data:</p> <ul style="list-style-type: none"> prevalence of cooperatives with capital reserves prevalence of cooperatives living the co-operative principle of education, information and training <p>Secondary data:</p> <ul style="list-style-type: none"> legal and government impacts on cooperatives, and member democratic participation and decision-making, including long term planning 	<p>Survey questionnaire was used to obtain primary data.</p> <p>Secondary data on capital reserve contributions and spend on education was collected via the Agency for Cooperative Housing</p> <p>A literature review was undertaken to collect the secondary data on legal and government constraints on cooperative decision-making.</p>

Appendix B: Tool for Assessing Democratic Health in your Housing Cooperative

The following questions will be used to determine the extent to which each health democracy indicator exists in housing co-operatives across Canada. Use the rating scale outline in Table 1 to determine whether you fall within:

High Democratic Health = Over 9.5 rating

Medium Democratic Health = Between 6 and 9 rating

Low Democratic Health = Less than 5.5 rating

A. *Member and Board of Director Composition*

1. Does your Board of Directors regularly have individuals with varied backgrounds, age, education level, knowledge and skills?
2. Are there minimum qualifications required for Board of Director or Board committee positions such as Treasurer, Corporate Secretary?
3. Has the majority of your Board of Directors been in place for over 6 years?
4. Do you frequently have Board of Director vacancies due to resignations?
5. Is there usually enough interested candidates to fill Board of Director vacancies?
6. Are Board of Directors often acclaimed?

B. *Rules, Norms & Culture*

7. Are Board of Director meeting agendas and/or minutes provided to all members?
8. Are Board of Director decisions and financials available and accessible to all members such as by paper mailout, emailed, website?
9. Does your cooperative have open Board of Director meetings?
10. Does your cooperative comply with applicable legislation (cooperative act) by submitting annual returns and holding regular member meetings?
11. Does your cooperative's Board of Director undertake training on a regular (e.g. annual) basis?
12. Are education and training opportunities offered to your members?
13. Does your cooperative have new member welcome and orientation material or information sessions?
14. Is legal or expert advice sought so Board of Directors fully understand how to exercise their fiduciary duty and roles?
15. Does your Board of Directors act as a "good employer", through competitive salary and benefits, healthy and safe working conditions, training and support, positive and open communication to staff?
16. Does your cooperative have a conflict of interest policy including obligation to declare declarations by the Board of Directors?

C. *Level of government control and enabling policy and regulatory environment*

17. Select the statement that is most representative:

Government legislation, programs or policies have helped our cooperative thrive in a manner that respects and maintains our autonomy and member democratic control

Government legislation, programs and/or policies have not helped our cooperative, impeded our autonomy and/or diminished our member democratic control.

18. a) Does your housing cooperative have sole and full decision-making authority (member control) to:
 - i. make contributions to a capital reserve
 - ii. set your housing charges
 - iii. finance/refinance
 - iv. merge or amalgamate with another cooperative
 - v. acquire land or residential property to expand or grow your co-operative
 - vi. None of the above

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Note, if your cooperative is constrained by government program, agreement, legislation, regulatory to undertake any of the above i to v, the answer would be no.

b) If you answered no to any of the above, is it due to regulatory constraint or control. If yes what aspects?

19. Does your cooperative maintain a capital reserve?

20. a) Does your cooperative undertake long-term planning, such as strategic plans, asset or capital plans?

b) If not, why?

- vii. Board of Directors don't think it's important or don't think we need it
- viii. All plans must be approved by regulator
- ix. Our funding program doesn't allow it
- x. We don't know how
- xi. Other _____ (please specify)