

SUMMARY & NOTES

2023 COOPERATIVE EXECUTIVE ROUNDTABLE

PRESENTED TO:
PARTICIPANTS OF THE MAY 10, 2023, ROUNDTABLE

MAY 2023

NCBA CLUSA convened a group of cross-sector co-op leaders for the second Cooperative Executive Roundtable at the offices of the National Co-op Bank on May 9 and 10. The list of participants is included at the conclusion of these notes. The objectives for the Roundtable were to expand cross-sector relationships at the leadership level, contemplate the benefits and challenges of the cooperative business model, and create opportunities for impactful cross-sector collaboration in the U.S. cooperative system. The approach was to introduce critical issues affecting the prospects for all co-ops and to invite open dialogue around each. What follows is not a verbatim transcript, but summarized reflections of the discussions that took place. Idea authorship is not disclosed, leading to open candor.

Summary Observations:

Thirty-two (32) cooperators from many corners of the cooperative system in the U.S. brought to bear spectacular diversity of experience and perspective on several significant topics at the 2023 Co-op Executive Roundtable. At least 12 distinct sector perspectives were present in the dialogue. The participants were, to a person, sectoral opinion leaders with deep conviction for expressing cooperative identity.

The Roundtable launched discussion around following strategic questions:

- What does innovation mean in the cooperative context?
- What evidence exists to show that operating as a co-op results in greater success and competitive differentiation?
- How can cooperatives collaborate to achieve widespread recognition as leaders in the application of fair and inclusive practices?
- How should cooperative governance differ from for-profit and nonprofit governance?
- What are the key opportunities for cross-sector co-op advocacy?

Participants from around the table contributed unselfishly to the dialogue. Thoughts and opinions could be characterized as being more observational and incremental than strategic or transformational, while the caliber of actionable idea sharing was exceptional. Participants were able to leave with tangible takeaways and strengthened cross-sector relationships. Participants provided feedback that was overwhelmingly constructive and appreciative.

What follows are impressions from the discussions that found their way into notes collected

by staff. It is hoped that these notes will trigger recollections for participants and lead to further thinking about these and other important cooperative issues. NCBA CLUSA intends to set up a virtual community for Exec Roundtable participants within its virtual Circle platform. And NCBA CLUSA CEO Doug O'Brien will communicate with participants periodically about emerging issues where contributions to policy development would be helpful.

Dialogue Notes:

The group met for a reception and dinner on the evening of May 9. This social time provided participants with an opportunity to renew acquaintances and develop new relationships. Welcoming remarks were provided by Doug O'Brien. Appreciation was extended to the event sponsors: CoBank, the National Cooperative Bank, National Cooperative Grocers and Nationwide.

Participants arrived at the offices of NCB early on the morning of the 10th. After a brief time for coffee and breakfast, introductions went around the table. In addition to personal intros, participants were asked to share one item of opportunity that would apply broadly to co-ops. The contributions included the following:

- A chance to reconsider co-op values.
- Attracting (more) youth to co-ops.
- Meeting members where they are.
- Achieving frictionless service experience for members.
- Addressing managerial burnout/turnover.
- Launching new consumer brands.
- Enhancing public awareness (of co-ops).
- Leveraging cross-sector collaboration.
- Growing employee ownership via worker co-ops.
- Elevating cooperative identity.
- Using the co-op model to differentiate.
- Resolving policy disconnects (energy).
- Amplifying the role of co-ops (like Everything Co-op).
- Overcoming limitations to (CU) state charter.
- Growing deposits.
- Partnering with non-co-ops.
- Serving new co-ops.
- Embracing new technologies to delight members.
- Leveraging mainstream capital.
- Solving for the shortage of nurses.
- Seizing opportunities with the infrastructure bill.
- Cementing relationships based on trust.
- Leveraging policies to serve the left-behind.
- Restoring excitement for housing co-ops.

Doug O'Brien thanked everyone for taking the time to contribute to the important discussions that were to follow. He also thanked the sponsor organizations and the NCBA CLUSA/NCB support staff. Mr. O'Brien introduced the Roundtable, calling it a genuinely unique opportunity - one of the few places where leaders from different co-op sectors can come together to discuss critical issues that affect all co-ops. He added that this is a tumultuous time. The focus on equity and inequality in some ways appears to be waning and trust is much diminished for democratic institutions. He then introduced Glen Sarvady, facilitator for the morning panel discussion.

- Mr. Sarvady introduced himself and asked co-panelists Astrid Scholz and Peter Muhoro to introduce themselves as well. The headline for the panel discussion was:
What does innovation mean in the cooperative context?

(Mr. O'Brien had earlier reminded the group that names would not be attached to observations and opinions that would be expressed, which would be constructive to more candid discussion.)

The panel discussed problems with access to capital for co-ops are structural. It was also said that co-ops and co-op curious organizations could provide a different (economic) narrative – the notion of a fair and inclusive economy. One piece of advice was that co-ops would increasingly have to collaborate to innovate, bringing the old ways and new ways together. Another was that innovation necessitates sustaining the core while stimulating the future.

- Mr. Sarvady posed a question to the panel – (essentially) How is co-op innovation different from innovation in the for-profit sector?

The first response was that co-ops can genuinely help consumers see how they can do better (prescriptive). Reactively waiting for the consumer to tell a co-op where they want to go was considered to be the norm in business (predictive). Relatedly, co-ops innovate with purpose. Tech co-ops, for example, innovate against network concentration but are not structurally typical. The challenge (for them and other start-ups) is to imagine new ways to supply capital, understanding that one size does not fit all. Capital innovation could be thought of as a sector agnostic 'divine challenge'. It was recommended to visit the [Inclusive Capital Collective](#) website to imagine the possibilities.

- Mr. Sarvady positioned the next topic. AI (artificial intelligence) could dramatically affect service delivery and many other aspects of co-op life. (The group was able to read Chat GPT's response to some of the dialogue questions in the preparation materials) How do you see AI playing a role in co-ops? And do co-ops have different responsibilities as stewards of information, in terms of creating value from data?

Right from the start, it was said that members recognize that co-ops are different – they own them. We reinforce this awareness with messaging like, 'You own us' and 'this program is focused on you.' Employees serve as ambassadors, helping members in ways that they appreciate. If co-ops are to have a different role with data, co-ops will need to create better awareness of purpose and partnerships – ie: be highly transparent. In most cases, co-ops are not good self-promoters.

In terms of unique data roles/responsibilities, it must be understood that opportunities play out differently for co-ops in diverse sectors. Folks have become skeptical about speculative bubbles, blockchain for one. AI could follow a similar path. A concern was expressed that ChatGPT (and other large learning models) could establish the next locus of economic extraction.

Co-ops are already doing creative things with data – witness the work of [Savvy Cooperative](#),

providing people with valuable health information. Co-ops could benefit from a design framework for controlling data. This will require expertise and capital. We should help members monetize their data, protect them from venture capital.

By a show of hands, most of the Roundtable participants had some level of familiarity with ChatGPT. Some said that they look forward to AI to enhance member service support. Others were skeptical of early-stage reliability. One offered that 'we've been a hard no on AI, but lately we've started to open up.' Another suggested that data, not capital, was the important asset in the future. The prevailing sentiment was that member data needed to be protected. And, to that end, it was proposed that collaboration would be beneficial.

- Mr. Sarvady asked if there was sufficient alignment of purpose among co-ops to fuel cross-sector collaboration, particularly innovation? If so, what business cases, funding mechanisms and messaging strategies could one imagine? Thoughts tumbled into discussion in increasingly free-form ways.

The thought that co-ops could collaborate to craft separate/special treatment in the coming data privacy laws and regulations was advanced. Separately, it was announced that a group of purchasing co-ops would be forming a federated co-op to encourage collaboration and to enable consolidated effort. Worker co-op formation cannot scale without access to reliable and affordable capital, which would benefit from cross-sector collaboration. Participants were encouraged to look at [P6 Capital](#) to learn about a new syndication network to provide funding solutions for growth capital needs and worker co-op conversions at scale. There is still the challenge of how to develop and fund new co-op formation. In energy, better solutions are needed for capital sourcing at the consumer level.

Discussion turned to the possibility of combining insights from consumer data obtained by credit unions, RECs and other consumer co-ops. There could be opportunities for enhancing the member service experience. It was said that co-ops are not well designed to put capital against intangible assets (like data). But members are perceived to trust co-ops more than other forms of organization.

- Mr. O'Brien turned attention to the first of four strategic discussion topics. He asked for conversation around the question of: **What evidence exists to show that operating as a co-op results in greater success and competitive differentiation?**

Many thoughts were shared:

- Co-ops are resilient in times of economic stress.
- Co-ops optimize for different stakeholders (for-profit firms elevate stockholders).
- Co-ops measure success in different ways (not just profit). The biggest measure is impact in a community.
- Co-op equity is some of the most patient capital, in any organization.
- Co-ops are the most efficient form of intergenerational wealth transfer.
- Co-ops are more willing to collaborate.
- Co-ops are willing to invest in low-income areas.

- Co-ops create better value for members. Co-op identity gets us in the door but value is what wins the business.
- If we preach 'co-op' to members, we better be willing to collaborate (practice what we preach).
- Co-ops should enlighten members about other co-ops (solidarity)
- Co-ops are not designed to compete. But that may make us complacent, especially at the established co-ops.
- More co-op b2b relationships would be good.
- Municipalities desire to give preference to participative organizations (like co-ops).
- Collaborative development of an inclusive procurement policy (a RT '22 take-away) illustrates the cooperative difference.
- The willingness to collaborate is a co-op superpower. Co-ops should be collaborating around data analytics and marketing. Perhaps co-ops should advocate for a U.S. version of GDPR.
- There should be an honest conversation about where 'being co-op' doesn't provide competitive advantage.
- Co-ops are underinvesting, especially in the area of data security.
- The co-op world is still a subset of a bigger universe. Co-ops should extend collaboration to people-centered organizations outside of the co-op world.

- After a short break, Mr. O'Brien posed the second discussion question: **How can cooperatives collaborate to achieve widespread recognition as leaders in the application of fair and inclusive practices?**

It did not take long to ignite discussion...

- Co-ops need to develop a 'deeper bench' of leadership candidates that represent gender and racial diversity.
- DEI cannot be just for show. It needs to be sustainable, built into everything that we do. It must invite people into the organization who make you uncomfortable. The objective should be to move beyond fair...to equitable.
- How are co-ops really supporting BIPOC leaders? We need only look at board composition at most co-ops to realize that more work is needed. And the issue is not just who gets to sit at the table, but that the table is accommodating to views from all.
- There is some data, but not enough. A few slides illustrating (predominantly) credit union diversity data were shared.
- Co-ops cannot (yet) claim inclusivity. Most co-op DEI execs are black women.
- Our (international) organization tries to be inclusive. Racism is an American thing. Outside of the U.S. the language of DEI does not exist. Instead, the focus (in our mission) is on shifting power to brown and black people.

- We should all realize that DEI is really good business. The common ground (in DEI) is the business imperative. Our organization recognizes diversity champions.
 - We need to eliminate non-inclusive language. Networks should be intentionally diversified.
 - Co-op elections need to be truly open and promoted. At our organization, we strive to make all of the candidates look good in their digital presentations, including the use of standardized headshots and video support.
 - Co-ops need to be intentional. We ask all new job applicants, What does DEI mean to you?
 - Co-op principles should be enshrined in the general ledger – we contribute 2.5% of revenue to a solidarity fund which is member-driven and member-allocated.
 - It will be important to de-colonize survey data. Throw out the 92% that are satisfied – focus on the dissatisfied 8%.
 - What are the (DEI) tactics? Co-ops need to meet people where they are.
- Discussion question number three – **How should cooperative governance differ from for-profit and nonprofit governance?**

Among the contributions...

- Last year, someone said that co-op leadership is too ‘male, pale and stale’. We went home and dedicated ourselves to progress in that aspect of governance.
- Directors at federally chartered credit unions cannot be compensated. Notwithstanding, we have worked on board diversity by deliberately building a diverse bench.
- Co-ops should be about giving voice – it’s a competitive advantage.
- Co-op directorships are too often de facto lifetime appointments. The bar to get on the ballot should be low, otherwise power will become very concentrated.
- Co-ops can easily reflect the membership. We hire and promote from within. Our social connections enable growth.
- We survey our board candidates. We consider demographics, skills, etc.
- At times, expertise is overwhelmed by other criteria (on boards). We provide for several appointed positions to assure access to expertise at the board table.
- Co-ops should have a ‘director readiness program’ so that future directors can be exposed to roles and responsibilities early.
- Getting expertise to the board at co-ops is tough.
- Co-ops must consider age and term limits.
- Multi-stakeholder governance is an option.
- Worker-customer competing interests can be resolved with a multi-stakeholding structure.
- Co-ops can benefit from structured product governance.

- NCBA should create a governance standard badge...NRECA has a certified director program.
- Mr O'Brien launched the fourth dialogue topic with - **What are the key opportunities for cross-sector co-op advocacy?**

Aaliyah Nedd shared thoughts on cross-sector advocacy policy issues at NCBA CLUSA:

- Funding for Co-op Development (Int'l and national)
- Financing for co-ops
- Fair tax treatment for co-ops
- Data privacy rules/regs for co-ops
- Co-ops' role in Climate policy development

Discussion that followed included the following points:

- How can co-ops help NCBA with its advocacy work?
- Could co-ops pursue direct-pay tax credits for housing? (like RECs enjoy)
- Members of Congress turn over rapidly. We need to educate new members of Congress about the global benefits of co-ops.
- There is a common (policy) enemy for all co-ops - for profit competitors.
- Credit unions have embraced a common cause around financial well-being. Co-ops should emphasize how they solve problems for members (ie: voters). The Congress will be all ears.
- It is not just government relations, but public relations.
- Government will be looking for 'pay-fors' if and when the budget actually gets discussed.
- It will be critical to obtain and disseminate impact data, accumulated across the sectors.
- One cross-sector idea would be obtaining unique co-op treatment in the coming data security rules/regulations.
- California has data protection standards. "We asked our members to give us permission to use their data, spent millions in the attempt. Very few agreed. It's hard to imagine making a case for government to treat co-ops more favorably with data security requirements."

The group broke for lunch. Mr. O'Brien thanked everyone again - participants, sponsors and staff. He hoped that everyone would be able to take home a few nuggets that would contribute to progress. He said that these discussions would inform NCBA CLUSA in its P6 work going forward. In particular, he noted several areas where additional effort would be applied:

- The work on a collaborative inclusive procurement policy would proceed.
- Data collaboration, especially to enhance service experience, will deserve attention.

- DEI and governance issues could benefit from the development of a readings library and cross-sector sharing.
- Policy positions needing more collective thought include:
 - Data privacy policy common to the co-op system

Mr. O'Brien added that participants will shortly receive invitations to join the Exec Roundtable Circle so that ideas and opinions can continue to be shared. With that, the 2023 Co-op Executive Roundtable concluded.