

*Translator's note: having worked through this manual as part of a group using it to learn and organize, I have found a number of errors and weaknesses in the translation. In the interests of keeping the text available, we have left the current version online, errors and all, pending preparation of a revised version. - Matt Noyes*

*After careful organizing, study, and preparation we have now reached the point where many groups try to begin, defining the economic organization of the enterprise. How will ownership be organized? How will members join and withdraw? How will decisions large and small be made? How will members be paid, and how much? What will they do with the profits (or losses)? It is time to "establish the criteria and norms that regulate [these] basic aspects of structure and functioning." Having built a strong, cohesive group with a well-defined business idea and a clear understanding of the factors required to make it real and how to obtain them, the Solidarity Group is now in the position to create a viable solidarity enterprise.*

*In the previous Unit the Solidarity Group completed their analysis of the factors needed to create their solidarity enterprise, considering various sources of financing, determining which were most aligned with their values and goals, and creating a costs budget and financial plan. Now, in Unit VI, the Solidarity Group considers the form and structure of property, the regulation of admission and withdrawal of members, and the system of governance and management. (In Unit VII they will take up the treatment of labor power and the distribution of surplus and profits.) Razeto also introduces a new member only found in solidarity enterprises – "Member C" – whose contributions must also be recognized and compensated. Unit VI ends with the creation of a provisional Members Assembly, the definition of a governance and management structure, and the initial selection of representatives.*

*– Matt Noyes*

## **UNIT VI**

### **ECONOMIC ORGANIZATION OF THE ENTERPRISE (1)**

#### **Forms of property, admission of members, management structure**

#### **Session 11**

#### **Plan**

1. Gather, welcome, ice-breaker, form a circle, choose a moderator for the meeting.
2. Evaluation of Unit V.
  - a) Each participant reads aloud their answers to the individual evaluation form from Unit V.
  - b) Carry out the group evaluation as described in the group evaluation form from Unit V.
3. Break, snack.
4. “Reading Six.” (One or two people read out loud as others follow along in the text.)
5. Questions for review and discussion. (Participants volunteer to answer one question each, raising their hands to speak. Other participants can add to their answers but it is best if nobody speaks twice before others have had a chance to speak.)
6. Questions for the facilitator, exchange of ideas and free conversation on the theme.
7. Suggestions for the Individual Task. (The facilitator will explain the content and purpose of the individual task, clarifying any issues and answering questions that come up.)

## **[BOX] READING SIX**

At this point we have identified all the economic factors needed for the enterprise we wish to create; we know which ones we have and how to get the ones we lack. The time has come to think about the form of economic organization we will use to integrate the various factors in our enterprise.

The enterprise is, as we have seen, an economic organization of productive factors created according to a specific rationality in order to reach certain ends. The question, then, is how can we organize an enterprise according to the criteria of solidarity economy and achieve the greatest efficiency at the same time?

This is a step of great importance. A great deal hinges on the type of economic organization we create starting from all of the decisions already made about contributions and the procurement of factors from members and third parties (i.e., internally and externally). We have decided which factors each member will contribute and which will be created by the group, but now we have to carry out those decisions, that is, make the actual contributions.

**The contribution of economic factors becomes real and effective when they are incorporated into an organization.**

Economic organization is above all the process through which the contributions on which the enterprise or organization is based are made real. The enterprise is *separate from* each member and the group of people who create it. In other words, through the contributions of factors and their economic organization, a new reality is created, which we call an enterprise, which begins to have its own life, under the control of the group and its members of course, but different from them.

However, before bringing external factors into the enterprise – factors contributed by people who are neither members nor owners of the enterprise – through contracts and agreements that define and regulate their respective rights and obligations, it is also indispensable to have in place a clear and consistent management structure.

To integrate factors obtained externally you need an existing organization. This means that the initial organization of the enterprise is carried out only with internal factors. As the name suggests, external factors are external to the economic organization, even though they will be incorporated into its functioning and operation.

Moreover, the procurement of external factors implies making commitments to third parties, which can only be done if the group already has a definite form of economic organization in which the responsibilities of members in regards to those commitments are clearly defined. Yes, the commitments are made by the enterprise itself and the solidarity group that sustains it, but that does not dilute the responsibility of individuals, in the same way that the profits generated by the enterprise are distributed and accorded to the individual members.

Commitments, profits, costs, risks, in the final analysis all of them are assumed by the members of the group, in precise and definite terms, based on criteria of justice and solidarity. These criteria and the way they are applied and operate in the enterprise are the subject of this sixth unit of the manual, to be studied in theoretical terms and put into practice.

**Economic organization of the enterprise consists of establishing the criteria and norms that regulate a series of basic aspects of its structure and functioning.**

The fundamental aspects to be regulated in the organization of an enterprise are the following:

- The form and structure of property,
- The treatment of labor power,
- The distribution of surplus and profits,
- The recruitment and withdrawal or expulsion of members,
- The management and decision-making systems.

These five aspects are closely related and the criterion used to establish one affects the others, which must be coherent with it. Lack of coherence between aspects will cause organizational deficiencies that will soon manifest themselves in the form of various problems.

It is good to keep in mind that whether the organization is just or unjust, characterized by solidarity or not, efficient or inefficient, all depend on how the enterprise is organized, or how the five aspects above are structured. There is a lot at stake so we need to carefully address each of these aspects of economic organization.

But the first question to be asked is:

**Who defines the criteria and norms that regulate these different aspects of the enterprise?**

The answer is obvious: the organizers of the enterprise, in our case, the solidarity group. But the question is worth asking because the answer is not always obvious. Some people believe, for example, that all of the aspects are regulated and decided by law. Others believe that they are purely technical questions the answers to which one simply has to understand and obey. Still others may believe that there is one efficient organizational model, or perhaps a few among which one has to choose.

Each of these beliefs is in part correct: the laws of each country (or state) establish certain criteria and norms that have to be followed; there are aspects that are strictly technical and need to be taken seriously; and they are organizational models, some more efficient than others, among which you can choose.

Nonetheless, none of these three elements, nor all of them together, can resolve by themselves the question of economic organization of the enterprise. Legal norms, technical criteria, and models of efficiency must be taken into account, but in the final analysis the type of organization created in the enterprise depends only on the people or group that create and organize it.

By organizing the enterprise the solidarity group is defining the way it will be directed and led. The criteria of organization determine the criteria for management and decision-making. Naturally, in order for the decision-making to be fluid, transparent, natural and without unnecessary complication, the group needs criteria that are not only known by all members of the group but seen as their own, suited to their ways of thinking, their values, and their normal criteria for behavior. If not, when they face a decision, they will become rigid, won't know which criteria to apply, or if they do, will have difficulty sticking to them, or to do so will feel artificial, imposed. This is another important reason why the enterprise's organizational criteria, which are freely decided by the solidarity group itself, should be suited to the members' ways of thinking, feeling, behaving, and relating to each other. For this reason:

**The organizational forms of the enterprise should be adopted by consensus of all the members of the solidarity group.**

Keeping this in mind, we will now look at different *criteria of organization* that the group could adopt. These criteria, which are offered as *alternatives* among which the group can choose, take into account technical aspects related to organizational efficiency as well as elements of justice and solidarity that correspond to the economic logic of solidarity, with which the group needs to stay aligned in order to be successful in its entrepreneurial project.

Let's look, then, at possible criteria to be applied in relation to the five fundamental aspects that should be regulated in the organization of an enterprise: a) the form and structure of property; b) the regulation of admission and withdrawal of members; c) the system of management and decision-making; d) the remuneration of labor; and e) the distribution of surplus or profits. In this Unit we will look at the first two, leaving the other three for Unit VII.

**Forms and Structures of Property in the Enterprise**

The question of property is important in any enterprise including solidarity enterprises. Experience shows that the form of property should be established according to precise criteria, on which members have reached consensus, that are applied from the moment the enterprise is created. Any ambiguity or lack of clarity regarding property will be the source of inevitable future conflicts and produce permanent economic inefficiencies.

TEXT BOX:

There is no one form of property that corresponds to the logic of solidarity, but several. Which is best for a given project depends on four aspects:

- The objective of the solidarity group, that is, the relative importance it attributes to generating monetary profits or achieving social, cultural, or other goals.
- The composition of the solidarity group, its size (number of members) and the strength of the bonds among members.
- The economic value of the goods and factors that make up the equity of the enterprise, the sum of value (the size of the capital owned) and the impact it has on the generation of profits (its productivity or contribution to production).
- The origin of the goods and the factors that make up the equity, the degree to which they are contributed by members, created by joint work, received in the form of donations, loans, or reinvested profits.

END OF TEXT BOX

As we saw in Unit Four, contributions can take various forms and the equity of the enterprise can be formed in various ways. With respect to the factors of production, members can contribute through: donations, valorized equity contributions, non-equity contributions of rights to use and usufruct, compensated contributions, and paid contributions of external factors. The distinct forms in which contributions are made determine the type of property to be established in the enterprise.

The basic alternatives are as follows:

**Alternative 1 – Property in Common**

In this case all the assets (goods and factors) that form the capital or equity of the enterprise belong to the solidarity group as a collective. Nobody can claim personal ownership of any asset, nor of any part or percentage of the common equity. If a member leaves the group, all that they have contributed remains with the group and when a new member joins they become a member on the same terms as all of the existing members. This form of common property implies that contributions to the enterprise are essentially donations: members donate to the group the factors that they contribute. Since they have donated them, they have no grounds on which to later demand restitution.

This form of property is only recommended when at least one of the following conditions applies:

- a) The objectives of the solidarity group are of a social, cultural, or shared character with little emphasis on generating monetary profits for redistribution to the members.
- b) The group has a high level of cohesion, like a family or an intentional community, with many common activities, extensive sharing of goods and services, and the common satisfaction of many needs.
- c) The total value of the goods and factors that make up the equity of the enterprise is very small, or not very important for each individual member, and the role of assets in the generation of profits is of little importance (depending more on labor than on physical capital, for example).
- d) The origin of the equity is largely or entirely social. In other words, the equity does not come from the individual contributions of members but from their joint work, or received as a donation intended to benefit the group as such, or generated by reinvestment of profits generated by the enterprise or through amortization of a loan taken by the collective.

When one of these conditions clearly applies, and if all members of the solidarity group are in agreement, property in common and without distinction among members may be the most appropriate form because it simplifies procedures and prevents problems from arising. But if none of these conditions is present, holding property in common will probably prove to be inefficient and unfair, and give rise to frustration and conflict. *Inefficient* because there will be little incentive for the enterprise to grow, either in terms of equity or members. *Unfair* because the specific contributions of members are not recognized and every contribution they make goes to the common fund benefiting those who contribute less at the expense of those who contribute more. Even when the equity of the enterprise comes from equal contributions from each member and grows through equal contributions (e.g. of labor), property in common will be unfair to those who later leave the group having made many contributions that they can not take with them. (In such a case, the group might benefit from the departure, voluntary or forced, of its senior members who leave their contributions behind.) *Frustration and conflict* because these are the inevitable result of inefficiencies and injustices.

### **Alternative 2 – Individual ownership of goods or assets which are used in common.**

In this case the ownership of goods and factors with which the enterprise operates is held by the individuals who contribute them. Members of the solidarity group contribute to the enterprise by providing goods and factors that are used by the group as a whole and serve their common objectives, but they do not transfer ownership of these assets to the enterprise. This form of individual property in assets that are used in common implies that factors are contributed to the enterprise in the form of non-equity contributions of the right to use and usufruct.

This form of property is used in some informal solidarity organizations, and in some types of cooperatives. In each case the modalities are different.

In informal solidarity enterprises, which are typically very small (micro-enterprises), all the members contribute something: a room in a member's house to be used as a workspace, a piece of furniture, a machine, tools, dues, supplies, etc. The enterprise is assembled in this way and managed by the group as if every asset belonged to all. What matters most to the members is not the property, or the enterprise as equity, but the possibility of working together and obtaining income as a result of their joint work and management.

The informal character of these economic units, which typically do not involve large amounts of equity, and the strong sense of solidarity among their members, permit them to function in this way without difficulties, knowing that each member has the right to take with them what they have contributed if for any reason they decide to leave the group.

Some formal cooperatives adopt forms of property that, while different in their mode of constitution, also match the criterion of individual ownership of assets used in common. Each member contributes, for example, by paying dues and all the dues collected (and the assets bought with them) are managed in common; but each member maintains an individual account of their contributions, which they own and which they have the right to withdraw when they decide to leave the cooperative. This type of organization operates more as a unit of collective management of individual assets than an enterprise independent of its members. An example of this type of enterprise is the housing cooperative, in which each member contributes money that, managed together with the money paid by other members of the cooperative, enables them to buy their own homes. Certain producers' cooperatives, or energy or utilities cooperatives, or taxi or transportation cooperatives, use this form of individual ownership of goods used in common.

### **Alternative 3 – Cooperative ownership through shares**

In this case the equity of the enterprise is formed by contributions from members who transfer ownership, legally and *de facto*, to the juridical person that organizes, manages, and sustains it. But while the contributions are transferred to the enterprise, each member acquires at the moment of transfer a certain quantity of units of value (typically called shares or stocks) representing a percentage of the value of the total equity of the enterprise, equivalent to the proportion of their contributions. This form of cooperative stock ownership is established when the members make (at least some) contribution of factors to the enterprise in the form of valorized equity contributions.

The criterion is similar to that of capitalist corporations, but with substantial differences corresponding specifically to the distinctive rationality of the solidarity economy: to be a "shareholder" you have to be a member of the solidarity group and work at the enterprise, the valorized equity contributions are not only financial, and the property rights of the solidarity group as such are also recognized with respect to a portion of the equity. (If more coherence with the logic of solidarity is desired, the value of shares can be measure by labor time and not monetary units; but we will not explore this option in this manual because it involves complex elements and a level of development of solidarity enterprises that does not correspond to the situations for which this manual is intended.)

Let us see how cooperative share ownership is configured.

The equity of the enterprise – on the basis of which the proportions of property represented by shares are allocated to each member – is formed in two moments and thus has two parts: a) the



initial equity, the equity formed when the enterprise is created through the contributions of its members, their common work, and whatever donations they may receive; and b) the increments of equity that result from the re-investment of profits, new contributions from members, amortization of debt, or new donations.

For both initial and incremental equity, in both moments, a certain proportion of the equity may be personal property and the rest group or common property.

**TEXT BOX**

The essential criterion for establishing this form of property is that each person be assigned a percentage of ownership corresponding to their portion of the total member contributions. That is, to each according to their contribution. The proportion of the equity which is individual property and that which is social property is determined by the person who made the contribution.

**END**

With this criterion, the initial equity, made up of factors that become property of the enterprise when it is created, will be allocated – in shares – in part to the various members, in part to the solidarity group as such. The group will be assigned that portion of the value of total equity that comprises donations from members or third parties and the joint labor of the members. Each member will be assigned that proportion of the value of the total equity that is comprised by their respective valorized equity contributions.

As for increases in equity corresponding to growth measured at the end of every annual period, the same criterion is used. The gains in equity from donations made to the group, the reinvested profits, and the amortization of debt are allocated to the group, while the gains due to new individual contributions and the profits distributed to members that they reinvest in the enterprise are assigned to each member. (We will examine later the criteria for distribution of surplus.)

These are the criteria. The forms in which values are quantified and the modes of issuance and assignation of shares will be examined more concretely in the exercises and *Jornada* for this Unit.

Let us now look at a second aspect of the economic organization of the enterprise:

### **Regulation of the Admission and Withdrawal of Members**

This aspect of the organization is very important because in the life of an enterprise there will certainly be members who were there at the start but later wish or are obliged to withdraw, as well as people who join the group after it starts. It is important for the admission and withdrawal of members to be clearly regulated from the start and to clarify if members can withdraw what they have contributed when they leave, or in the event they are expelled. In the case of the death of a member, it is important to have a clear policy regarding the rights of their inheritors.

People place in the enterprise not only their labor power but also financial and material contributions and technological and administrative resources, and commit as well an important part of their values, expectations, hopes and efforts. Having placed so much in the enterprise it is difficult to leave, and if the enterprise is efficient it should have a very stable human composition. But, in life, situations arise that can oblige or lead one to withdraw, and what becomes of all that the member has contributed to the enterprise must be made clear. If not, members may become reticent, unwilling to fully commit.



On the other hand, when a new member joins all the contributions already made come to be shared with them. It is necessary then to know under what conditions the previous contributions are shared with the new members and what is demanded of the new member by way of compensation for what they receive from the group. In synthesis, it is necessary for the enterprise to have clear forms and procedures regulating the entrance and departure of members.

The *entrance* of new members should respond to the functional needs of the enterprise, which should be technically evaluated, and/or the belief of the group that the new member will contribute in a clear way to the achievement of the group's objectives. In saying this, we are warning the reader that, generally speaking, and excepting some particular types of enterprise, it is not good to keep the doors too open. It is an almost biological principle of organization that excessive willingness to accept new members tends to reduce group identity and members' sense of belonging, as well as weakens internal structures, elements that are very relevant for solidarity enterprises.

In the selection of applicants for membership it is necessary to make sure that they know, share, and adhere to the group's objectives, understand its mode of organization and operation, share its criteria with respect to the various aspects of the organization; and moreover that they meet the minimal requirements established when the group was originally formed, and contribute in some way the same amount as those who created it. All of this is indispensable in order to maintain unity, coherence, and homogeneity of the group, and to preserve the C Factor which is so important as a foundation on which a solidarity enterprise is formed. For this reason many enterprises establish a probation period, which should not be very long (so as not to fall into unjust and discriminatory practices), and at the end of the set period the group makes a definitive decision to admit the member, or asks them to leave.

Now, the admission of a new member means that they will make contributions to the enterprise in the form of labor, finance, materials, technology, etc. It also means that the new member will participate as part owner of the enterprise's equity and in the distribution of surplus. Obviously, this should be done each time a new member joins and it should be done in the way established by the founders of the enterprise, according to the type of property they adopted. If they chose the joint-stock system they should re-apportion the percentages of ownership among all the members, in proportion to the shares issued and allocated to the new member.

The *withdrawal* of a member is a possibility that must always remain open. There is no justification for rules that would deny members the freedom to withdraw, whatever their reason for doing so.

In order for this right to be effective and not merely formal, it is essential that when a member leaves the enterprise they be able to recover the percentage of the property or equity that they have accumulated in it and that corresponds to them. Naturally, we are talking about those contributions that are credited to individual members, not the contributions they make to the common property.

Now, as the withdrawal of a member with all of their contributed assets could pose operational and financial problems for the enterprise, it is appropriate for the organization to establish clear norms and procedures that protect it. For example, it is reasonable to require members to give one month's notice before leaving work, or to establish a time period (six months or more) or a progressive mechanism (monthly payments) over which the enterprise can pay down that which the departing member is owed.

The withdrawal of a member, like the admission of a new member, also poses the problem of recalculating the percentages of ownership among the remaining members. This can be done by

simply eliminating the departing member's shares in the enterprise, or reassigning them to the remaining members, in proportions that do not alter the given property structure.

It can be seen that with respect to the entrance or withdrawal of members the criteria adopted must be strictly consonant with the organization's ownership structure.<sup>1</sup> A similar coherence should exist with respect to the following:

### **The System of Management and Governance**

Any enterprise needs a clear and effective system for management and decision-making. The experience of solidarity enterprises teaches that there are different possible management systems that are both efficient and compatible with the criteria of solidarity economy. But there is one basic criterion that underlies any concrete form of management:

**The governance or general management of the enterprise is an inalienable right of the solidarity group, that is, of the members who own and control the enterprise.**

There nonetheless exist different modes of organization of management and governance depending on various conditions and circumstances: the number of members, the form of property used, and members' skills and capacities for administration and management. We will consider some of the principal alternatives, without forgetting that it is the solidarity group itself that decides which approach seems best suited to their own ways of thinking and organizing.

First of all, it is necessary to distinguish between two questions which need to be resolved according to their corresponding criteria which guarantee coherence, solidarity, and efficiency. The first has to do with the *composition of the solidarity group as an organ of general governance* of the enterprise, which alludes to the form and proportion in which each members participates in the power of governance and management. The second question has to do with *the relationship between governance and management*.

**The Member Assembly as an organ of general management or governance of the enterprise.**

With respect to the composition of the solidarity group as an organ of governance, there are basically two options:

#### **Option 1. Collective or Shared Governance**

In collective or shared governance the solidarity group constituted as a Membership Assembly makes decisions, with all members participating on an equal basis. Decisions are made by the Assembly as a whole, that is collectively, and each member has a vote. When a decision is supported by a majority of those present it expresses the common will of the solidarity group. In order for the Assembly to be considered legitimate, a quorum of members is needed, that is, a certain number of members (established in the bylaws).

Collective governance seems best suited to enterprises in which property is shared, or in those where ownership is individual but assets are used in common.

#### **Option 2. Associative governance with differentiated participation.**

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1 Razeto does not address expulsion of members for violation of the bylaws or some other offense, for example a violation of the law, e.g. theft. The Solidarity Group may want to establish a code of conduct and a conflict resolution procedure that provides the member due process. [– MN]

In enterprises with joint-stock ownership, the criterion of “one member, one vote,” which suits collective governance and is traditionally accepted by cooperatives, may not be suitable. Because collective governance is a criterion generally applied in social organizations and consistently adopted because of its intrinsic democratic content, there exists a strong tendency to apply it in associative and solidarity enterprises. But it is not always the reasonable choice, especially when a joint-stock system has been adopted.

In effect, due to differential contributions made by members, the difference in time served in the enterprise (old vs new members), and the different levels of participation in activities and operations, members have different degrees of responsibility and commitment to the enterprise. The criterion, “one member, one vote” which is suited to situations when members’ participation is equal or similar, and when the equity is held in common, can be unjust and inefficient when applied to enterprises where members have made very different contributions and if the ownership of assets is distributed in the form of shares. In these latter cases, each time that important decisions are made in the enterprise some members run much larger risks than others, due to the differences in personal investment.

Thus the form of participation of members in governance that may be adopted in such cases is that of a Membership Assembly in which the criterion is one “unit of contribution, one vote,” or in enterprises with stock ownership, “one share, one vote.” Although it may seem very similar to the governance system that exists in capitalist businesses, in contradiction with certain democratic convictions, it is perfectly compatible with the special rationality of the solidarity economy if the contributions that are recognized have been made in accordance with the criteria of cooperative stock property that we indicated above (see Alternative 3 above). From an ethical point of view, in this system of governance each member manages their work in proportion to the contributions they have made to the enterprise.

### **The Relationship between Governance and Executive Management**

With respect to the form of the relationship between governance and executive management, there are basically three options:

#### **Option 1. Collective Management**

Here operational decisions are made by all members of the solidarity group, gathered in a permanent assembly that takes responsibility for management of the enterprise. This form of governance is possible when the group is small – fewer than twelve members – and highly cohesive and there are present clear and expeditious mechanisms for resolving differences of opinion, for example by simple majority vote.

In any case, and though the group may make decisions on a collective basis, there will always be a need for someone to preside over meetings and serve as the enterprise’s legal representative, acting as coordinator and facilitator of meetings and assuring that decisions made are carried out; as well as a secretary to take minutes and notes, and other roles that it may be best to assign to specific individuals.<sup>2</sup>

#### **Option 2. Delegated Individual Management**

In this case one member of the solidarity group is chosen to be its head and takes responsibility for management of the enterprise. This form of executive management is possible when certain

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2 While these roles can be rotated among members it is important that they be clearly assigned. [– MN]

conditions are met. First, there must be an individual who is clearly better suited to the position, has better skills, than the rest. It is necessary as well that the group be unanimous in its support of the person, or that they be chosen by consensus. But it is not enough to elect them once, it is necessary that the individual selected be controlled by the Assembly, that their mandate be periodically reviewed with the individual subject to recall. It is also essential that they exercise leadership in a democratic manner, that is, in consultation with others, encouraging participation, respecting people in their work, informing the group of the activities and daily condition of the enterprise, teaching and training others so that they can, in the future, assume management responsibilities, and accepting collective control over decisions. On top of all this, it is necessary that the individual's decisions be respected and obeyed, each worker or member submitting to their authority in their own area of operations or work.

### **Option 3. Delegated Management in a Governance Body**

In this case, the members in their Assembly have the final word when it comes to the overall operation of the enterprise; but they have delegated leadership and management of the enterprise to a small group of people who form a leadership body (administrative counsel, executive committee, board, steering committee or what have you), with specific tasks and responsibilities assigned to the group and to specific members, according to the needs of the enterprise. The leaders may be accountable to the Assembly and periodically renewed. It is important to have rotation of members and tasks, and to ensure that everyone has the real possibility of being elected and of participating in the governance body. This system is best suited to very large solidarity group (more than twelve members), and situations when it is useful to delegate management functions to people recognized as particularly suited and competent.

We have specified the general criteria of organization and the possible options with respect to three of the five aspects that need to be defined before creating an enterprise. In the exercises and the *Jornada* for this Unit we will have the chance to apply these criteria and opt for one of the proposed options, moving forward in the concrete organization of our enterprise. In the next Unit we will examine the two remaining aspects – the remuneration of labor and the distribution of surplus or profits – and all of these elements will become part of the Bylaws and Internal Rules of the enterprise that we create in the first of two Final Assignments.

**[END BOX]**

### **Questions for Review and Discussion #6**

The following questions should be *answered individually, in writing*. Each participant will later *share their answers during the group work*, allowing for evaluation and correction of the answers by comparing them with the answers of other members and ensuing discussion.

1. Why does the sum of factors contributed, whether by members or third parties, depend on the form of economic organization of the enterprise?
2. What does it mean to give economic organization to an enterprise?
3. What are the five fundamental aspects that need regulation in the organization of an enterprise?
4. Why do the organizational criteria of a solidarity enterprise have to be defined by the members by consensus? Which elements that affect these criteria have to be taken into account?
5. What are the basic alternatives with respect to the ownership structure of a solidarity enterprise?
6. Which elements determine which of the alternatives is best suited to a particular enterprise?
7. What does cooperative ownership consist of and how is a joint-stock cooperative (or association) organized?
8. Which criteria need to be taken into account when bringing a new member into a solidarity enterprise? What requirements should be met by the person seeking membership?
9. Why is it so important, in a solidarity enterprise, to clearly define the criteria and conditions that regulate the withdrawal of members?
10. Keeping in mind that governance of the enterprise is an inalienable right of the solidarity group that organizes it, what are the different organizational forms that the group can adopt for its governance and management while maintaining the logic of solidarity?
11. What is associative governance with differentiated participation and how does it work?
12. What are the different ways in which the relation between governance and management can be set up?

**INDIVIDUAL TASK #6**

**To be done after the eleventh session.**

- Study the Glossary at the end of Unit VI.
- Answer the “Questions for Review and Discussion #6” in writing in your notebook.
- Individual Activity: Proposal for Organizational Criteria (I).

**Individual Activity:**  
**Proposal for Organizational Criteria (I).**

In this activity, each group member, having studied the different criteria and options for economic organization with respect to the first three aspects that should structure the enterprise, reflects on a series of questions and prepares answers to share with the whole group. It is important to do this because the form of organization adopted by the enterprise will only be adequate and efficient if it responds to the ways of thinking and feeling of its members, those who should specify their points of view and share them with total liberty and personal judgment. This will allow us, later, to develop shared criteria that will be defined in *Jornada* #6.

To facilitate this activity, people can use the following handout, circling the option they favor for each theme and arguing in favor of their choices, or explaining their reasons, in the space provided.

**HANDOUT**

A. I believe the best form of ownership for our enterprise is:

- Shared ownership.
- Individual ownership of goods or assets that are used in common.
- Associated (or cooperative) ownership of shares of stock.
- Other:

Why?

B. I think that when a member leaves the enterprise they should:

- Leave everything they have contributed with the enterprise.
- Recover their contributions in the amounts in which they made them.
- Recover from the equity of the enterprise a value proportionate to the amount of shares they own.
- Other:

Why?

C. I think that new members should:

- Make a contribution equal to those made by the existing members when they created the enterprise.
- Make a contribution equal to those made by the existing members up to the point when the new member enters.



- Make a contribution previously determined by the solidarity group, which entitles the new member to a proportionate share of the assets of the enterprise.
- Other:

Why?

## Session 12

### Plan

1. Gather, welcome, thematic game, form a circle, choose a moderator for the meeting.
2. Reading and commentary on the answers to Questions for Review and Discussion #6. (If the group is large, each participant will read only one or two responses.)
3. Exercise #11. Defining the Criteria of Ownership.
4. Break, snack.
5. Exercise #12. Defining the Mechanisms of Admission and Withdrawal of Members.
6. Assignment of Individual Task.
7. Reading and Organization of *Jornada* #6: “Organizing the Enterprise. (I)”

## Exercise #11

### Defining the Criteria of Ownership.

#### Explanation

We now understand the importance of the system of ownership that the enterprise adopts. We know the various alternatives and options and the aspects that need to be taken into account when choosing between them. When it comes to actually choosing, it is good to keep in mind that when defining the ownership structure, just as when defining other aspects of the economic organization of the enterprise, you have to look to the future and think about the long run. Although the factors that constitute the enterprise's assets are few and of little value at the start, and the members few in number, the enterprise and its assets will grow, the number of members will increase and conflicts may arise. It is in the future, then, that we will appreciate the importance of having clearly defined these organizational aspects of the enterprise.

But the enterprise is formed by its creators and the task of determining the organizing criteria falls to them: establishing the forms of ownership, admission and withdrawal of members, management systems, schemes for remuneration of labor and distribution of profits. The members of the solidarity group should be in agreement about the form of organization they want for their enterprise, which presumes that they all participate and contribute to the decision. It is possible that not everyone will think alike and that there will be different criteria, which will become apparent in the group discussion. Here it is not about making an easy decision, or hastily applying the criterion of "majority rule." What is at stake is the destiny of the enterprise, the achievement of the objectives the group has worked to hard to reach, and the hopes of each member.

So each person should express their point of view with complete liberty, and each should respect criteria that differ from their own. But the organization of the enterprise can not remain undefined. The group must come to agreement, as a result of in depth analysis of each theme and proposal. Above all, the arguments and reasons behind each member's choices of options must be taken into account. By examining each aspect on its merits and always keeping in mind the objective of the enterprise and the benefit of the solidarity group, it is clear that the group will come to the best decisions.<sup>3</sup>

#### The Flow

Prepare the white board or flip charts with the three alternative forms of ownership structure as presented in Individual Activity 11, leaving space to record participants' preferences (with a check mark), and take notes summarizing their arguments and reasons. Leave a space for the final decision, too.

<b>A. The best form of ownership for our enterprise:</b>		
<b>Options</b>	<b>Preferences</b>	<b>Reasons</b>
1. Collective ownership		

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<sup>3</sup> It is also wise to establish a periodic (annual?) review and, if necessary, revision of these basic agreements. This is especially helpful for integrating new members. [– MN]

2. Individual ownership of assets used in common		
3. Associated (or cooperative) ownership of shares		
<b>THE GROUP'S DECISION:</b>		

1. Taking turns, each participant shares their answers to Individual Activity 11, stating which option they think is best and giving their arguments and reasons. The moderator takes notes on the white board/flip chart, marking the preferences with a check and summarizing the arguments in the space provided.

2. Once all participants have shared their answers, there is a round of free discussion in which participants are encouraged to exchange opinions with the goal of arriving at a shared understanding of the theme. Once the group has reached consensus, the moderator records the group's decision on the table noting the main arguments in favor.

## Exercise #12

### Defining the Criteria for Admission and Withdrawal of Members.

#### Explanation

The criteria with respect to the contributions new members are required to make, and with respect to the rights of members to take their contributions with them when they withdraw should be coherent with the criteria related to the form of ownership. The adoption of criteria for admission and withdrawal of members is an important test of the validity and coherence of the criteria of ownership. Since the ownership criteria have been defined, it should be easier to establish the membership criteria; still it is important to make them explicit and to verify their coherence, or not, with the form of ownership.

#### The Flow

As in the previous exercise, tables are drawn on the white board or a flip chart.

<b>B. When a member withdraws the following terms apply:</b>		
<b>Options</b>	<b>Preferences</b>	<b>Reasons</b>
1. The enterprise retains all the assets that they contributed.		
2. They take with them the assets they contributed, in the same amounts.		
3. They take with them a value proportional to the amount of shares they own.		
<b>THE GROUP'S DECISION:</b>		

<b>C. A new member must:</b>		
<b>Options</b>	<b>Preferences</b>	<b>Reasons</b>
1. Make an initial contribution equal to that made by current members when they created the enterprise.		
2. Make an initial contribution equal to the amount contributed by members up to the point when the member joins.		
3. Make a contribution of an		

established amount, which is represented by shares in the enterprise.		
<b>THE GROUP'S DECISION:</b>		

1. Begin with the question of withdrawal of members. Taking turns each participant shares their answers from Individual Activity 11, stating which option they think is best and presenting their arguments and reasons. The moderator takes notes on the white board/flip chart, marking the preferences with a check and summarizing the arguments in the space provided.
2. Once all participants have shared their answers, there is a round of free discussion in which participants are encouraged to exchange opinions with the goal of arriving at a shared understanding of the theme. Once the group has reached consensus, the moderator records the group's decision on the table noting the main arguments in favor.
3. Repeat the process for the question of admission of new members.

## Individual Activity 12

### Proposal for Organizational Criteria (II).

(to be done after completing Unit 12)

Do the preparatory task for *Jornada #6*, as indicated in the instructions.

Individual Activity:

This activity is similar to the one you did after the Eleventh Session, but in this case it is about the Management System and the relation between Governance and Management.

Each member of the group should reflect personally on the possible forms of organization with respect to governance and management and prepare their thoughts for presentation to the whole group. This will help the group develop its shared criteria which will be defined in *Jornada #6*.

To facilitate the Individual Activity people can use the following template, noting their preference with respect to each theme and option and noting their arguments and reasons in the space provided.

<b>D. The Best Governance System for our Enterprise is:</b>		
<b>Options</b>	<b>Preference</b>	<b>Reasons</b>
1. Collective or Shared Governance		
2. Associated Governance with Differentiated Participation		
3. Other (Specify)		

<b>E. The Best Relationship between Governance and Management in our Enterprise is:</b>		
<b>Options</b>	<b>Preference</b>	<b>Reasons</b>
1. Collective Management		
2. Single Delegated Executive		
3. Management Delegated by Leadership Body		



## *Jornada* #6

### Organizing the Enterprise (I)

#### **What is this practical activity about?**

In this *Jornada* the solidarity group begins the real process of organizing their enterprise. This means that what has up to now been only a Solidarity Group becomes a “Cooperative,” that is a collective subject constituting **the owner of an enterprise in formation**. As for the people, they go from being simple members of a group that is following a manual and pursuing a business project, to being **members** of an entrepreneurial project that they have decided to create together, each one making a series of economic contributions. But this status of “member” is still informal, not acquiring its full meaning until the group is legally established as a cooperative or association with its own legal identity.

The organization of the enterprise, as we have seen, includes five principal aspects. In this *Jornada* we will organize three key elements: the ownership structure; the admission and withdrawal of members; and the system of governance and management. The other aspects of organization will be studied in the next Unit.

#### **Which aspects should be taken into account in carrying out this *Jornada*?**

The concrete goal of this *Jornada* is to establish the structure of participation of members in:

- a) ownership of the solidarity enterprise and its assets,
- b) governance and management of the enterprise.

How this *Jornada* is executed and the degree of complexity involved depends on the decisions the group has made in Exercises 11 and 12, regarding the criteria to used in determining the ownership structure and the admission and withdrawal of members.

The explanation and planning of this *Jornada* proposed here corresponds to those cases in which the group has decided to adopt the criterion of Associated (or cooperative) ownership of shares of stock, which implies that the members who withdraw will have the *right to take with them a value proportionate to the value of their shares, and that new members will make a contribution for which they receive a proportionate share of ownership of the enterprise in the form of shares*.

NOTE: If the group has instead adopted Collective Ownership or Individual Ownership of Assets Used in Common, the process of organization is very simple, and the *Jornada* can be limited to specifying the implications of the chosen criteria and focussing on the question of governance and management.

#### **What are the activities to be done in this *Jornada*?**

There are three steps:

- a) Preparation and planning.
- b) Doing the assigned individual tasks.

c) A day (*Jornada*) of group work.

### How to prepare and organize the *Jornada*.

Just as in previous *Jornadas* the preparation and organization is done in the previous Session (#12), where the explanation is read, individual tasks are assigned, and the day of group work is organized following the instructions given below.

As the group has done several *Jornadas* already and is capable of proceeding efficiently, it is not necessary to go into too much detail. But this *Jornada* is different: *here the group starts making binding decisions*, that is people make commitments to shared projects, in accordance with the chosen form of organization. For this reason it is crucial that all the members who are involved in the creation of the enterprise be present and contribute to the decision-making process. Members who choose not to become members of the enterprise can still participate in the *Jornada* but should not participate in any decision-making by the people who will be the founding members of the cooperative.

### What are the preparatory tasks? (group and individual)

The group should prepare well so that they can come to the *Jornada* with all the necessary information and clear ideas, prepared not only to make decisions as a group, but also to make personal commitments. The latter are made in the Individual Task which consists of completing the form **Pledge of Personal Contributions to the Solidarity Association for the Creation of [name] Enterprise**.

To complete the form, the following information should be available:

1. Cost and Financing Budget
2. Schedule of Possible Personal Loans
3. Information collected in *Jornada* #4 “Deciding to Contribute”
4. Each member’s “Personal Balance Sheet”
5. Account of expenditures during this course.

#### **Pledge of Personal Contributions to the Solidarity Enterprise**

Full Name:

Driver’s License Number:

Home Address:

I pledge to make the following contributions to the Solidarity Enterprise for the establishment of [business name] upon signing the bylaws and articles of incorporation:

<b>Contribution</b>	<b>Value</b>
a) Cash	
b) Noncash Financial Contributions	

c) Material Contributions	
d) Contributions of Technology and Intangible Assets	
e) Other contributions of value	
<b>Total Value of Contributions</b>	
<b>Personal Declaration of Expenditures</b>	
I declare that in the process of study and preparation for the Creation of Solidarity and Associative Enterprises, and in various activities, exercises, and <i>Jornadas</i> , I have incurred the following costs, which have been entered in the accounts and for which the attached documentation is provided.	
<b>Item</b>	<b>Cost</b>
a) Course Participation Fee	
b) Expenditures incurred during the course	
c) Other expenses related to creation of the enterprise	
<b>Total expenditures</b>	

### **What should members bring to the *Jornada*?**

Each person or small group should bring a) a completed **Pledge of Personal Contributions to the Solidarity Enterprise**, with relevant supporting documentation, b) their answers to Individual Activity #12 on the forms of **Governance and Management**.

In addition:

- The group symbol, logo design, and business idea.
- All the materials from Exercises 11 and 12.
- All the materials and information from *Jornadas* 4 (“Deciding to Contribute Factors”) and 5 (“Cost and Financing Budget”).
- A flipchart.
- A large blackboard or other board.
- Plenty of index cards (10cm x 20cm) in six colors.
- Updated account information (personal and group).

### **How should the *Jornada* be done, what is the plan for the day of group work?**

This *Jornada* is essentially a work session that can be done in about four hours, though the group may decide to add other activities that they think would be good to include.

The *Jornada* follows this **plan**:

1. Gathering, welcome, thematic game. Installation of the group symbol in an appropriate place. Selection of a moderator for the meeting, as well as a “canvas manager” (person who manages the bulletin board or display used in the activities), and a note-taker.
2. Set up the materials from Exercises 11 and 120, as well as *Jornadas* 4 and 5.
3. Preparation of the canvas, using this layout:

<b>Ownership Structure of the Enterprise</b>							
Factors Contributed	Member 1	Member 2	Member 3	Member 4	Member 5	Member C	Total
Cash							
Noncash Financial Contributions							
In Kind							
Technology and Intangible							
Other Contributions of Value							
Course Fees							
Expenditures for the Enterprise							
Total Member Contributions							
% of ownership							

4. Activity 1. Determining Ownership of Enterprise Equity.
5. Break and Snacks
6. Activity 2. Defining the Criteria of Member Participation in Governance and Management of the Enterprise.
7. Activity 3. Creating the Member Assembly.
8. Activity 4. Assigning Responsibilities and Positions to Members of the Management Team.

### **Contents of Activity 1: Determining Ownership of Enterprise Equity.**

In this activity members define the ownership of the enterprise and its equity, specifying the percentage of ownership that each member will receive in the form of shares.

It is necessary to determine the total contribution each member will make to the establishment of the Solidarity Enterprise.

In addition to the contributions that each member pledges to make when the enterprise is formally established, the contributions they have made and expenses incurred up to this point, should also be

considered and, where agreed by the group, included in the calculation of their contributions of value.

**Note:** in carrying out this activity there is a very special element, characteristic of the solidarity economy, which we represent in the form of a new member, a special member we can call “Member C.”

Member C is none other than the solidarity group as a group, that is the collective, the community, the source of the C Factor. The contributions of this member should also be recognized.

To determine the ownership share of each future member in the solidarity enterprise we need to quantify in money terms each person’s contribution, including that of Member C, and calculate what percent of the total contributions will be attributed to each person and to the collective person “C”.

Concretely, this is accomplished in five steps:

### **Step One: Estimating the contributions of “Member C”**

As a contribution made by the solidarity group as such, we must account for and specify the contributions of Member C in each of the cells of the table above, first using colored index cards:

- The costs involved in carrying out this course (How to Create a Solidarity Enterprise) that the group ascribes to the collective itself and not to an individual member. Here it is important to recall that the value of the course and **all** the contributions made by members in relatively equal conditions throughout the course, can all be attributed to Member C. This is fair since the people who made those contributions did so with no expectation of recompense for their individual contribution but as a group effort with a profound solidarity content.
- The value of all the assets (materials, financing, tangible and intangible technology) that have been or will be received by the enterprise in the form of **donations**.
- All of the contributions of value received through **relations of solidarity** – barter, commensality, and cooperation.
- All assets that the group feels should be recognized as **group property**, over which no withdrawing member should have any right to compensation and which, for the same reason, should be shared with new members when they join the group.

### **Step Two: Information provided by each member regarding their respective contributions.**

Using index cards, the data for each member are collected, based on their Pledges of Personal Contributions.

### **Step Three: Recognition by the group of the value of the contributions made.**

The group analyzes the information provided by each member and proceeds to recognize the contributions already made and the value of the pledged contributions. Where information needs to be corrected, either because a member has over or understated the value of a contribution, the corrected numbers will be recorded on cards that will replace the originals. Naturally, the group will base their assessment of the value of each contribution on one set of criteria applied with the maximum of fairness and balance.

#### **Step Four: Calculation of Percentages.**

The corrected and agreed upon numbers on the chart will be totaled, vertically and horizontally, in order to obtain the corresponding totals. The percentages will then be calculated, dividing the total contributions by the total value contributed by each member. The sum of percentages should equal 100% and the total value contributed should match the total value of the initial equity of the enterprise.

#### **Step Five: Analysis and Validation of the Results.**

The result of the exercise may come as a surprise to some members, or to all. Most likely, the percentages of ownership will be very similar, with no major differences. Moreover, the contributions made by Member “C” will be a good reminder of their shared participation in the enterprise. But, in a given group, the differences between members may turn out to be bigger than expected.

Whatever the result, it should be analyzed, reflected upon, and finally validated by the group, with each member affirming their agreement with the result.

If not all members agree, the group should go back to the calculation of each member’s contributions to see if there are any errors. If there are none, members should be able to agree on the percentages of ownership. If the estimations of value and calculations are well done, the result should be transparent and just: each member’s contributions and corresponding share in ownership should be recognized by all. Nobody wins or loses at the cost or benefit of another member and all contributions made on a basis of equality, those attributed to Member “C”, have also been carefully calculated and recognized.

If, in spite of this, the group fails to achieve consensus, it will be because of a problem that lies somewhere else, that is, in the preliminary discussion of the criteria to be used in choosing a form of ownership. Perhaps the form chosen by the group was not actually embraced by all members. In that case, the group should re-do Exercise 11.

#### **Contents of Activity 2: Defining the Criteria of Member Participation in Governance and Management of the Enterprise.**

Once the ownership shares in the enterprise have been determined and validated, it is time to take the next step and define the governance bodies that will run the enterprise and its general management. Activities 2, 3, and 4 are designed for that purpose.

In Activity 2 members define the criteria for participation of members in governance of the enterprise, following the same basic procedure as in Exercises 11 and 12:

a) Tables are drawn on a white board or a flip chart showing the three possible systems of governance and management of the enterprise as explained in Individual Activity #12. The moderator will record the preferences of each member and their reasons and arguments.

<b>A. The Best Governance System for our Enterprise is:</b>		
<b>Options</b>	<b>Preference</b>	<b>Reasons</b>
1. Collective or Shared Governance		

2. Associated Governance with Differentiated Participation		
3. Other (Specify)		
THE DECISION OF THE GROUP:		

<b>B. The Best Relationship between Governance and Management in our Enterprise is:</b>		
<b>Options</b>	<b>Preference</b>	<b>Reasons</b>
1. Collective Management		
2. Single Delegated Executive		
3. Management Delegated by Leadership Body		
4. Other (specify) <sup>4</sup>		
THE DECISION OF THE GROUP:		

b) Taking turns, each participant shares their answers from Individual Activity 12, stating which option they think is best and giving their arguments and reasons. The moderator takes notes on the white board/flip chart, marking the preferences with a check and summarizing the arguments in the space provided.

c) Once all participants have shared their answers on the theme of Governance, there is a round of free discussion in which participants are encouraged to exchange opinions with the goal of arriving at a shared understanding of the theme. Once the group has reached consensus, the moderator records the group's decision on the table, noting the main arguments in favor.

d) Repeat the process for the question on the best Relationship between Governance and Management.

### **Contents of Activity 3: Creating the Member Assembly.**

In this activity the group begins to form the Member Assembly according to the criteria and system chosen in the previous activity. At this point, the Assembly is still informal and provisional. Later on, when the Enterprise is established and the bylaws have been adopted the Member Assembly will need to be formally established in accordance with the specific procedures defined by the group. The fact that the Member Assembly is first formed as a provisional body will enable the group to begin functioning in a way that matches the type of organization chosen, and, based on the experience they acquire by doing so, make changes or amendments to the procedures and definitions when the time comes to formalize them.

If the group has chosen Collective Governance, the Assembly is formed with the equal participation of all members ("one member, one vote"), and the only thing to determine is if the Assembly will

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<sup>4</sup> Not in the original text. [– MN]



have a President, Coordinator, or other figure, and if other roles are necessary, such as Secretary, Treasurer, etc.

If the group has chosen the system of Associative Governance with Differentiated Participation, the Assembly is formed with each member having a weighted vote, proportional to their share of ownership of the enterprise. In this case, it is best to proceed based on the information obtained in Activity 1 of this *Jornada*, specifying the weight of each member's vote.<sup>5</sup> Based on this the group can then establish the roles deemed necessary, with each member voting. The decision is considered valid when a proposal receives more than 50% of the total votes cast.

As there is a wide variety of experiences of participation in Assemblies, in this activity the group should proceed according to the customs and procedures that seem most comfortable to them. What is important is that the activity conclude with a Members Assembly that is capable of functioning as the group goes ahead with the process of creating the solidarity enterprise up to the point when the bylaws have been adopted and the Members Assembly is officially constituted.

#### **Contents of Activity 4: Assigning Responsibilities and Positions to Members of the Management Team.**

Once the Members Assembly has been created, its first task is to determine the form of management to be adopted by the enterprise, defining *roles and positions* with their respective *responsibilities and powers*. Finally, the Assembly will choose the *individuals* to fill those positions.

The Assembly proceeds according to the option chosen: collective management, delegated individual, delegated group.

It is important that the agreements reached in this activity regarding positions, powers, and the individuals named to positions be completely clear so that each member understands the implications and consequences of the decisions made and all members support the system chosen going forward.

It may be useful to record the decisions on a flip chart and have each member record them in their Course Notebook.

At the end of this Activity, the solidarity group may want to conduct some kind of collective celebration of the first Member Assembly (provisional) and the selection of representatives. This is a good occasion to have each member sign on to the commitments made and express to the group their feelings about the moment and their will to fulfill them.

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5 This can be done by taking the average share ownership as 1 and calculating the percentages of ownership in relation to this amount, e.g. 50%, 90%, 150%. More simply, members can "vote their shares" on a one share, one vote basis. [– MN]

## GLOSSARY

### **Distribution of Surplus**

We understand “surplus” to mean the sum of monetary value available to the members after having subtracted total costs from the total revenue generated by the enterprise. The “distribution of surplus” refers to the use that is made of this money, whether it is paid out to members, reinvested in the enterprise, or held in a reserve fund of some kind, etc.

### **Economic Organization**

The economic organization of an enterprise consists of the criteria and norms regulating a series of basic aspects of its structure and functioning: a) the form and structure of ownership, b) the treatment of the workforce, c) distribution of surplus, profits, or gains, d) regulation of the admission and withdrawal of members, e) the system of management and decision-making. It is through its economic organization that an enterprise constitutes itself as an association, in that participants become members who contribute factors, assume responsibilities among themselves and with third parties, establish systems and procedures of governance and management, and decide how surplus and profits are to be distributed.

### **Governance**

The system and process by which the most important decisions are made with respect to the structural, strategic, and fundamental aspects of the enterprise in its organization and operation, and which assures that the enterprise functions in accordance with the criteria and in pursuit of the objectives that its owners, organizers, or members desire. Normally, the governance of a solidarity enterprise is exercised by its organizers and owners, united in a General Assembly, which is the highest body of the organization.

### **Increase in Equity**

Any increase in the total value of the factors belonging to the enterprise, verified after the enterprise has been established and begun to function. Increases in equity can derive from new contributions by members, reinvestment of profits, donations received, amortization of debt, etc.

### **Initial Equity**

The combined factors owned by an enterprise when it begins to operate, including the recognized value contributed by each member.

### **Juridical Person**

A collective entity officially recognized according to the laws of the country or jurisdiction, made up of the members who organize the enterprise and, as a group and a collective, exercise rights of ownership and governance over it.

### **Management**

The operational leadership of the enterprise, in its internal functioning and its relations with third parties and the market, aiming to achieve in the most efficient way possible the objectives previously defined by the owners or the organization that controls the enterprise. Normally in solidarity enterprises, management is exercised by members elected by the Members Assembly, to

serve as executives or board members. These individuals hold powers that have been delegated to them by the Members Assembly and must periodically report to them on their success or failure in the achievement of the members' objectives.

### **Organizing Model**

An organizing model is a rational and coherent combination of criteria, norms, and procedures that regulate the economic organization of an enterprise with regards to its ownership structure, governance and management systems, distribution of profits and losses, admission and withdrawal of members, and treatment of the workforce.

### **Ownership Structure**

The form in which the members who create the enterprise establish their individual and collective rights over its equity. The ownership structure depends on how the members have made their contributions of factors, which make up the initial equity of the enterprise. If those contributions were made as donations or in the form of commensality, conferring no individual right to a percentage of ownership of equity, and renouncing any right to recover the value of the factor(s) contributed, the ownership structure has the character of collective or common property. If, on the other hand, member contributions take the form of valued equity contributions the corresponding form of ownership is associative or cooperative joint-stock.

### **Reinvestment of Profits**

The reinvestment of profits consists of directing part of the enterprise's profits to the purchase of new factors of production which become part of its equity.

### **Remuneration of Labor**

All of the income (monetary and non-monetary) that people who work in an enterprise obtain in a given time, whether in the form of salary, wages, advances on expected profits, distribution of surplus, or other types of benefits, given in return for labor performed in the enterprise.

### **Valued Contributions to Equity**

Those contributions of factors that members make to the enterprise, the values or market prices of which are attributed to the member as a percentage of ownership of the enterprise, expressed in units of value known as "shares."

## EVALUATION OF UNIT SIX

This evaluation is to be done both individually and as a group.

### Individual Evaluation

Each participant should answer the following questions in their notebook:

#### A. Circle the answer that best matches your experience.

1. My understanding of the contents covered in Unit 6 is:  
Weak – Good – Excellent
2. My performance of the individual assignments in this Unit was:  
Weak – Satisfactory – Very good
3. I consider my contributions to the group exercises to be:  
Poor – Adequate – Outstanding
4. My participation in the organization and execution of the *Jornada* was:  
Passive – Relatively active – Very active
5. I think my overall contribution to the group was:  
Very little – Could have been better – Ample

#### B. Reflect on the following questions and summarize your answers in writing.

1. Do I believe that the criteria of economic organization that we agreed on with respect to the ownership structure, the admission and withdrawal of members, and the systems of governance and management are the best ones for our enterprise?
2. Am I satisfied with the decisions we made as a group with respect to the percentage of my share in the ownership of the enterprise? What about the ownership shares of the other members?
3. Do I believe that we organized the Members Assembly correctly? Did we make good decisions regarding the positions and powers of representatives? Did we choose the right people for the positions?

**Group Evaluation** (to be done in the next session)

Seated in a circle, the whole group discusses the following questions.

1. Did we create a good organization in terms of the ownership structure of the enterprise? Were our valuation of members' contributions fair? Did anyone benefit or loose unfairly?
2. Did we organize ourselves in the best way for governing and managing our future enterprise? Is the Members Assembly properly organized? Did we efficiently establish the positions and powers?
3. If serious doubts arise in response to the first two questions, the group should ask itself: are there aspects of the decisions we have made regarding the organization of our enterprise that we should improve, correct, or even change?