

# What is a co-operative?

Understanding the Co-operative Business Model



# Cooperation is everywhere.

What are some examples of cooperation that you see in your everyday life? Think about school, home or work; what are some things you do or see everyday that require cooperation from everyone involved in order to get things done safely and effectively.



# Cooperation in Business

Cooperation can be an important tool in business. Working collaboratively to reach economic, social and environmental goals can result in more sustainable and resilient businesses.

Businesses that work with each other and their communities can create positive impact, promote prosperity and social connection, and address important issues facing many Canadians like affordable housing, food security and climate change.



# What is a Co-operative Business.

1. Co-operatives are businesses that are co-owned by groups of individuals or other businesses.
2. They exist to mutually benefit the group of business owners by providing products, services or employment.
3. They also exist to benefit communities by filling a need or providing access to services.

[Watch this video](#) about co-operatives (1:50 min)

# Types of Co-operatives

**Consumer Co-operative:** This type of co-operative is owned by its customers; the people who buy or use its products or services.

**Worker Co-operative:** This type of co-operative is owned by the people who work at the business.

**Producer Co-operative:** This type of co-operative is owned by the people who supply the raw materials or finished products that are sold by the business.

\*There are other types of co-ops owned by other groups of people or even other businesses, but these are the 3 types most commonly seen.

# History of Co-operatives.

Working cooperatively is not a new concept, it's been around for thousands of years. There are many countries in the world today that use cooperative economic systems. Some are informal, like the micro-lending circles sometimes referred to as [Susu's](#), [Moai](#) etc., some are market or agriculture based, and there are many more examples in areas like education, housing, childcare and more.

Some cooperative economic systems are more formalized, and the modern co-operative model often used today has its roots in England in 1844.

[Watch this video](#) (4:55 min) to learn more about the Rochdale Pioneers and the first modern co-operative.

# Benefits of Co-operatives in Communities.

1. Co-operatives help promote prosperity by keeping money and jobs circulating in local economies.
2. Revenue generated by co-operatives stays within the co-op, and in the hands of local employees, suppliers, and other small businesses, rather than going to shareholders living far away from where the business is operating.
3. Co-operatives are committed to giving back to their local communities; supporting charities and nonprofits, volunteering and more.
4. Co-operatives often fill needs for communities that other businesses do not. Because co-operatives aren't motivated only by profit, they are willing to provide products and services at lower costs or in areas that might not be as profitable to operate in.

# Benefits to Being a Member/Owner of a Co-operative Business.

- Share in the profits of that business.
- Have a say in how the business is run, so it can do a better job of providing you with what you need and want.
- Contributing towards your local economy.
- Being part of a community where everyone is working towards the same goals.
- Supporting a business that operates ethically and helps you live your values.

[Watch this video](#) to find out how co-ops support their members.

# Key characteristics of co-operative businesses.

- Co-operatives are owned by at least 3 or more individuals or businesses
- The owners decide together how the business will be run
- All owners have an equal voice
- Co-operatives are the only business model to operate with a [set of principles](#)
- Co-operatives have a social purpose, as well as a financial one.

# Business model comparison

	Co-operative	Corporation	Partnership	Sole Proprietor
Purpose	To create wealth; to provide services; to benefit members	To generate wealth for shareholders	To generate wealth for the partners	To generate wealth for the owner
Ownership	Based on holding an ownership share; all members are equal	Based on holding an ownership share; ownership is determined by number of shares held	Based on investment (2 or more)	Single owner
Decision-making	All members have one vote; governed by a board of directors	Based on number of shares held; governed by a board of directors	Based on consensus, negotiation	Single decision-maker
Liability	Liability is limited to investment (share value)	Liability is limited to investment (share value)	Partners can be liable for debts	Owner can be liable for debts
Distribution of profit	Profit is distributed proportionate to the member's use of the co-operative	Profit is distributed based on number of shares held	Profit is distributed among partners based on agreement	Profit accrues to single individual
Financing	Member equity, investment shares, fundraising, grants, loans	Shareholder investment, fundraising, grants, loans	Partner equity, grants, loans	Personal investment, grants, loans
Tax status	Corporate tax, unless non-profit	Corporate tax, unless non-profit	Small business income tax	Small business income tax

# Advantages and Disadvantages of Co-operatives

<b>Advantages of co-operatives</b>	<b>Disadvantages of co-operatives</b>
Achieve more by working together and sharing skills and resources.	It can be challenging to work with a group of other people.
All the owners of a co-operative have an equal voice in how the business is operated.	There can be problems if all of the business owners don't share the same vision.
They help keep money and resources in local economies.	It can be more difficult to find business development support.
They are business that fill needs and solve problems for communities.	It can be challenging to find information or resources about co-operatives.

# Additional Resources:

Video: [What is a Co-operative?](#) (2:12 min)

Video: [The Gay Lea Foods Story](#) (4:53 min)

Video: [The Whole Woman Network Story](#) (3:30 min)

[Co-operatives in Canada: Success Stories](#) (website)

[Choose Co-operative!](#) (Downloadable list of co-ops in Ontario)