



What is a co-op?

A co-op is a business, run by a group of people with similar interests who make decisions together and share in the business' profits.

In western Canada, a co-op is created and run by a group of three or more*. A co-op is legally incorporated, and can be a for-profit business or non-profit organization. And co-ops operate in almost every sector of the economy.

But what exactly is a co-op? That's a bit more challenging. A co-op is simply a formal way for people to organize themselves and achieve a goal. It's a pathway down which other people have gone before and, over time, this way of doing things has gained a process, procedure, and best practices. So, the co-op model is just a template people use to get things done.

** Except Saskatchewan, where you need a group of six or more to start a co-op.*

A co-op is what you make it

But a co-op is also what you make it.

The purpose of a co-op may be selling more art, cows or milk; or it may be improving access to the internet, groceries or electricity. By choosing the co-op model, people (or businesses) see value in working together to access a service or good – and often the process of realizing this value will become the purpose of the co-op and what it works to achieve every day.

For example, the value of a marketing co-op to an artist may be gaining access to more affluent buyers. In this case, the co-op's purpose is to realize this value by gaining access to more lucrative markets.

How co-ops are different

Though co-operatives are a lot like other businesses, they have two key features that make them different:

- All members (ie: owners) have the same amount of decision-making power (“One member, one vote”).
- Distribution of profits is based on how much someone *uses* the business, not how much they've invested in it.

Let's take a closer look.

Distributed decision-making

This means every member (owner) of a co-op gets one vote in important decisions — in co-op circles, this is referred to as the [“one member, one vote”](#) principle.

Other types of businesses don't typically do this. In some, for example, if you invest more money you get more votes. In this case, having more votes gives you more power to influence decisions. That is not how a co-op works — the model is designed so a person can't buy more decision-making power. Influence in decision-making requires other strengths than simply purchasing votes.

In part, this feature helps ensure the purpose of the co-op continues to reflect the interests of the ownership group (members).



inventory, etc. Co-operative businesses, like any other, create revenue and most aim to make a profit.

But what they do with this profit can be a bit different. Instead of this “surplus” going to shareholders based on how much of the company they own, it is distributed to members based on how much they used the business that year.

What does it mean to be a member of a co-op?

Being a co-op *member* is **not** like being a member of a gym or Costco. In those cases, being a member is largely about a company creating loyalty. Co-op members are the business’ *owners*. As owners they are decision-makers and get a say in how the business is run. This means co-op members have different responsibilities than someone with a gym or Costco membership.

Members of a co-op have the opportunity to play a big role in the business, and often have a specific interest in common. For example, co-op members may all sell specific products, like cows, fish, or art. Or they may all have a desire for a product or service, such as organic vegetables, electricity, or high speed internet.

Responsibilities of membership

Direction

Every co-op has a board of directors that oversees the business. It’s this board’s responsibility to make sure the co-op is running properly. But it is the responsibility of members to [choose who runs on the board](#).

Initial Financing

Members raise the financing necessary to launch a new co-op. To get a co-op off the ground, members can contribute financially by buying membership shares, providing loans to the business, and fundraising (sometimes in the form of investment or preferred shares).

Crisis

Crisis can come in many forms. But, if a co-op hits hard times or [decides it should close down](#)? The members, as the owners, pitch in to help the business survive or navigate the process of shutting down.

So if you’re a member of a co-op you are an owner, a voter, an investor, and maybe also a lender, an advocate, a director.

Not all co-op members will be this involved, of course. Some businesses or individuals join a co-op just to get a patronage refund or market goods. Often only a small number will take enough interest to help direct the business.

Features of co-operative businesses

[Co-ops are a different – and sometimes better – way to do business](#). Here’s a few reasons why:

User ownership

A co-op is run by the people who want the good or service it provides. In other words, the people who use a co-op are the people who own it. And the decisions the owners make about the business are based on what they want and need.

This is a big difference. Most businesses are created for users, not by them. Because of this, co-ops have better insight into what their users want and need.

Plus, the one member, one vote system helps ensure the people who use the co-op retain this control.

Profits

Because co-ops are run by people who use them, the main motivation for the business is service delivery, not profit generation. But just because they prioritize service delivery doesn’t mean co-ops aren’t interested in profits.

For example, some co-ops’ members are independent businesses (rather than individuals). These types of co-ops decrease costs or deliver a good or service, to increase profits for the member’s business. Two common ways co-ops support independent businesses are by decreasing their costs by buying in bulk, and providing increased market access.



profits go to the co-op's member customers.

Limited liability

Incorporation is a process that makes a business into a legal entity that is separate from any of its owners. Because co-ops are incorporated, members have limited liability. This helps protect the members' personal assets.

Stability

When times are tough, co-ops weather storms better than other types of business. They tend to be more stable during economic downturns, and often last longer than other types of business.

Who's in charge of a co-op?

As we mentioned, every co-op has a board of directors that oversees the business. Co-op members make up the board. These directors are elected by the co-op's broader membership at an [Annual General Meeting](#).

Often the board hires a manager (if the co-op needs one) to run the day-to-day operations, and makes sure they're doing their job. The board sets the co-op's mandate and vision, plans its future, and makes sure it's doing the things its members want it to do.

Boards have a lot to think about to lead a co-op effectively. That's why Co-operatives First provides a lot of support and resources for directors. We have a [workshop for new boards](#), an [online course on governance](#), and [tools](#), blogs, and podcasts for anyone to learn more.

Read more:

[The 3 types of people you want around your board table](#)

[10 things you often aren't told when you become a board member](#)

[Why diverse boards are rare and what to do about it](#)

[Why employees might make good board members](#)

[When to remove a board member and how to handle it](#)

[3 reasons no one came to your AGM](#)

Related podcasts:

[Why we need governance](#)

[Getting people involved in board governance](#)

[Working boards versus policy boards](#)

[Dealing with board conflict](#)

[The importance of board diversity](#)

The different types of co-ops

As you've probably heard, there are different "types" of co-operatives. They all adhere to the structure we've laid out above, so what's the difference between different types?

[A co-op's "type" just indicates who its owners are](#). **Consumer co-ops** are owned by people who buy the co-op's goods or services (consumers); **producer co-ops** are owned by the people who grow or make the stuff the co-op markets and sells (producers); and **worker co-ops** are owned by the people who work there. Simple, really.

Consumer, producer, and worker co-ops are the three main types, and most co-ops fit somewhere in one of these categories.

However, there are a few exceptions.



[Community service \(i.e. non-profit\) co-operatives](#) provide a service to a community of members, much like a non-profit organization. Common uses of this structure include community halls, recreation centres, and social programming.

Examples of some great co-ops

While many people are familiar with a [particular type of co-op](#), you can now see that literally *any* type of business can be a co-operative, including [some businesses you've already](#) heard of, and in [places you wouldn't expect](#).

Check out these stories about a few of the cool co-ops we've come across:

[Agrifood Cooperative](#)

[Alaska Village Electric Co-op](#)

[ALIF Partners](#)

[Food Forest and Learning Centre Co-operative](#)

[Glen Valley Organic Farm Co-operative](#)

[Many Nations Financial](#)

[Mountain CoLab](#)

[Neighbour Lab](#) (podcast)

[Park West Fibre Optic Co-op](#)

[RedHat Co-operative](#)

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