

Developing a Co-op



Why Form a Co-op?

Why do people form co-ops instead of regular corporations? In many ways, co-ops are similar to business corporations. For example, both forms of business:

- need to generate more cash than they spend;
- professionally manage their day-to-day business operations;
- operate in most sectors of the economy;
- are viewed as “natural persons” under the law, and are therefore able to enter into contractual arrangements;
- have to meet the needs of their customers (members) to survive and prosper;
- have legislation that regulates them in Canada and every Canadian province; and
- have shareholders/members that enjoy limited liability.

The Co-operative Difference

The appeal of a co-operative enterprise lies in how it *differs* from a corporation:

- All co-ops follow the seven international principles of co-operation, putting their co-operative values into practice.
- Co-ops are democratic. Every member is entitled to one vote, no matter how many shares they own. Many small co-ops make decisions by consensus.
- Co-ops exist to serve the needs of their members, not to maximize shareholders’ wealth.
- Co-ops face a much less onerous process for raising capital.¹
- Co-ops can be for-profit or not-for-profit organizations.
- Surpluses are distributed to co-op members based on how much they use the co-op, not simply by the number of shares they own.
- The survival rate of co-ops is twice as high as regular businesses (62% versus 35% in the first five years of operation).² More than four out of 10 co-ops survive 10+ years, compared to two businesses out of 10 for the private sector.³
- Co-ops often form federations and associations to further the needs of their members.

Proven.

Co-operatives are a proven model for doing business and providing for people’s needs. They have a successful track record in Canada, with over 9,000 co-operatives and 18 million members.

Source: Co-operatives Secretariat, Government of Canada, Ottawa, 2007

¹ Co-operatives with more than 35 security holders must issue and receive approval from the Ontario government for its “Offering Statement,” while corporations with more than 35 shareholders must follow the much more onerous and expensive process of gaining approval for its “Prospectus.”

² Quebec Ministry of Industry and Commerce and Co-operatives Secretariat, “Survival Rates of Co-operatives in Quebec,” page 15, 2000; updated 2008; Carol Murray, “Co-op Survival Rates in British Columbia”, 2011; Richard Stringham, “Co-op Survival Rates in Alberta”, 2011.

³ *ibid.*, page 16.

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FACT SHEET

									
1. Identify a real opportunity to serve people's needs better.	2. Begin to work with others who share your commitment to the idea.	3. Investigate the financial and market feasibility of your idea.	4. Write (or hire a consultant to write) a comprehensive business plan .	5. Determine the organizational structure that is most suitable for your business.	6. Incorporate the co-operative.	7. Recruit and educate members .	8. Raise the necessary start-up capital , including member investment, outside investors and lenders.	9. Organize the first General Membership Meeting and elect the first Board of Directors.	10. Open for business.

10 Steps to Develop a Co-op

Of course, like any creative endeavour, these steps are not necessarily linear. Depending on your particular situation, some may overlap and some may build on others. However, two things have been proven regarding the advantages of good planning and development practices: 1) they will significantly decrease the risk of your business failing, and 2) they will diminish the risk of making potentially costly mistakes.

This 10-step list is deceptively simple. Starting a business, whether a co-operative or a private business, is a complex human activity. It requires perseverance, courage, entrepreneurship, the ability

to sell, organizational, interpersonal and negotiation skills, management ability, and leadership. These qualities are rarely exhibited by one individual, but a group of people who pool their skills, experiences, and resources, will likely find all of these qualities amongst themselves. This is the fundamental reason co-operatives work so well: people work together to accomplish something they could not accomplish on their own.

You may also be wondering how long this process might take. That will depend on your group's situation, how often you can meet, how complicated your proposed business

is, your group's access to support and resources, timing and other factors. Given all of these variables, you can expect to spend many hours over the course of weeks or months before you're ready to open for business.

A final word regarding resources, you do not have to re-invent the wheel. There are many organizations that can provide support for the development of your co-operative. The easiest thing to do is call the Ontario Co-operative Association 1-888-745-5521 or check out their website and links (see right).

FOR MORE INFORMATION, CONTACT

Ontario Co-operative Association
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ontario.coop

More resources are available at:
CoopZone Network
coopzone.coop

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