

Co-operatives

101



Expectations & Agenda

This presentation will cover a lot of information, please feel free to stop me at any point to ask a question or to add your personal thoughts!

We will cover:

An Introduction to the Co-operative Sector

Structures and Examples

Things to consider when starting a co-operative

Steps in developing a co-operative

Resources and support available





Introduction to the Co-operative Sector

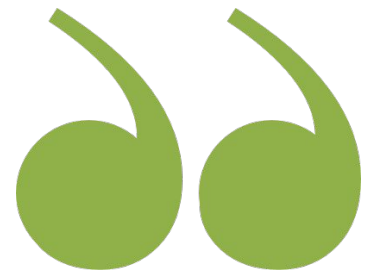
What is a Co-operative?

Co-operatives or co-operation comes in many forms. Financial co-operatives like Credit unions. Smaller co-ops that provide community services. Internationally recognized co-operatives and even informal co-operatives like Rotating Savings and Credit Associations





"Cooperatives are people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations."



Co-operatives are a business model that enables a group of people to share ownership of a business in a more democratic way. Big or small, everyone in a co-op has a say in how it is operated

Co-ops are a way for skilled professionals to work together to build capacity, leverage resources and collaborate through shared ownership.

THERE ARE OVER
1180 CO-OPS IN
ONTARIO



7.9B

CO-OPS CONTRIBUTE
TO THE ONTARIO ECONOMY

THERE ARE **1.4 MILLION**
CO-OP MEMBERS IN
ONTARIO



99% OF CO-OPS
WITH EMPLOYEES
ARE SME



AFFORDABLE HOUSING
CO-OPS ARE HOME TO
125,000 PEOPLE IN 550
HOUSING CO-OPS



CO-OPS PROVIDE
19,140 FULL-TIME JOBS
IN ONTARIO



THERE ARE
7400+
CO-OPS
IN CANADA



CANADIAN CO-OPS
EMPLOY MORE THAN
195,000 EMPLOYEES



21 MILLION
CANADIANS ARE A
MEMBER OF A CO-OP

CO-OPS IN CANADA
ARE LED BY 100,000
VOLUNTEER DIRECTORS
AND COMMITTEE MEMBERS

THE CO-OPERATIVE
SECTOR
ACCOUNTED FOR
78 BILLION IN
REVENUE IN 2019



99.1 % OF CO-OPS WITH
EMPLOYEES ARE SMALL OR
MEDIUM ENTERPRISES



Co-ops employ **280 million people** across the globe, in other words, 10% of the world's employed population.



There are approximately **3 million** co-operatives around the world.



More than **1 billion people** on the planet are members of a co-op. That's about 1 out of every 7 people.

Co-operative Associations



Co-ops you may recognize.

Gray Lea

Meridian™



 **co-operators®**



Co-ops in Ontario.

Coopérative
ABIWIN
Co-operative Inc.

Housing

HYPHA

Information
Technology



Healthcare



Financial Services



Renewable Energy



Recording Industry



Construction



Food & Agro

Co-operatives build communities.

Co-ops **fill gaps in services** that are not being met by the government or private sector. (Telecommunications, housing, healthcare etc.)

Co-ops provide **ownership** to the people who want or need the service they are offering.

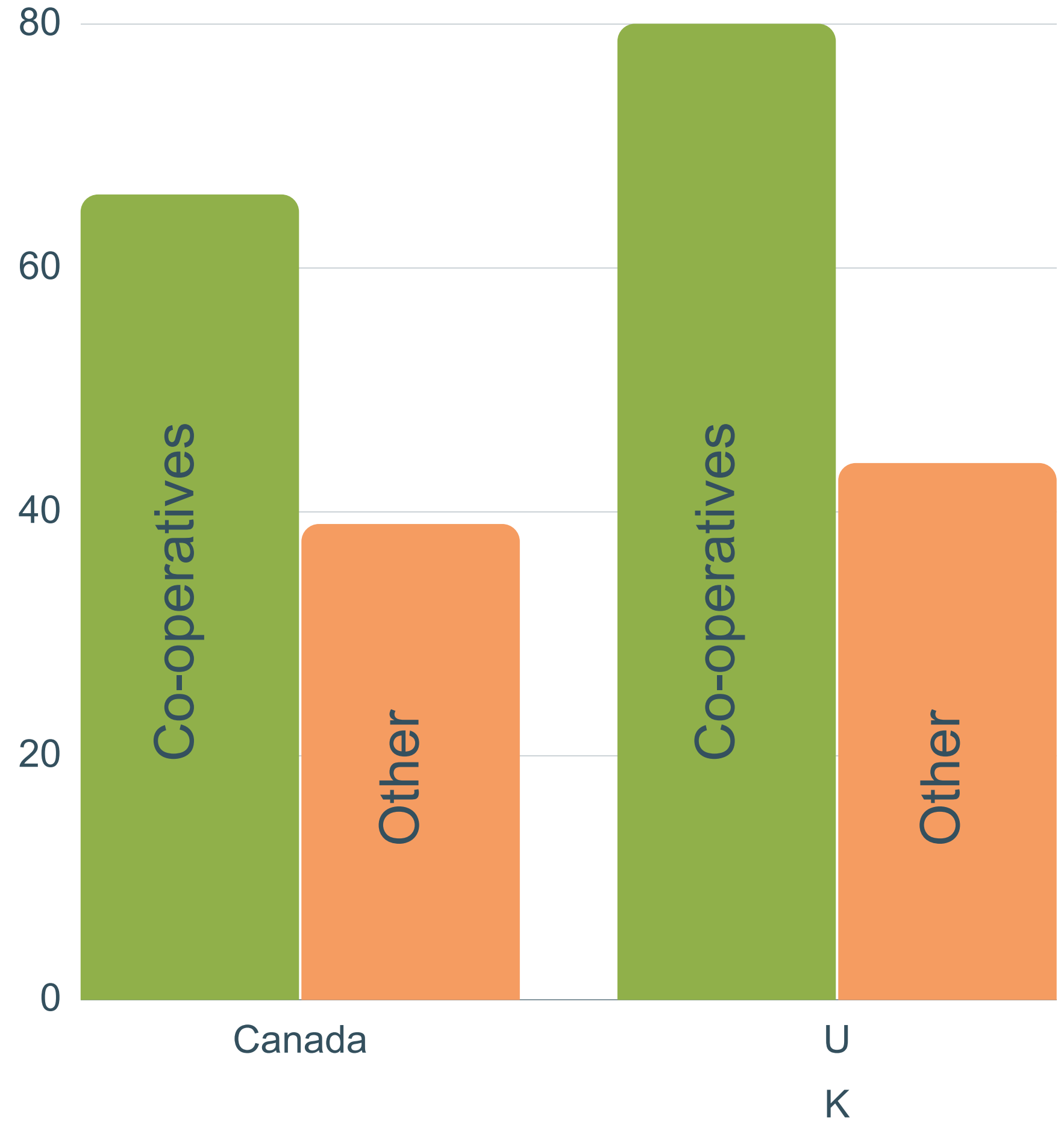
Co-ops help **keep more money and resources** working within their communities. (Instead of funneling it out.)

Co-ops are **value-driven businesses** by nature, they operate with purpose and contribute more to the social & economic well-being of their communities.



Higher Success Rates

Co-operatives have higher success rates than other types of enterprises after 5 years.



Co-operatives fill needs.



Co-ops work for groups of people who want to work together to start a business, solve a problem or fill a need within a community.

They work especially well for niche products or services, or where needs are **not** currently being met by the government or private sector.

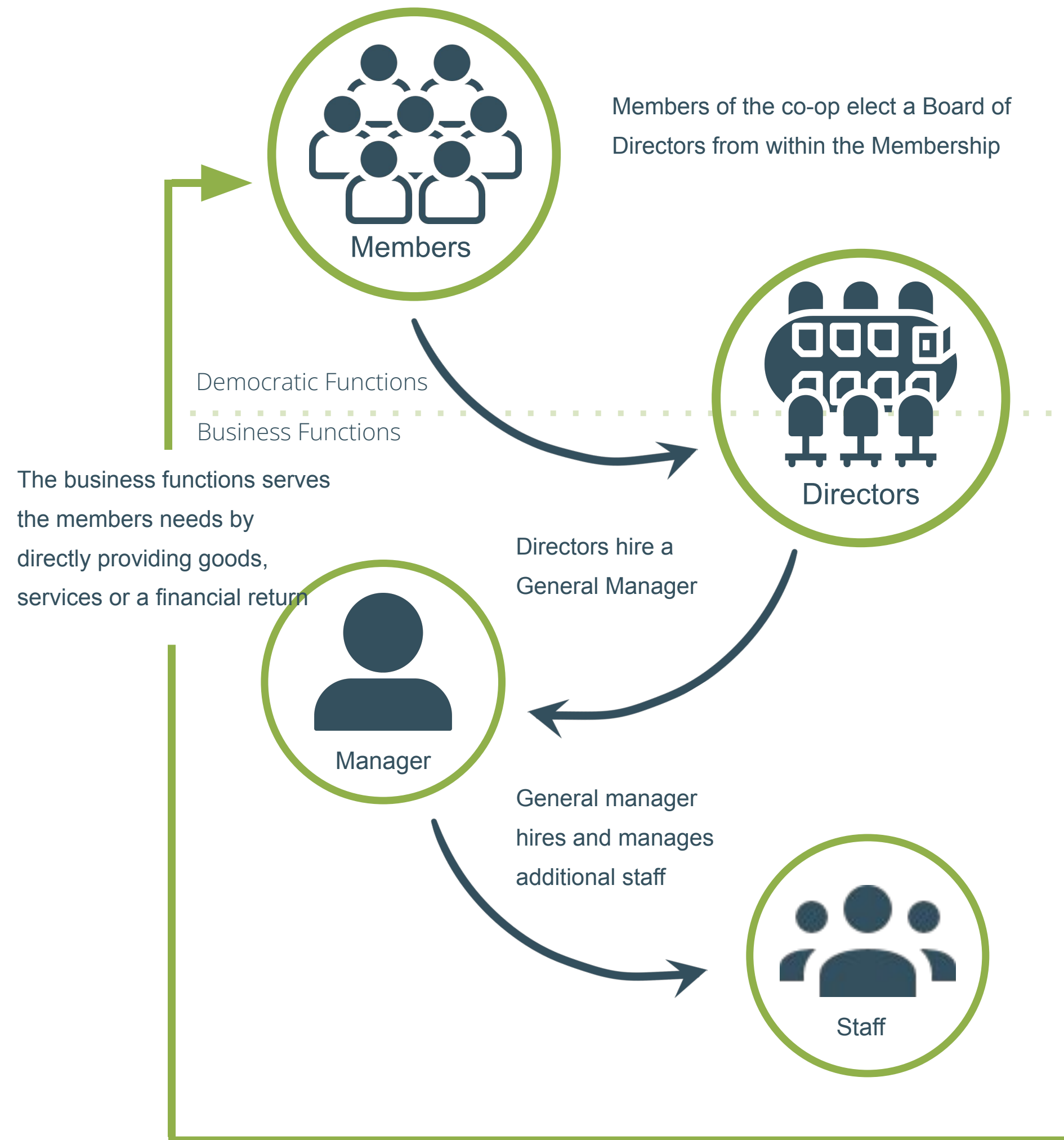
Co-operative Structures and Examples



Business Corporation

Not-for-Profit Corporation

Co-operative Corporation



CO-OPERATIVE	FOR-PROFIT ENTERPRISE	NOT FOR PROFIT ENTERPRISE
A union of people	A union of money	A union of people
An organization of members	An organization of investors	An organization of members
Organized by the people to meet a common need or provide a service	Organized to attract and serve customers and provide a return on investment to shareholders	Organized by people to support the organization's community mission
Owned and controlled by its members	Owned by shareholders, controlled by those with a majority of shares	Controlled by its members, no ownership
Each member is entitled to one vote at a general meeting regardless of how much they have invested in the co-op	The number of votes a shareholder is entitled to at a general meeting is equivalent to the number of shares held in the company.	Generally, one person, one vote.
An organization in which surplus earnings (profit) belong to the members and are used to make the co-op stronger or returned to members as patronage	An organization in which profit is primarily used to provide a return to the shareholders	An organization in which any surplus funding goes to maintain meet the community-based objects of the organization and is not returned to members.

FOR-PROFIT CO-OPERATIVES	NOT-FOR-PROFIT CO-OPERATIVES
Have a share structure and incorporated with share capital	Incorporated as a non-share capital co-op
Member shares, with voting rights Preference shares, for investment purposes, no voting rights	Have member fees that provide membership and voting rights Mandatory member loans can offer debt instruments like bonds or debentures
Co-op pays tax on its income at the appropriate corporate tax rate	Co-op exempt from paying income tax
Can offer dividend payments on preference shares. Can distribute surplus (profit) as a patronage payment to members	Cannot provide financial benefit to members (to satisfy Revenue Canada's requirements for not-for-profits) Surplus must be used by co-op to further its objects, cannot be distributed as patronage
Limited in eligibility for government funding and grants from foundations (usually not eligible)	Eligible for government funding or grants from foundations that are open to not-for-profit organizations

Different types of co-operatives



We like to classify co-ops into 4 categories. Consumer, Worker, Producer and Multi-Stakeholder but a co-op can take many forms. Who owns and controls the co-op (members) define the "type".

Consumer Co-ops

Consumer co-ops are owned by the people that use the services, in other words, the customers.

- Are you going to sell products or services.
- **Do you want customers to be involved in the business, pay a membership fee and get benefits from using your business.**

Examples: Daycare, credit union, grocery store.



Worker Co-ops

The co-operatives are owned by their employee members.

- Are you looking to create jobs for yourselves.
- **Will you be doing the work yourselves.**

Examples: craft brewery, delivery service, construction/contractors.



Producer Co-ops

Producer co-operatives are owned by people who produce similar types of goods or services. A producer co-op may **process, market, and distribute** their members products and services.

- Are you supplying the raw materials to make products, or the finished products.
- **Do you want to share costs of production, distribution or marketing.**

Examples: Artists/ craftspeople, farmers, food producers.



Multi-Stakeholder Co-ops

Multi-Stakeholder co-ops are owned by more than one type of member.

Rather than being owned by just the customers, or just the workers; multi-stakeholder co-ops might be jointly owned and operated by customers, producers, staff, investors or the community; **all with an equal voice** in how the co-op is operated.



Things to consider when starting a co-operative



Governance (Membership)

All members of the co-op get **ONE VOTE** on important decisions for the co-op. (One member = one vote).

Directors are **elected from within the membership**, and must be active members of the co-operative.

Members approve and pass the **bylaws** that map out how the co-op will be run including roles and responsibilities of members and the board, electoral processes, etc. They can also present and pass **resolutions**.

Co-ops must hold an **annual meeting** for all members every 15

Governance (Board)

The **board of directors** decide on the direction and strategy, and ensure the co-op is operating according to its principles, values and bylaws.

A **working board** might also do some operational work.

The board is responsible for **hiring and overseeing management** staff (ED, GM, or senior leaders)

The board is responsible for setting **policies**. They will also **recommend new bylaws** or amendments to be approved by the membership.

7 Co-operative Principles

Co-ops should articulate how they will follow the **7 Co-operative Principles** or at least take them into consideration when defining their **vision, mission and values**.

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information sharing
- Co-operation among co-operatives
- Concern for community

Co-operative purpose

Primary purpose; co-ops are owned and controlled by their members; they do not exist solely to maximize ROI for shareholders.

For-profit co-ops often pay patronage or dividends to members based on how much they use the co-op (not based on how many shares they own).

How can the co-op operate in a way that maximizes the benefits to their owners who may be their customers, staff or producers.

Regulations and Incorporation

Co-operatives in Ontario are regulated under the **Co-operative Corporations Act** and FSRA for offering statements.

The co-op must **maintain accurate records** of directors and officers, members, Board and member meeting minutes and financials.

Incorporating creates a separate and distinct entity. Directors are not personally liable for the co-op (unless found negligent).

Incorporation Basics

- 5 people to start a co-op, 3 for a worker co-op
- Choose "First Directors" and number of directors
- Choose Share capital (for-profit) or Non-Share capital (non-profit)
- Decide share structure and membership shares (who controls)
- Articles of Incorporation go to Ministry of Public and Business Service Delivery (MPBSD). Takes 35 Business days to process.
- Bylaws (governance, policies, procedures) should be considered but are not part of the formal incorporation process.

Steps to Developing a Co-operative

Like any creative endeavour, the steps to start a co-operative are not linear. Depending on your particular situation, some may overlap and some may build on others.



									
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

Support & Resources

You do not have to re-invent the wheel. There are experienced people and organizations that can provide support for the development of your co-operative. There are also templates, guides, and resources available.



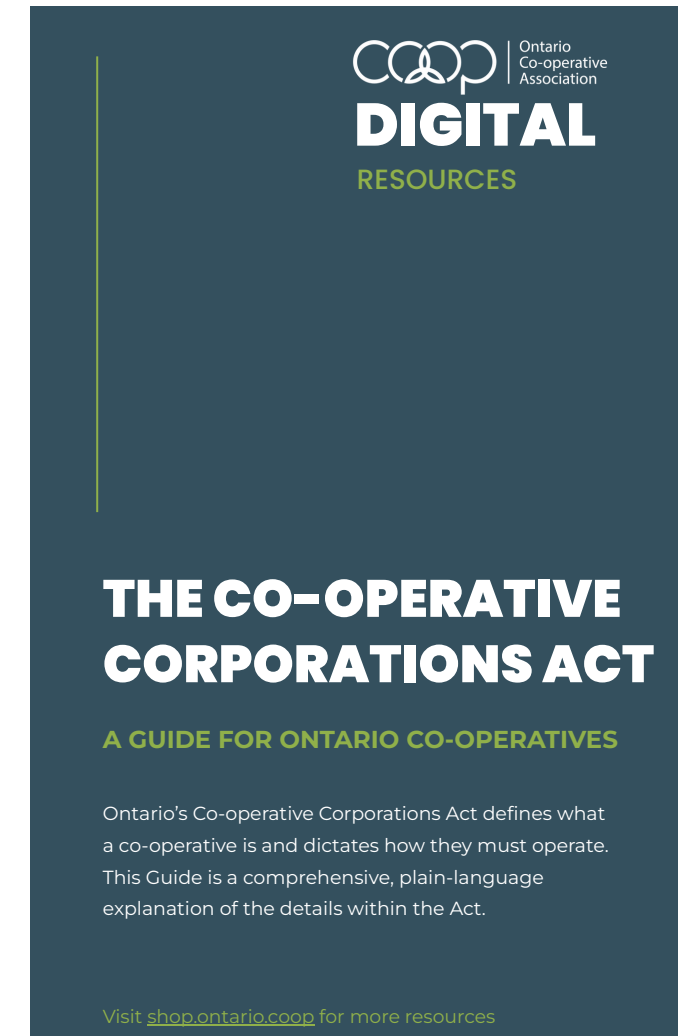
OCA Specific Resources



Workshops and lessons



Experts at your fingertips



Factsheets and Guides

Other Resources

- Ontario Co-operative Association Website: www.ontario.coop
- Co-op [FactSheets](#) (free & easy to digest info on co-ops)
- Association of Co-operative Educators (free curated learning paths on a variety of co-op topics): www.ed.coop
- [CoopZone](#) (a network of co-op developers for expert advice)
- [ServiceOntario](#) (Start, Dissolve, Change a Co-op)
- [Co-operative Corporations Act](#)



Working towards a future where
co-operatives contribute to the
sustainable development and growth
of our communities, and to the overall
social, economic and environmental
well-being of the province

ONTARIO.COOP