

Module 2 Factsheet

Overview

This module attempts to answer the question, ‘why do people start co-operatives?’ It examines some of the foundational reasons a group might start a co-op and review examples from across Canada. The module wraps up by looking at some of the emerging areas of interest for new developments and how co-ops are being used to support communities and new ideas.

Why Entrepreneurs Start Co-operatives

A co-operative is a tool to organize individuals or businesses that want to work towards a common goal. In many cases, a co-op’s unique features make it the best tool for the job. There are four important reasons entrepreneurs use the co-operative structure:

- 1) **Limited Liability:** Because co-ops are incorporated businesses, the liability of members or shareholders is limited to the money they’ve invested.
- 2) **Financial Flexibility:** Like other corporate models, co-ops can issue shares or other debentures to raise money and take on debt.
- 3) **Governance:** Each co-op member is entitled to one vote on decisions made by the membership, regardless of how much money they’ve invested. The concept of ‘one member, one vote’ is consistent with all co-ops. Only members can serve on the board of directors of a co-op.
- 4) **Member-focused:** The one member, one vote system of voting ensures the interests of the majority of members are preserved in the co-op’s decisions.

Where Co-ops Fit

Co-ops are not a good fit for all situations. Many entrepreneurs are not interested in a co-operative’s ‘one member, one vote’ decision-making structure, or sharing profits with members based on their use of the business. In Canada, co-operatives work particularly well when members use them to acquire goods or services they can’t otherwise access.

There are three factors that make a co-op the right fit for a given situation:

- 1) Governments or investor-owned firms fail to meet **market demand**.
- 2) Community members are okay with **owning** the business.
- 3) Individuals or businesses can **add value** by co-operating.

Emerging Areas of Interest for Co-operative Development

While co-ops have long been concentrated in industries like housing, retail, agriculture, and fishing, growing sectors offer new opportunities. [Motion M-100](#) identified the following areas for growth in co-operatives:

- Indigenous economic development



- Women and youth employment
- Renewable energy
- Community innovation
- Online platforms
- Supports for new Canadians
- Other services: transportation, healthcare, agricultural support, co-housing, and online platforms

Recommended Resources

Co-operatives First's write-up [The Origins of Co-ops and a Short History of Co-ops in Canada](#)

The Government of Canada's document [What We Heard: Motion-100 Consultations](#)

Gay Lea Foods' resource [Realizing Canada's Full Economic and Innovation Potential](#)

