

Instructor's manual

Chapter 2 – More than just profit: the co-operative business model

This chapter explains the co-operative business model in terms of its unique ownership, governance, and beneficiary structure. It then shows how co-operatives use their distinctive characteristics to operate within the market and compares them with other models of enterprise.

By the end of this chapter you will be able to:

- discuss the essential elements of the co-operative business model;
- compare and contrast the co-operative business model with other enterprise models;
- identify rights and responsibilities entailed in ownership of a co-operative.

The key arguments that will be developed in this chapter are:

Co-operatives exist for the purpose of providing maximum benefits to members by satisfying a defined common need.

Members own a co-operative on a collective rather than individual basis. Ownership of a co-operative is dependent on a member's willingness to support the business for the collective good rather than as the individual owner of private property.

Members of a co-operative are entitled to a share of any surplus (profit) generated in proportion to their patronage of the co-operative.

Capital is an instrument in a co-operative rather than a driver of business operations.

Chapter cases and seminar exercises

Case 2.1 John Lewis – bond issue (additional)

Exercise 2.1 Co-operate to succeed

Exercise 2.2 The meaning of ownership



Summary of learning

This chapter has argued that:

- Co-operatives are member-based organisations; their purpose is to satisfy member needs rather than to maximise the return on capital employed.
- Co-operatives seek to maximise member benefits through the achievement of one or more objectives.
- Members own a co-operative on a collective rather individual basis. Ownership of a co-operative is dependent on a member's willingness to patronise the business.
- Members of a co-operative are entitled to a share of any surplus generated in proportion to their patronage of the co-operative.
- Capital is an instrument in a co-operative rather than a driver of business operations.

Essay/discussion questions

- 'Co-operative enterprises will find it difficult to raise finance from external sources.' Analyse the factors that would contribute to this perceived difficulty.
- Did Rochdale's no credit policy demonstrate concern for community in terms of not wanting citizens to get into debt or was it the opposite, showing a complete lack of concern for community by disregarding those who might not have cash resources to trade?
- 'An organisation's business model is affected by its values, principles and ethics.' Discuss this statement with reference to multiple organisational forms (investor-owned, co-operatives, and social enterprises).



Useful resources

Scottish Agricultural Organisation Society	http://www.saos.co.uk/ .
National Cooperative Business Association	http://www.ncba.coop/ .
Co-operatives UK	http://www.uk.coop .
Understanding the Cooperative Business Model	http://vimeo.com/6081590 .
Global co-operative statistics	http://www.ica.coop/coop/statistics.html .
The Cooperative Curriculum curriculum.wikispaces.com/ .	http://cooperative-
There is an Alternative	http://www.vimeo.com/22896857 .
United Nations Year of Co-operatives 2012	http://social.un.org/coopsyear/ .

