

IB Business Management

1.2 Types of Organisation – Summary Notes

FOR PROFIT SOCIAL ORGANISATIONS

	Cooperatives
Description	Firm owned, controlled, and operated by a group of users for their own benefit. Each member contributes equity capital, and shares in the control of the firm on the basis of one-member, one-vote principle (and not in proportion to his or her equity contribution). NB. Whereas partnerships are limited to 20 partners in most countries, cooperatives can have thousands of members. Common types of cooperative include: ▪ Financial cooperatives, for example, credit unions are a type of cooperative banking institution that provides banking and lending services to its members. ▪ Housing cooperatives own real estate, such as condo projects and apartment buildings. ▪ Worker's cooperatives are owned and governed by the employees of the business. They operate in all sectors of the economy providing workers with both employment and ownership opportunities. ▪ Producer cooperatives, for example, retail cooperatives involve small retailers banding together to be more competitive with large retailers by sharing advertising costs and buying as a group for high volume discounts. ▪ Consumer cooperatives are owned by the people who buy the goods or use the services of the cooperative. Consumer co-ops may sell consumer goods such as food, or provide housing, or electricity. Other co-ops such as community crèches provide childcare services.
Ownership and Control	Each member contributes equity capital, and shares in the control of the firm on the basis of one-member, one-vote principle (and not in proportion to his or her equity contribution).
Management	The cooperative is managed by its members.
Capital	Each member contributes equity capital, owns shares in the organisation and is paid dividends out of profits in addition to their usual remuneration
Sources of Finance	Equity capital from cooperative members, retained profits and long-term bank loans.
Legal status	A cooperative is a legal entity owned and democratically controlled by its members. Cooperatives may take the form of companies limited by shares or by guarantee, partnerships or unincorporated associations.
Liability of owners	The liability of the owners is dependent on the form of organisation: limited liability companies, partnerships or unincorporated associations.
Advantages	▪ Easy to form ▪ No obstruction for membership ▪ Limited liability