



International Co-operative Alliance



Global Office: 150 Route de Ferney - C.P. 2100 - 1211 Geneva 2 - Switzerland - Tel: +41 (22) 929 88 38 - Fax: +41 (22) 798 41 22
ica@ica.coop - www.ica.coop - www.2012.coop

Factsheet: Differences between Co-operatives, Corporations and Non-Profit Organisations Source: US Overseas Cooperative Development Council, 2007

| Attributes | Co-operatives | Investor-Owned Corporations | Nonprofit Organisations |
|--|---|--|---|
| Ownership | Member-owned | Investor-owned | Generally not "owned" by a person or members. |
| Control | Democratically controlled; one-member, one vote basis; equal voice regardless of their equity share. Members are involved in the day-to-day business operations and receive services for their input. | Controlled by shareholders according to their investment share. Business decisions and policy are made by a board of directors and corporate officers. | May be controlled by members who elect a board of directors or, in nonmembership organizations, the board of directors may elect its own successors. Control is maintained by those not receiving the services. |
| Board Membership & Compensation | Made up of co-op members elected by the members. Usually, they do not work for the co-op. Cost reimbursed for board meetings. Board members usually serve on an uncompensated, volunteer basis. | Board is comprised of a combination of independent directors, management and other directors with financial or business ties to the organization. CEOs may serve as the board chair. Significant financial compensation is provided for board service. | Board is generally made up of people who do not receive the services, usually chosen for philanthropic or political reasons. Board members usually serve on a volunteer basis. |

| | | | |
|--|---|--|--|
| Board Nomination & Elections | Candidates nominated by membership either directly, or by a nominating committee made up of members. Usually, any member can nominate a director candidate. Board is elected by the members on a one-member, one vote basis. | Candidates nominated by the board of directors and management, often by a nominating committee. Shareholders have limited ability to nominate and elect director candidates. | Either by members or the board of directors. |
| Accountability | The board is directly accountable to members through nomination and election procedures. | Board election and nomination procedures afford little oversight opportunity to shareholders. Shareholders are not likely to be able to remove board members. | Generally accountable to members of the organization and those who provide the funding to the organization. |
| Earnings/Dividends | Any surplus revenues (profits) earned by the co-op are reinvested in the business and/or returned to members based on how much business they conducted with the co-op that year. Many co-ops are obligated to return a portion of their "surplus revenues" to members each year. Members share losses and earnings. | Profits returned to shareholders based on ownership share. Corporations are generally not obligated to pay out dividends. Timing and amount of dividend payout are determined by the board of directors. | Re-invest any profits they make in their public benefit purpose and their own operations. |
| Purpose/Motivation | Maximize customer service and satisfaction. | Maximize shareholder returns. | Primary motivation is to serve in the public interest. Redistribute resources to provide educational, charitable and other services. |
| Source of funds/Generation of Money | Raise resources through the equity of members: 1) direct investment; 2) retained margins; and 3) per-unit capital retains (capital investments based on the number of physical units handled by the co-op or on a percentage of sales). | Typically raise money through capital markets. | Typically funded by donations from the private or public sector or the government. Tax-exempt. |
| Community | Promote and assist community development. | May engage in selected community philanthropic activities. | Serve as a mechanism for collective action based on a common good. |