



International  
Labour  
Organization

# Think.COOP

AN ORIENTATION  
ON THE COOPERATIVE  
BUSINESS MODEL

Think.COOP by International Labour Organization (ILO) is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 3.0 Unported License.

**Think.COOP**



Think.COOP has been developed as a low-cost, easy to use training module for those interested in establishing or joining a cooperative. By drawing on technical content from existing materials from different ILO cooperative training tools and peer-to-peer, activity based learning methodology from the ILO's Community-Based Enterprise Development (C-BED) programme, Think.COOP is a 6 hour module providing simple information on the basics of cooperatives.

At the end of the one-day module, the participants are expected to:

- Understand what a cooperative is (values and principles, differences from other forms of organizations and enterprises etc.)
- Understand the specific benefits and challenges related to cooperative model compared to other types of enterprises or economic organizations; and
- Be able to make an informed and conscious decision of whether a cooperative might be a suitable business option for the participant.

To learn more about the ILO's work on cooperatives visit [www.ilo.org/coop](http://www.ilo.org/coop) or email: [coop@ilo.org](mailto:coop@ilo.org)

To learn more about the ILO's peer-to-peer, activity based learning methodology visit [www.cb-tools.org](http://www.cb-tools.org)

### **Acknowledgements**

Think.COOP was developed collaboratively by the ILO Decent Work Team Bangkok and the Cooperatives Unit of the Enterprises Department of the ILO. Text was drafted by Marian E. Boquiren.

Think.COOP

ILO Enterprises Department  
Decent Work Team - Bangkok

# CONTENTS

MESSAGE TO THE GROUP	IV
Follow the Signs	VI
Getting Started	VI
Learning Process	VI
SESSION 1: Good Relationships and Livelihoods	1
Activity 1A: Getting to Know Each Other	2
Activity 1B: Importance of Relationships	2
SESSION 2: Horizontal and Vertical Relationships	4
Activity 2A: Identifying Vertical and Horizontal Relationships	4
Activity 2B: Together We Stand, Divided We Fall	6
SESSION 3: The Benefits of Collective Action	8
Activity 3A: Opportunities for Group Action	8
Activity 3B: Helping Myself, Helping Others	10
SESSION 4: Choosing the Business Structure	13
Activity 4A: Factors to Consider When Choosing a Business Structure	13
Activity 4B: Principles of a Cooperative	17
SESSION 5: Doing Business Together	20
Activity 5A: Types of Cooperative and Range of Services	20
Activity 5B: Advantages and Disadvantages of a Cooperative	24

# MESSAGE TO THE GROUP

The Think.COOP module is designed for people like you who are interested in joining or starting a cooperative. During this 6-hour orientation, you will analyse how supportive relationships and cooperation can help you pursue opportunities to improve your livelihood, learn about the fundamentals of a cooperative business, and understand the conditions under which the cooperative is a better way to doing business or your work. At the end of this orientation, you will be better able to decide whether the cooperative business model is right for you.

The style of this training is different to traditional education approaches. There will be no teacher, trainer or expert to assist you. Instead, you will work together as a team to follow the simple step-by-step instructions for discussions and activities in your training guide. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, we will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training you will be asked to complete a survey to understand the impact of the training. This information will be kept confidential and is used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperative that can be subsequently introduced to participants. Some trainees may also be contacted in the future after 3, 6 or 12 months for another survey to learn about your action plans.



# Follow the Signs

The instructions in the training guide are easy to follow and suggested timing for each step is provided. Look out for these signs:

## SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially

# Getting Started

Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you don't have a copy or have not already filled it in.
- Organize into small groups of 5-7. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as 'Group Reader'. The 'Group Reader's' role is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the 'Group Reader' and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time but one group member should be nominated for each session to remind the group when the suggested time for a step has been reached. You do not strictly need to follow the suggested timing but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive the same training guide. Individual work can be completed in these guides as well as group work.

## Learning Process



# SESSION 1:

## GOOD RELATIONSHIPS AND LIVELIHOODS

### Session Overview



5 minutes

We interact with people every day. No matter what we do for a living or aspire to become, it involves working and interacting with people. In this session, we will get to know each other, become familiar with the style of this training, and increase our appreciation of the importance of cooperation. Our goal is to learn from each other as we complete the activities in each of the six sessions. There will be no teacher so we should help each other by sharing our different ideas and experiences, and ask questions to the group if we do not understand a concept or activity. Learning together is a form of cooperation where participants work together to maximize their own and each other's learning. Whenever people work together for mutual benefit, we have cooperation.

### Activity 1A: Getting to Know Each Other



5 minutes

In this activity, we will get to know each other as a first step in building good relationships and cooperation. First, we will read through all the instructions before starting the activity at Step 1.

### Steps



20 minutes

1. Write your name and livelihood in the circle in the worksheet.
2. From the list, encircle the 3 persons who are helping you the most in the pursuit of your livelihood. These people comprise the 'supportive' or 'good relationships'. A relationship is the way in which two or more people are connected or the state of being connected. (5 minutes)
3. We will introduce ourselves and share our list.

## Worksheet for Activity 1A

### ACTIVITY 1A: WORKSHEET

Write your name and work. →

Name:

Work:

#### PEOPLE WHO HELP AND SUPPORT ME IN MY WORK

Neighbours	Peers – people in same work as me	
Relatives	People who lend me money	Siblings
Parents	People who work for me	Children
People who help me get new customers		Suppliers
Husband/wife	Boss	Others (specify)

← Encircle 3 persons who help you the most

### ACTIVITY 1B: IMPORTANCE OF RELATIONSHIPS



20 minutes

As you have seen from the lists, we need other people to achieve results in whatever we are doing. We need the cooperation of various people in order for our initiative to succeed.

Good relationships keep us happier, healthier and make our work easier to accomplish. In addition to skills, the cooperation and relationships we have with our co-workers, our peers, and the communities where we are working and living provide the means for achieving our goals.

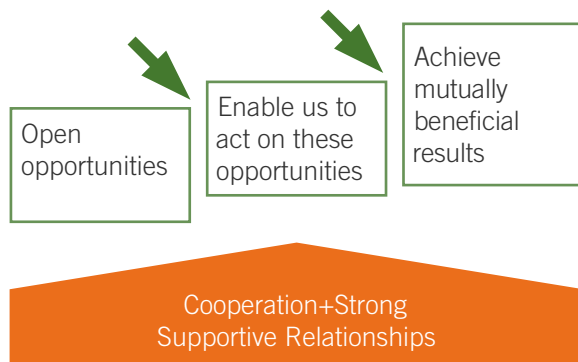




Our relationships give meaning and richness to our work and to our lives. Oftentimes, relationships are the key to solving a problem, opening new opportunities, and getting the job done.

With good and strong supportive relationships, people have the power to make real change. It does not make sense though to form relationships just to get people to do work for you. This will not work because people will feel used. We form relationships because we genuinely like someone, because we have something to offer that person, or because we share some common goal.

## Benefits of Cooperation and Strong Supportive Relationships



Now, let us look again at the list we made. We will choose one relationship and share with the group why it very important especially in relation to our livelihood.

*Important relationship: My relationship with*

---

*This relationship is important because*

---

---

---

---

---

## SESSION 2: HORIZONTAL AND VERTICAL RELATIONSHIPS

### Session Overview



5 minutes

Every relationship is different, but they all matter. Activity 2A will help us understand the difference between horizontal and vertical relationship. In Activity 2B, we will look into the importance of horizontal relationships in sustaining and improving our livelihoods. We will first read through the instructions before we start working on the activity.

### ACTIVITY 2A: IDENTIFYING VERTICAL AND HORIZONTAL RELATIONSHIPS

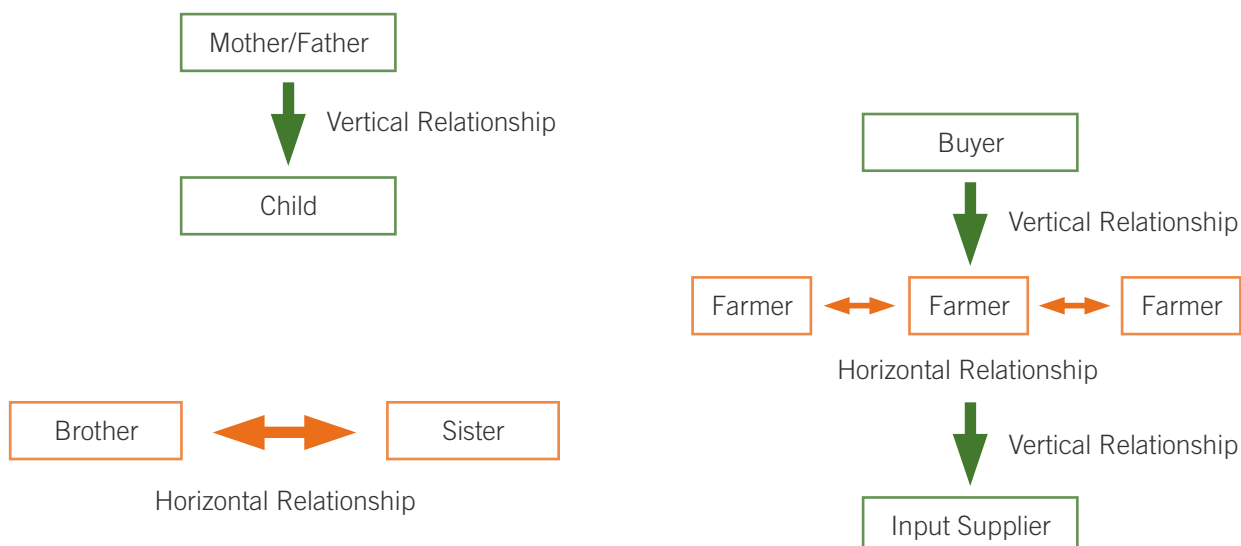


10 minutes

Vertical relationships refer to linkages between people performing different functions. In our personal lives, an example of a vertical relationship is between a parent and a child. At work, this can be between an employer and employee.

Horizontal relationships refer to linkages between people performing the same functions. In a family, this may be the relationship between brothers and sisters. While vertical relationships are hierarchical (up down relationships), horizontal relationships involve collaboration and cooperation between and among peers (equal position and social power).

### Examples of Horizontal and Vertical Relationships



## Steps



20 minutes

1. Below is a list of relationships outside of family ties. As each relationship is read, we will discuss whether relationship is horizontal or vertical. As soon as we agree on the answer, we will shade the appropriate button.

Relationship	Horizontal Relationship	Vertical Relationship
Farmer selling to a trader	<input type="radio"/>	<input type="radio"/>
Workers helping each other	<input type="radio"/>	<input type="radio"/>
A shop owner consulting peer regarding a new technology	<input type="radio"/>	<input type="radio"/>
Fertilizer supplier and farmers	<input type="radio"/>	<input type="radio"/>
Fish vendors set up an informal savings and credit scheme	<input type="radio"/>	<input type="radio"/>
Vendor borrowing stock from another vendor	<input type="radio"/>	<input type="radio"/>
Neighbours building a community water pump	<input type="radio"/>	<input type="radio"/>
Construction worker and contractor	<input type="radio"/>	<input type="radio"/>

*Answers are on page 26*

2. We will share one example each of a vertical and horizontal relationship based on our experience or what we have seen in our work or community.

Vertical relationship:

---

---

---

Horizontal relationship:

---

---

---

## ACTIVITY 2B: TOGETHER WE STAND, DIVIDED WE FALL<sup>1</sup>



25 minutes

Horizontal cooperation also lays the groundwork for development of win-win vertical relationships. When workers for example, group together and cooperate with each other for their mutual benefit, they can better advocate for good working conditions. Similarly, when taxi drivers band together, they can form a member-based enterprise engaged in savings and credit scheme to help each other cope with emergency expenses, school fees, and other financial needs. When we come together, we are stronger and are able to achieve tasks that we would ordinarily not be able to do alone and, therefore, can achieve more.

For this activity, we will perform the step as it is read.

### Steps

1. Tear the blank page (next page).
2. Fold the paper into two equal halves.
3. Tear the paper from the centre fold. Put the two pieces together into a pile.
4. Repeat the process until the paper can no longer be torn because the paper bundle is too thick to be torn.

The paper is easiest to tear when there is a single sheet or only a few. The more sheets of paper there are, the more difficult to tear the paper becomes. Similarly, in business, when a farmer works alone they may find that traders have more power in negotiations. But when farmers work together they are stronger.

*Imagine a farmer is working alone and wants to sell their produce at \$ 1/kilo but the trader says he is only willing to pay \$ 0.75/kilo. Do you think the farmer will be able to get the price that he wanted? Why or why not?*

*Now imagine that the farmer come together with other farmers and they work together to negotiate with the trader. Do you think they will more likely to get a better price than the individual farmer? Why or why not?*

Paper for Activity 2B: Please tear.

## SESSION 3: THE BENEFITS OF COLLECTIVE ACTION

### Session Overview



5 minutes

Collective action refers to action taken together by a group of people whose goal is to enhance their status and achieve a common objective. Whenever people work together for mutual benefit, we have cooperation. The purpose of this session is to help us identify opportunities for group action and the conditions where group action may be more beneficial than individual initiative.

### ACTIVITY 3A: OPPORTUNITIES FOR GROUP ACTION



10 minutes

To gain some insights on the range of group activities that we can undertake, let us read the story of Pepito.

*Pepito grows vegetables in his small plot. A trader in his village buys his harvest at a very low price because he only had small quantities to sell. The trader also knew that he could not bring his produce to another village because the transportation cost would be so high and will eat up his profits. Likewise, he has to pay a high price for the fertilizer since he only bought small quantities.*



One day, his neighbour, Maria, who is also a small farmer invited him to attend their group's meeting. During the meeting, Pepito learned that Maria is a member of a collective enterprise well known as a cooperative, made up of small farmers like him. The cooperative is looking for other farmers to join them so that they can increase the volume of produce they sell directly to vendors in the town. With their combined number they are able to meet the minimum requirement of the vendors, get a better price for their produce, and lower the transportation cost per unit of produce. They also bought inputs together. Because of this, they were able to get good quality inputs at cheaper price. The cooperative has also accessed the government's extension programme, which has supported the members in efficient use of fertilizer.



20 minutes

The table below summarizes the constraints faced by Pepito and the solution proposed by Maria and her cooperative. In Column 3, write down how the solution will help Pepito improve his livelihood. Share and discuss your answers with the group.

Column 1 Pepito's Constraints	Column 2 Solution/Group Action	Column 3 In what ways will solution help Pepito improve his livelihood?
Small quantity of harvest for selling resulting to low price and no bargaining power	Farmer sells product to cooperative; cooperative supplies product directly to market vendors skipping the middlemen	
High transportation cost per unit of product due to small quantity		
High cost of fertilizer	Cooperative buys fertilizer in bulk and re-sells in retail to farmer at a fair price	
	Cooperatives conducts training	

## ACTIVITY 3B: HELPING MYSELF, HELPING OTHERS

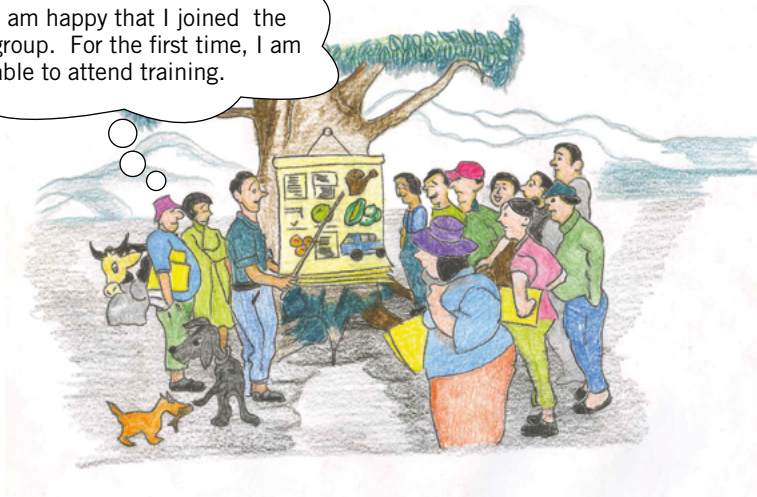


15 minutes

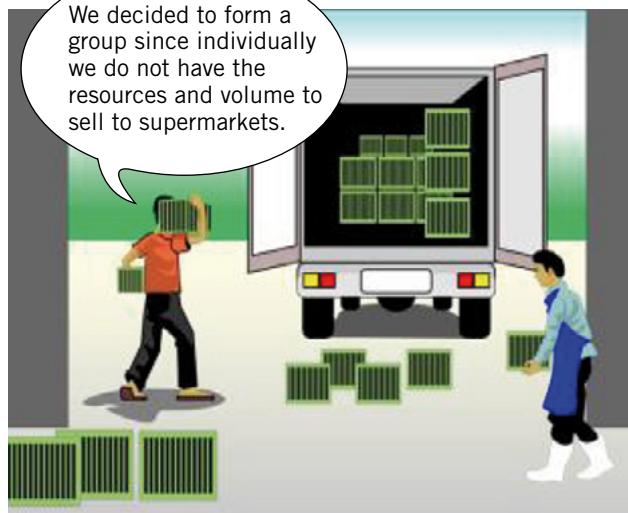
Here are key guidelines of when we should consider group action to solve a problem or take advantage of an opportunity:

- The resources that we need are more than what we can individually supply or afford. Maria and her group, for example, wanted to process some of their vegetables, but individually they cannot afford to buy the equipment that they needed. They **pooled their money** and bought small equipment for noodle processing. Each of the **members can use the equipment** for a small fee to cover the cost of maintenance.
- We want to reduce costs by **buying in bulk** to get a discount. For example, by buying the fertilizer in bulk, suppliers gave Maria and her group the wholesale price which was about 30% lower than the retail price. Instead of buying one or two bags of fertilizer individually, they took turns in buying all the supplies needed by all the members. This resulted to savings on transportation costs.

I am happy that I joined the group. For the first time, I am able to attend training.



We decided to form a group since individually we do not have the resources and volume to sell to supermarkets.





- **Access to a wide range of services** to improve skills and knowledge as well as **acquire the resources** (e.g. finance, equipment, etc.) to grow our business. Extension agencies and microfinance institutions are often willing to serve groups, but not individuals.
- We need to increase our bargaining power. Horizontal cooperation makes it possible to **negotiate, demand services, and influence desired changes in policies**. By **selling in bulk**, collective groups can attract new buyers and negotiate better prices.

Let us now look at the constraints and/or opportunities we face ourselves in our work or livelihood. We then determine the advantages of addressing these individually and through group action. Please look below at the example provided in the first row of the worksheet for Activity 3B for your reference and guide.



1. List down at least 3 constraints you face in your work, business or livelihood.
2. Identify possible solutions to your constraints. Remember that when you address your constraints with sustainable solutions, you are creating opportunities for improvement for yourself and others.
3. Determine the advantages of undertaking the solution individually or through group action. Keep the guidelines in mind to help you decide.
4. Identify which option (individual or group action) is a better option for you.
5. Share and discuss with the group.

## Example of Transforming Constraints into Opportunities



**Constraints:**  
Oversupply of banana during peak harvest season ► low price  
High cost of transportation – bulky product



**Solutions:**  
Set-up of common service facility for banana chips processing. Bulk marketing agreement with buyers

Value Addition  
Job Generation  
Access to bigger market

→ Increase in income

## Worksheet for Activity 3B

Constraints	Possible Solution	Advantages Individual	Advantages Group Action	Which option is better for you? Individual or Group Action?
<i>Example: Not able to buy stocks at wholesale price because I only buy small quantities each time</i>	<i>Since there are many vendors like me who are selling same product, we can combine our purchases</i>	<i>Fast; does not have to cooperate with other vendors</i>	<i>Can buy stocks at 20% less than current buying price; may also be able to ask supplier to deliver stocks in our stall</i>	<i>Group Action</i>

## SESSION 4: CHOOSING THE BUSINESS STRUCTURE

### Session Overview



5 minutes

Many times, small groups of individuals or friends come together informally to share resources, support each other in finding work or selling their produce together to save on transportation costs and get a higher price. Informal enterprises face limitations such as lack of legal form to transact with banks and institutional buyers (e.g. supermarkets), workers not enjoying employment benefits, loose commitments and obligations among participating individuals, etc. As these informal groups meet and work together more regularly, they may want to transform it into a formal organization in order to have legal status, access loan from banks, and sell to large buyers like supermarkets, hotels, and the like. In moving from informal collaboration to formal businesses, we have an important choice to make regarding the ownership and structure of business. Activity 4A will walk us through the factors to consider when choosing a business structure. In Activity 4B, we will look into the values and principles of a cooperative and assess whether these are aligned with our own aspirations.

### ACTIVITY 4A: FACTORS TO CONSIDER WHEN CHOOSING A BUSINESS STRUCTURE



15 minutes

Chandra is a construction worker. Over the years, Chandra and her female and male friends have been working together in various construction projects. Every time one of them learns of a new project, they also share the opportunity with their friends. Oftentimes, they had to pay commission to an agent to get work in a construction project. Work conditions and pay depend mainly on the agent. Chandra and her friends are thinking of creating an enterprise which could act as a manpower pool agent and, perhaps, in the near future also engage as direct contractor in construction projects. The group believes that if they can present themselves as an enterprise, they can negotiate directly with the construction company and provide the required manpower instead of being hired individually by the agent. Individually, they have very little cash to set up a business but they have the skills and some contacts in the construction company. To help them decide on the business structure that would best suit their needs, capacity, and aspirations, they prepared the following illustrations showing the main characteristics of each of the possible business ownership structure.

# INDIVIDUAL PROPRIETORSHIP



- Single ownership
- Owner provides labour, capital, and management
- Entitled to all profits; liable for all losses
- Objective: Earn income and be one's own boss
- Examples: Mostly small companies

# INVESTOR-ORIENTED CORPORATION

- A way to raise large amounts of capital
- Ownership share and control depend on amount invested
- Owners only provide capital
- Objective: Earn a return on invested capital
- Examples: Most medium and large businesses



Source of graphics: Investopedia

# COOPERATIVE

- Owned, managed, and controlled by members
- A way to provide “service at cost” to groups of individuals and/or firms
- Members/owners/patrons provide capital and oversight control
- One member, one vote
- Objective: To provide services with members getting back part of the profit from their own purchases
- Examples: Farmer cooperative, worker cooperative, vendor cooperative



If you were one of Chandra's friends, which type of business ownership, would you choose?  
To answer this question, let us follow the steps below.

## Steps



30 minutes

1. Individually, mark your answers to the questions below. For Column 2, mark the button that is closest to what you feel and think. In Column 3, identify which structure would have a better fit with what you desire.

Question Column 1	Answer Column 2	Type of business ownership that fits more to what I desire Column 3
What is your main objective for joining the business?	<input type="radio"/> Earn profit for myself <input type="radio"/> Earn profit equivalent to my investment <input type="radio"/> Access services that would help me and my peers improve our livelihood while also earning surplus/profit as additional income	<input type="radio"/> Individual Proprietorship <input type="radio"/> Corporation <input type="radio"/> Cooperative
How much control do you want in running the business?	<input type="radio"/> 100% control <input type="radio"/> Control based on investment <input type="radio"/> Equal control for all members with shares	<input type="radio"/> Individual Proprietorship <input type="radio"/> Corporation <input type="radio"/> Cooperative
How do you want profits to be shared?	<input type="radio"/> 100% profit to person who provided capital <input type="radio"/> Profit shared according to investment <input type="radio"/> Profit shared based on use of service or in proportion to the business they conduct with the cooperative <input type="radio"/>	<input type="radio"/> Individual Proprietorship <input type="radio"/> Corporation <input type="radio"/> Cooperative
Do you have all the skills and resources to run the business?	<input type="radio"/> No but I can afford to hire employees and can get a loan whenever necessary <input type="radio"/> Yes, I can run it alone <input type="radio"/> No but the shareholders will provide the capital to secure all skills and resources needed <input type="radio"/> No and I do not have the capacity to hire employees and get a loan	<input type="radio"/> Individual Proprietorship <input type="radio"/> Corporation <input type="radio"/> Cooperative
How much liability exposure are you willing to take?	<input type="radio"/> I am willing to accept all responsibility for debts, losses, and other liabilities. <input type="radio"/> I am not willing to put my personal assets not connected to the business at risk	<input type="radio"/> Individual Proprietorship <input type="radio"/> Corporation <input type="radio"/> Cooperative

2. Identify the type of business ownership which for you is the best fit for objective and the business that Chandra and her group are thinking. Please remember though that not one single type of ownership may give you all the features you desire. Our task is to decide which type of business entity offers the features that are most important to you.

*Proposed type of business ownership:* \_\_\_\_\_

3. Discuss your answers with the group.

## ACTIVITY 4B: PRINCIPLES OF A COOPERATIVE



15 minutes

Cooperatives are businesses owned by members to meet their mutual needs. Regardless of the goods and services provided, cooperatives contain the following elements:

- Cooperatives are businesses
- Cooperatives are owned and controlled by those who use their services (the members)
- Cooperatives are democratically governed
- Cooperatives exist to serve its members

This can be how our worker cooperative could look like



The cooperative is both an enterprise and a collective action organization. The cooperative provides services and/or goods required by the members, taking into account both the interests and needs of members as well as the entrepreneurial objectives and financial sustainability of the organization. Members act as both users and owners in the development of cooperatives through participation at three levels:

- Participation in the provision of resources (e.g. contribution of capital, labour, delivery of produce)
- Participation in the decision-making processes of the cooperative
- Participation in the sharing of profits earned by the cooperative in the form of a patronage refund. A patronage refund is payment to a member from profits earned by the cooperative based on quantity or value of business done with or for the member.



Now, let us look more closely into the seven principles that guide or govern the establishment and operations of a cooperative and assess their relevance to our own goals and objectives particularly with regards to our livelihoods. Note that the principles are descriptive of what a cooperative should be rather than prescriptive.

## Steps



25 minutes

1. As each principle is read, reflect whether compliance to the principle is an important criterion for you in choosing an organization to help you improve your livelihood and general well-being. Rate each of the principle using the scale below:

- 1 – Not at all important
- 2 – Not very important
- 3 – Somewhat important
- 4 – Very important
- 5 – Extremely important



### **Principle 1. Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Members may also withdraw whenever they wish.

Rating: \_\_\_\_\_



### **Principle 2. Democratic Member Control**

Each member has equal voting and decision-making power in the governance of the business. Each member gets one vote, regardless of the level of his or her investment at the cooperative. Women and men serving as elected representatives are accountable to the membership.

Rating: \_\_\_\_\_



### **Principle 3. Member Economic Participation**

Members provide the money and/or in-kind resources needed to start and operate the business. Decisions on how the capital and funds of the cooperative will be used are made democratically and not based on the amount invested. The benefits that members get from the cooperative are in proportion to the business they conduct with the cooperative rather than on the capital invested.

Rating: \_\_\_\_\_





#### **Principle 4. Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Rating: \_\_\_\_\_



#### **Principle 5. Education, Training, and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

Rating: \_\_\_\_\_



#### **Principle 6. Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Rating: \_\_\_\_\_



#### **Principle 7. Concern for the Community**

Cooperatives work for the sustainable development of their communities through policies and actions approved by their members.

Rating: \_\_\_\_\_

2. Select the top most important principle for you and discuss with the group why you consider it very important.

Most important principle:

\_\_\_\_\_

It is important because

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## SESSION 5: DOING BUSINESS TOGETHER

### Session Overview



5 minutes

In Activity 5A, we will look into the different types of cooperatives and the range of services offered by a cooperative. We will end this module by listing down the advantages and disadvantages of a cooperative. This will help us further decide whether the cooperative is the right business model to respond to our needs and aspirations.

### ACTIVITY 5A: TYPES OF COOPERATIVE AND RANGE OF SERVICES



10 minutes

Products and services offered by cooperatives depend on the needs of their members. In many cases, the activities of cooperatives are aimed at addressing constraints that members face in their livelihoods and/or helping them take advantage of opportunities that they could not possibly do so on their own. The table below shows basic types of cooperatives and their function, divided by membership type. It may be possible for a cooperative to have multiple functions (e.g. production and marketing). When cooperatives perform more than one function, we call them multipurpose cooperative.

Type of Cooperative	Description
<b>Users' Cooperative</b>	
Consumers Cooperative	A cooperative owned by its customers. The cooperative sell retail products for their customer members and other consumers at affordable prices.
Financial Cooperative	A financial institution that is owned and operated by its depositors and borrowers, with the intent to offer transparency in lending and investment practices for all members. The most common kind of financial cooperative is the credit union.
Housing Cooperative	The cooperative provides affordable homeownership and rented social housing.
Utility Cooperative	Provide utility services to members, such as water or electricity.
<b>Worker Cooperative</b>	Provide jobs for their members.

Type of Cooperative	Type of Cooperative
<b>Producers Cooperative</b>	
Purchasing Cooperative	Purchase products and services in bulk to reduce or share costs for individual members.
Marketing Cooperative	Build markets for members' products and services, improve bargaining power of members, facilitate delivery of products to market, and improve product quality.
Value Added Processing Cooperative	Add value to product of members through common service facilities for e.g. post-harvest, storage, and processing.

To have a better appreciation of the different services of a cooperative, let us follow the steps below.

## Steps



1. As each example is read, identify as a group the services provided by the cooperative and benefit/s derived by the members.

### Example 1.

MGV Cooperative is composed of fish farm harvesters, haulers, and sorters. Prior to the formation of the cooperative, wages paid to workers doing the same task varied widely depending on the negotiating ability of the worker and generosity of the farm owner. Workers who were shy and those with limited contacts in the industry also had difficulties in getting jobs. In many cases, workers did not have sufficient protection from the sun and other hazards during harvesting. It was also a problem for some workers to report to the work site especially when harvest is scheduled very early in the morning since motorcycles for hire only start their operations at 6:00 am. Today, the cooperative does the placement and scheduling of workers as well as the negotiation with farm owners. Cooperative also provides workers with the necessary personal protective equipment. The organization also bought small tools and equipment to improve safety and efficiency of workers. The group has also been able to access a grant from the government which enabled them to buy a small truck which enabled them to offer hauling services as well as provide transportation for workers. Wages have already been more or less standardized and work is distributed fairly among all members. With improved income, the members save a small amount of money into a pot. Each month, two workers can borrow money from the pot.



Services provided by cooperative: \_\_\_\_\_

Benefits received by members: \_\_\_\_\_

### Example 2.

Happy Pigs Cooperative is comprised of small scale hog raisers. A major cost in hog raising is the feeds. Before they formed the cooperative, they bought the feeds from the agrivet store in the town proper. Since they only buy one bag per trip, the price of the feeds is higher than those who are able to buy at least five sacks. Likewise, transportation cost is the same for one bag of feeds and five bags of feeds. Because of the high difference in the cost of feeds including transportation, the small hog raisers are not able to compete with the large scale hog farms. The small hog raisers decided to form a cooperative so that they can buy the feeds in bulk and resell these to members at a price lower than the usual retail price. Three members of cooperative were also able to attend training on organic feed production provided by an NGO. These three members then disseminated the information to their peers. Starting last year, the cooperative is engaged in bulk procurement of feeds and has built a small plant for the production of organic feeds.

Services provided by cooperative: \_\_\_\_\_

\_\_\_\_\_

Benefits received by members: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## MEMBERS



## HAPPY PIGS COOPERATIVE



Feed Company



SERVICES



Buy from coop  
Helps in daily  
business operations  
Capital contribution



### Example 3.

For five years now, Manuela has been making woven wallets and bags to augment her income. During the first three years, she was doing the production and marketing alone. However, after three years of hard work she found herself having real hard time to access buyers and markets outside of her neighbourhood, limiting not only her sales, but risking her very limited capital. Manuela talked to her friends who are also into the production of woven products and convinced them to join her in forming a cooperative. In 2015, the Mountain Craft Cooperative was established.

Instead of selling their products individually to souvenir shops in the neighbouring villages, the cooperative decided to rent a space and set up their own store. Cooperative adds a 15% mark-up on the price from the members to cover operations cost and rental. With their own store, members are able to get a bigger share of the price despite the 15% commission paid to the cooperative. Likewise, members are assured that their products are properly displayed and promoted. After a year of operation, the cooperative decided to purchase three hi-speed sewing machines which members can use for a small fee. With the sewing machines, members are able to produce more products at reduced time, better quality, and lower cost.

*Services provided by cooperative:* \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Benefits received by members:* \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. If you were to join or form a cooperative, what would be the main services that you would be needing? What benefits do you expect to receive from a cooperative? Please share answer with the group.

*Services that I need:* \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Benefits that I expect:* \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



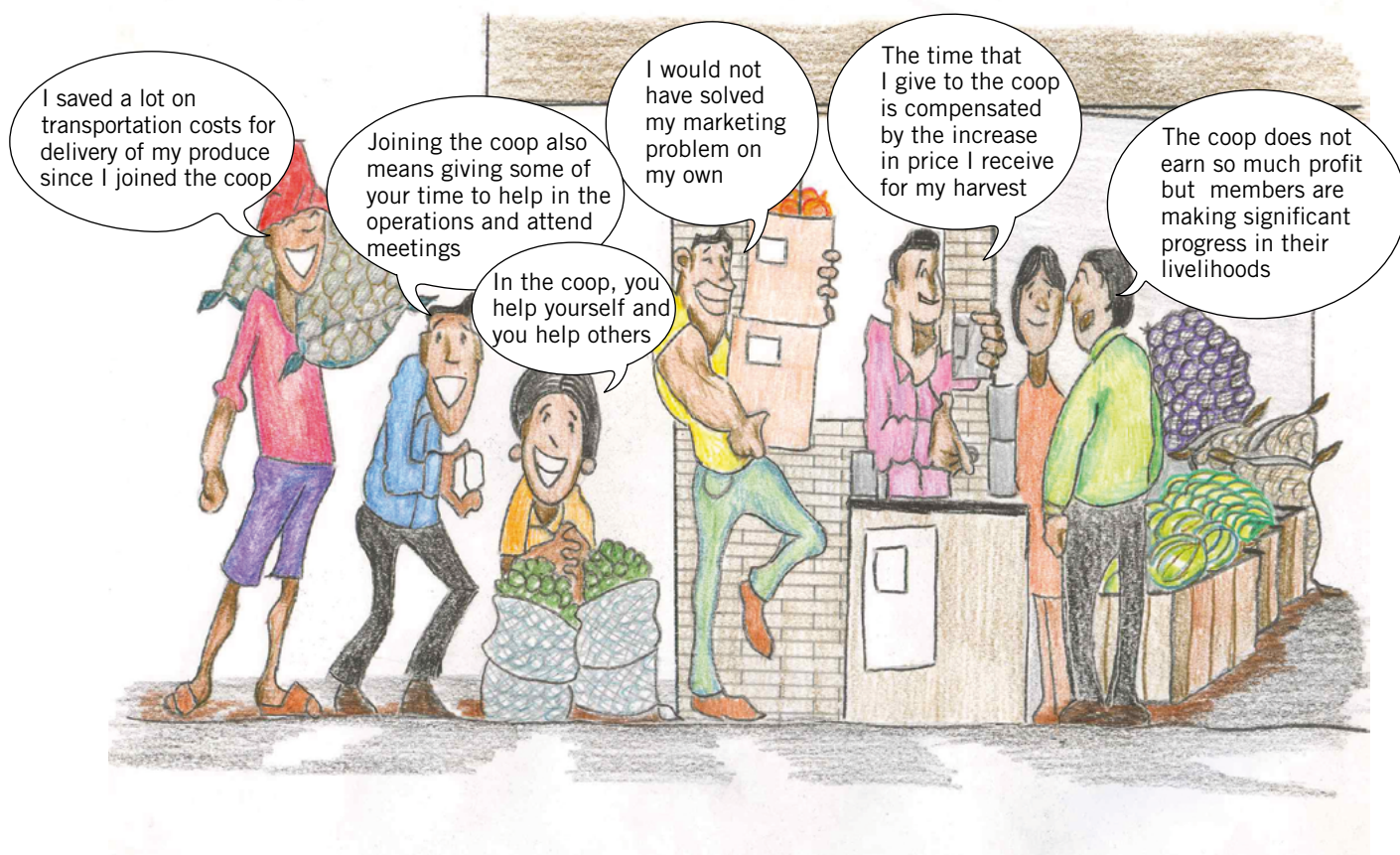
## ACTIVITY 5B: ADVANTAGES AND DISADVANTAGES OF A COOPERATIVE



15 minutes

We have learned in the previous sessions that cooperatives have a dual nature, as business enterprises on the one hand, and as membership based associations organized for collective action on the other. The basic difference between a traditional business and cooperative is that a cooperative is collectively and democratically owned and controlled by the people using its services or products while in a traditional business one person or group of persons make most of the decisions. Customers in traditional businesses are external to the company. In the cooperative, the owners and the users or customers are the same people; they are the members.

In cooperatives, people come together to address constraints or opportunities that they cannot address on their own and profit generation may not be the only or primary objective of the cooperative. In the case of corporations, profit is the main motivation as such companies have to satisfy the shareholders who have invested in them. In the case of cooperatives, the owners are the same people who are operating the organization and the main goal is to benefit each member equally. This does not mean, however, that corporations are bad and cooperatives are good. It depends mainly on the conditions and objectives of the people who are setting up the business.



The formation of cooperatives or membership in cooperatives is most likely to be beneficial under the following conditions:

- a) Problems and constraints cannot be solved individually. The problem can be better solved by collaborating with people who face the same problem.
- b) Assistance needed to address the problem cannot be easily accessed from family, other enterprises, government, and other social institutions. Cooperative is the most promising provider of the solution needed.
- c) The advantages of membership (access to services, inputs, financial services, markets, etc.) outweigh the duties of membership (e.g. contribution of resources such as money, time, skills, etc.).

## Steps



20 minutes

1. List down the advantages and disadvantages of forming or joining a cooperative from your own perspective and given the current conditions you face in your work or livelihood.

Advantages of Joining/Forming a Cooperative	Disadvantages of Joining/Forming a Cooperative

2. After a thorough analysis, do you think the cooperative is an appropriate business model for you? Why or why not?

# ANSWERS: ACTIVITY 2A

## Relationship

Farmer selling to a trader

Vertical Relationship

Workers helping each other

Horizontal Relationship

A shop owner consulting peer regarding a new technology

Horizontal Relationship

Fertilizer supplier and farmers

Vertical Relationship

Fish vendors set up an informal savings and credit scheme

Horizontal Relationship

Vendor borrowing stock from another vendor

Horizontal Relationship

Neighbours building a community water pump

Horizontal Relationship

Construction worker and contractor

Vertical Relationship





