

## **Business organisation – Cooperatives**

A co-operative is where a number of individuals or businesses work together to achieve a common purpose. They are normally formed so individuals and small businesses can benefit from being part of a larger group, meaning they have more power to buy or bargain.

There are three main types of co-operatives:

- ▶ Retail co-operatives
- ▶ Marketing or trader co-operatives
- ▶ Worker co-operatives

A retail co-operative is probably the most familiar co-op. The Co-Op shops and Leo Hypermarkets are a regular sight in the high street.

The objectives of a co-op tend to set them apart from other businesses. The objectives are normally more focused on the members of the co-operative, the local community and the world community. Though profits are required to enable them to reinvest in their business, they will not be a primary objective.

Though co-operatives exist to overcome some of the trading difficulties faced by small businesses, they can still face a number of problems in their operation:

- ▶ The system of one member one vote in some societies means a long, drawn out decision-making process
- ▶ Co-operatives may find it difficult to raise finance since banks are not so willing to lend them money because their main aim is not to make a profit
- ▶ Idealistic and ethical aims may not be agreeable with all members, so creating unrest and disharmony
- ▶ The aims held by many co-operatives may not lead to profits in the long run (though many co-op shops will continue to exist at a loss because the owners feel they are providing an important service to the community.)

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