

FORMS AND TYPES OF MEMBER-CONTROLLED ENTERPRISE

1. Introduction

This document sets out to explain the main forms and types of member-controlled enterprise (MCE). There are many different versions of MCEs, certain forms are more prevalent in some countries than in others. Among the most universal activities of MCEs are: community enterprises, agriculture and horticulture co-operatives, retail co-operatives, credit unions, building societies, friendly societies, workers' co-operatives, community-benefit societies, mutual insurance societies, and co-operatives of independent retailers – such as pharmacists, food retailers, etc. Throughout this document the catch-all term 'MCEs' is used to encompass all forms of member-controlled enterprise.

The different forms and types of member-controlled can be identified using three main criteria:

- **The method of conducting the enterprise.** This will also often be determined by the specific laws under which the enterprise is registered, for example in the UK, Industrial & Provident Societies Acts, Credit Unions Acts, Building Societies Acts, etc. (The form of enterprise)
- **The basis for membership.** For example being - consumers, producers, workers, a specific community, a specific group of entrepreneurs, etc. Often the basis of membership covers only a single group of stakeholders but it can include several different groups, often referred to as being 'multi-stakeholder'. In reality the basis for membership can be any 'community of interest' (common bond) as the members may determine.
- **The main activity.** e.g. retailing, produce marketing, insurance, credit and savings, housing services, health services, etc. Or, as in many cases, multi-purpose.

It is important to appreciate that there are many forms and types of co-operatives but they can be classified into four main forms:

- Consumer/user – led
- Producer/worker* –led
- Community
- Business support

** This can include many different types, including workers, professionals, artists, artisans, farmers etc.*

In all cases, even when the enterprise is led by a single stakeholder group, the best arrangements will be for all main stakeholders to have an input in the running of the enterprise, provided this is supportive of the common purpose.

Forms, types and activities

MCEs operate successfully in almost every country of the world, and range from micro-enterprises involving a handful of people to enterprises that can count their turnover in multi-millions. In most countries MCEs are operating a wide range of different economic sectors – in fact it is difficult to imagine any economic activity that isn't undertaken by a member-controlled enterprise somewhere. Almost universally groups of farmers have formed their own enterprises to market their produce and to provide themselves with farming inputs and other services. Other major areas of involvement for MCEs include: retailing and wholesaling, credit and banking, insurance, transport, health-care and housing, small-scale industry and so on. Also, forming social clubs, sporting activities and cultural ventures.

Different types of enterprise

A group of farmers could, for example, organize to provide themselves with farm inputs either by – operating a farm supply depot and holding stock (an agricultural requisite supply co-operative), negotiating with suppliers and not holding any stocks (a purchasing group), providing farm inputs as part of a loan to be recovered once the crop is harvested (an agricultural credit co-operative).

The legal form that will be used by any group of people setting up a MCE will much depend upon the legislation that is available in the country concerned. Also, the terminology used to describe the form of organization used will be dependent on the legislation and the historical context, which will have shaped the group's attitudes towards MCEs. The choice of the form to be deployed will be also be influenced by the knowledge/experience that the group involved, or by the advice that may be available to them from any promoting body. Most groups setting up a MCEs will select a form that has been successfully used by other groups they have had contact with. It is most likely that groups will follow the example of those groups that

their leaders have visited and learned from. In particular, where they have seen a form working in practice under conditions that are similar to their own.

The same activity but with different owners

Several different types of MCEs are to be found operating retail enterprises. Enterprises owned and controlled by members who are the customers or 'consumers' of retail MCEs are the most common. However, retail MCEs are also operated by: worker-owned MCEs, community owned MCEs, producer-owned MCEs (e.g. farmers or craftsmen/women) or by entrepreneurs (individual business-persons who form a co-operative).

The following list provides examples of the many different forms and types of member-controlled enterprise:

COMMUNITY BENEFIT ORGANIZATIONS

Form or type	Key Characteristics
Community health service association	Members can include healthcare professionals, local residents and supporting agencies. Income to cover the cost of health services is collected by means of regular payments from members.
Co-operative clinic – owned and operated by health professionals or jointly with the community	Similar to associations (above) but usually less dependent on outside subsidies.
Electricity and communications supply co-operative	Jointly owned equipment operated by the co-operative to provide electricity and/or communications services that are used by members on a fee-paying basis.
Flood warning group	Self-help groups supply members' with a two-way information service that provides for the quick transmission of early warnings about natural disasters to their members.
Food for work group	The group organizes the required labour and the distribution of food to those who have undertaken the work.
Multi-purpose community co-operative	The co-operative draws its members from all parts of the community, including consumers, workers and local organizations. The services provided will depend on the requirements of the community but can include, village shops, local pubs, health services, schools, local transport and income earning opportunities.
School and learning co-operative	Members of the community, often in collaboration with other bodies, provide educational services for their members and their families.
Transport services co-operative	Transport is provided by the co-operative to member-users, often on the basis of a contract with individual vehicle owners.
Village improvement society	The society will have members from all parts of the community and will undertake projects, which improve village life and the living environment.
Water users' association	The association organizes and maintains the local water supply.
Wildlife protection society	The society organizes the management of wildlife and usually contracts with governmental conservation agencies to protect wildlife in the interest of the community and the nation.

CONSUMER AND SERVICE PROVIDING ORGANIZATIONS

Form or type	Key Characteristics
Consumers' co-operative	The co-operative operates retail shops (also often working with other co-operatives to provide their own

	wholesaling) and other services required by their consumer members.
Defence and advocacy association	The association can provide legal advice to its members; it may be an organization jointly owned by local people or legal/other professionals. The functions of providing defence against exploitation or attack, from any source, may also be one of the activities that benefit members of other forms of Co-op/MCEs.
Food and nutrition purchasing club (Food co-ops)	Members bulk their purchasing power to obtain lower-cost nutritional food. Sometimes they adopt a 'box system', whereby they obtain a selection of foods determined by the food co-op organizer.
Funeral service co-operative	The co-operative undertakes the funeral arrangements for the member. Sometimes this is a separate organization or club into which the member subscribes on a regular basis. In other cases funerals are only one of the services provided by a consumers' co-operative.
Pharmacy services co-operative	Operated as a consumers' co-operative, sometimes as an adjunct to a co-operatively organized clinic or health centre.
Renewable fuel/energy supplies co-operative	Many different types of co-operative, especially agricultural supplies co-operatives and consumers' co-operatives provide members with renewable fuel/energy supplies.

AGRICULTURAL PRODUCERS AND FISHERMANS ORGANIZATIONS

Form or type	Key Characteristics
Agricultural co-operative bank	A bank usually jointly owned by a number of other agricultural co-operatives or credit societies, which will lend mainly to farmers, either through its member organizations or direct to farmers.
Agricultural credit co-operative	Provides seasonal farming credit, can be based on limited or unlimited liability but usually involves collective guarantees for loans from banks or credit agencies.
Agricultural marketing co-operative – agency form	Markets produce on behalf of members but ownership remains with the individual member until their produce is sold.
Agricultural produce purchasing co-operative	The co-operative takes ownership of produce when it is purchased from members, often linked to processing/packaging to add-value.
AI and veterinary services co-operative	Collective purchasing of AI and veterinary services, the co-operative may employ its own staff or contract for services.
Crop and livestock insurance mutual/co-operative	Mutual cover for risks to crops and/or livestock usually requires laying-off risks by reinsurance.
Farm input supply co-operative	The co-operative normally operates depots that carry stocks of farm inputs for sale to members as required by them.
Farmers' association	An association of agricultural producers that will often focus on advocacy and representation on behalf of producers but may also become involved in providing economic services to members.
Farmers' market	The association or co-operative operates a market where farmers or their family members sell their own produce direct to the public.

Fishermen's co-operative	The co-operative will normally provide its individual members with fishing equipment and market their catch.
Fish farming association/co-operative	Provides fish to stock fish ponds and feeds etc. to members and may also market fish on behalf of members.
Food processing and packaging co-operative	Purchases produce, usually at near market prices, to be processed or packed at jointly- owned facilities.
Forestry co-operative	Markets forestry products on behalf of members, may also provide forestry management service to members.
Grain bank or cereal bank	Members place grain in collectively owned storage, which can be taken for their own consumption when needed or sold when prices have risen to higher levels than at harvest time.
Land settlement association	Provides joint services, such as input supply, machinery and produce marketing, to individual farmers, usually renting or owning contiguous plots of land.
Livestock association	Individually owned livestock jointly managed by the association, this may involve trekking to new pasture, holding grounds and arranging veterinary services.
Livestock marketing co-operative	May involve the co-operative in providing members with any of the services as above (by an association) but will also include marketing on behalf of the individual member, in most cases the farmer will be paid on the dead weight of their animal.
Machinery ring/co-operative	Individual owners of farm machinery, who may be contractors or individual farmers, selling machinery services to farmers. The co-operative provides a booking service and collects a small fee, from both the machine-owner and the farmer using the service, to cover costs.
Multi-purpose agricultural co-operative	The co-operative provides a wide range of services to its members, which can include any number or all of the services offered by the different forms of co-operative described in this table.
Purchasing group	Joint purchasing of agricultural inputs, by means of bulking orders and negotiating a price with the supplier, the group holds no stocks of supplies.
Water/irrigation management association	The association jointly manages water supplies, often, sharing out the available resource, maintaining pumps and other equipment and providing irrigation services.

FINANCIAL SERVICES, RISK MANAGEMENT AND SOCIAL PROTECTION ORGANIZATIONS

	Key Characteristics
Building society	The society collects savings from members on a regular basis and makes loans to members to purchase housing or the materials to build homes.
Co-operative bank	Co-operative banks are usually owned by groups of primary level co-operatives of various types, (see agricultural co-operative banks above) they take deposits from and make loans mainly to co-operatives, also in some cases direct to individual co-operative members.
Credit and savings society	A society of persons who make regular savings and in due course can qualify to take out loans. There are several different forms of credit and savings societies, which are popular in different parts of the world many are based on the Raiffeisen system developed in Germany in the 19 th century.

Credit Union	Internationally, the fastest growing form of credit and savings co-operative. Based on strict adherence to self-help principles, requiring members to save before they borrow, and to use loans only for sensible purposes.
Friendly society	The society collects regular payments from its members and makes payments to members in times of sickness, unemployment or other hardships.
Insurance mutual/co-operative	Members pay regular insurance premiums to the insurance mutual/co-operative in return they receive payments in the event of risks covered by their policies; members may also receive bonuses as a form of profit-share.
International reinsurance	Most insurance mutual/co-operatives (as do most investor-owned insurance companies) spread the risks that they cover by reinsurance. Internationally much of this reinsurance is arranged by the International Co-operative and Mutual Insurance Federation (ICMIF).
Sickness and accident club	Similar to a Friendly Society (see above)

CONSTRUCTION AND HOUSING ENTERPRISES

Form or type	Key Characteristics
Construction brigade/co-operative (Labour contracting co-ops)	Individual construction workers organized into a brigade or co-operative to undertake major construction tasks. The co-operative may also provide training for young workers/new entrants to construction trades. Often it may be linked to a vocational training institution.
Housing co-operative (Ownership form)	Members jointly own housing, which it jointly manages, often used to secure housing finance by joint guarantees from banks and other credit agencies.
Housing co-operative (Tenant management form)	Housing, often owned by government or local authorities, managed by residents. The co-operative may collect rents, provide common services and undertake repairs. In some cases it will help to provide employment and child-minding facilities etc.
Housing co-operative (Self-build)	The co-operative jointly secures building land, finance and supplies construction materials. Also, may provide construction advice and employ some technical specialists to assist members with their building project. After the completion of the housing the co-operative may change its function to that of providing common services.
Refugee and or returnee (and or ex-combatants) association	The association organizes refugee (or demobilisation) camp services, and seeks to provide income-earning employment. The same or a separate association may provide services to help re-settle refugees/ex-combatants when they are able to return home.

EMPLOYMENT AND ENTREPRENEUR ORGANIZATIONS

Form or type	Key Characteristics
Enterprise marketing and service co-operative (Shared services)	Shopkeepers or other enterprise jointly purchase supplies for their businesses, and or jointly market their individual products.
Craftsmen and artisans co-operatives	Jointly purchase supplies required for their trade, and or jointly market the individual products of craftsmen or artisans. Can also provide other services such as

	managed workspace and accountancy.
Eco-tourism /farm tourism co-operative	Jointly market accommodation and other tourist services and maintain main tourist assets/attractions so as to sustain tourism in the area.
Employment mutual	The mutual helps to find employment for its members and to support them when they are seeking work. The members may also be self-employed persons who benefit from the mutual marketing of their services to individuals or firms that can make use of their services.
Market operator co-operative	A market operated jointly on behalf of vendors and/or individual crafts persons or small-scale producers.
Migrant labour and remittance service co-operative	Arrange to safely remit to their families income earned by migrant labour, this is often a service provided by a credit union.
Mutual guarantee society	Jointly provides security to secure enterprise loans from banks and other credit agencies.
Pharmacists' co-operative	The members of the co-operative are pharmacists who purchase drugs and other goods jointly; some times they also provide cover when the pharmacist is absent. The most successful also manufacture drugs under their own label.
Special co-operatives for vulnerable groups (Women, youth, old persons, disabled etc)	Members will be drawn from specified vulnerable groups, providing access to needed services, providing employment opportunities, credit for productive purposes etc.
Taxi and transport operators' co-operative	Provides central services, such as despatching and negotiates contracts with hotels and airports etc. on behalf of individual car or other vehicle owners.
Workers' co-operative	Any form of enterprise activity can be undertaken by a worker-owned co-operative, where the workers employed in the co-operative are also its owners. Most commonly involved in providing services of all types.

SOCIAL, CULTURAL AND SPORTING ORGANIZATIONS

Form or type	Key Characteristics
Social and sporting clubs	Providing recreational, social and entertainment facilities for members.
Supporters trusts	Providing members with a stake in their sports which they follow.
Musical enterprises	Musicians jointly operating their own band or orchestra.
Artists and entertainers co-operatives	Providing agency services and joint marketing and other services.

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