Objectives

1. **Identify** the different types of cooperative organizations.

2. **Understand** the purpose of nonprofit organizations, including professional and business organizations.
Key Terms

• **cooperative**: a business organization owned and operated by a group of individuals for their shared benefit

• **consumer cooperative**: a retail outlet owned and operated by consumers that sells merchandise to members at reduced rates

• **service cooperative**: a type of cooperative that provides a service rather than a good

• **producer cooperative**: an agricultural marketing cooperative that helps members sell their products
Key Terms, cont.

- **nonprofit organization**: an institution that functions much like a business, but does not operate for the purpose of making a profit
- **professional organization**: a nonprofit organization that works to improve the image, working conditions, and skill levels of people in particular occupations
- **business association**: a group organized to promote the collective business interests of an area or group of similar business interests
- **trade association**: nonprofit organizations that promote the interests of particular industries
• How are some businesses organized to help others?

– Cooperatives are businesses created by a group of individuals who share benefits.
– Nonprofit organizations are run like a business but their goal is not to make a profit. Instead these organizations seek to benefit the public in some way.
A cooperative is a type of business organization owned and operated by a group of individuals for their shared benefit.

First instituted by Benjamin Franklin, cooperatives are based on the following principles:

- Voluntary and open membership
- Control of the organization by its members
- Sharing of contributions and benefits by members
Cooperatives, cont.

• Cooperatives do not have to pay income taxes because they are not corporations.
• Cooperatives are found in many industries including farming and health care.
• There are three kinds of cooperatives.

  – Consumer cooperatives are retail outlets owned and operated by consumers.
    • They sell merchandise to members at reduced prices.
    • Examples of consumer cooperatives include discount price clubs and housing co-ops.
    • Some co-ops require members to work a small number of hours to maintain membership.
Service and Producer Cooperatives

- Service cooperatives are co-ops that provide a service.
  - Some service co-ops offer discounted insurance, health care, or legal help.
  - Credit unions are an example of a service co-op.

- Producer cooperatives are agricultural marketing co-ops that help members sell their products.
  - Members focus their attention on their crops or livestock while the co-op markets the goods for the highest possible price.
Nonprofits

- Nonprofit organizations function like a business but do not operate for the purpose of generating profit.
  - Examples of nonprofits include museums, public schools, the American Red Cross, hospitals, churches, and many other groups and charities.
  - Nonprofits, like co-ops, are exempt from paying income taxes, but the nonprofit must meet certain requirements to qualify for tax-exempt status.
  - Nonprofits have limits on their political activity.
Some nonprofits provide support to particular occupations or geographical areas.

- Professional organizations work to improve the image, working conditions, and skill levels of people in particular occupations such as the National Education Association for educators.
- Keep members up-to-date on industry trends.
- Set codes of conduct that members must follow.
Business Associations

- Promote the collective business interests of a city, state, or other geographical area.

  - The Better Business Bureau (BBB), which aims to protect consumers by promoting an ethical and fair marketplace is an example of a business association.
Trade Associations

• Trade associations promote the interests of particular industries.

• Many trade associations hire lobbyists to work with state legislatures and Congress to try to influence laws that affect an industry.
Review

• Now that you have learned how some businesses are organized to help others, go back and answer the Chapter Essential Question.
  – Why do some businesses succeed and others fail?