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Difference Between Cooperatives and Corporations

- Categorized under **Words** | **Difference Between Cooperatives and Corporations**

Cooperatives vs Corporations



Cooperatives and corporations may sound like one and the same thing, but they are very different in the formation, running, and the purposes they serve. A cooperative is a legal entity owned by a group of people who come together voluntarily for their mutual benefit. These people usually join hands to fulfill their common economic, social, or cultural needs, a task that **would** be hard to accomplish if one was left to handle it alone. A **corporation** is a legal entity formed by a group of people who contribute capital, but it exists as a separate legal entity having its own privileges and liabilities distinct from those of its members. These members of a corporation are often termed the shareholders.

A corporation has limited liability meaning that if it fails and has to close down, the shareholders only stand to lose their investment while the employees lose their jobs, but neither of them will remain liable for the debts that remain owing to the corporation's creditors. However, the creditors can sell the assets of the corporation to recover their money. Some cooperatives may be in the **form** of partnerships, and these do not have limited liability as the members have close association with the business. If this kind of a cooperative fails, the creditors can sell the cooperative's assets to recover their money. If this is not enough, they may even resort to seizing the personal properties of the members.

A corporation is normally formed as a business organization to make profits; therefore, it must deliver returns on the investment by the members. Cooperatives are formed by members who want to accomplish a common **goal** together which may be business oriented or not. Therefore, it's not a must for a cooperative to make profits especially those formed to fulfill the social or cultural needs of the members.

The members who form a cooperative are the ones who are responsible for the day-to-day operation of the organization, and all the members have the same share of control meaning that all decisions affecting the cooperative are made together by all the members. A corporation is run by a centralized **management** under a board structure, and the members of the board are appointed by the shareholders. This board is entrusted by the shareholders to make decisions on the running of the business on their behalf and can be changed after a given **period** of time.

Members of a corporation can transfer their **shares** to other members who then take their position in the organization. With many cooperatives, the members cannot transfer their share of the organization, and the death of one partner can even lead to the dissolution of the partnership.




Summary:

- 1.A corporation exists as a legal entity where it can sue or get sued while a cooperative does not.
- 2.A corporation has limited liability while a cooperative does not.
- 3.A corporation must deliver returns on investments while this is not a must for a cooperative.
- 4.A corporation is run by a centralized management under a board while a cooperative is run by the members.
- 5.Shares of a corporation are transferable while those of a cooperative are not.

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