



The BC-Alberta Social Economy Research Alliance

# Co-op Survival Rates in British Columbia

**Carol Murray**

**British Columbia Co-operative Association**

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## Executive Summary

To date, no study has been conducted on the survival rates and success factors of co-operatives in BC. Data from a 2008 Quebec study, which showed a 64% survival rate of co-operatives in that province, have comprised the comparison of co-op and conventional business success, but questions remain as to whether Quebec data can be applied to other regions of the country. The lack of regional BC data has hampered the efforts of the B.C. Co-operative Association, along with consultants and stakeholders, to determine the necessary supports to co-ops in the province. The findings from the study will provide valuable information on the efficacy of co-op development practice, the means by which such practice might be improved, and the environmental factors that either contribute to, or detract from, the development and survival of co-ops.

This current study assessed the survival rates and success factors of operating and dissolved co-operatives in BC between 2000 and 2010. Both quantitative and qualitative data were collected and analyzed; an online survey was completed by 41 operating co-ops out of a total 150 co-ops incorporated between those dates that are still in operation (27%) and 15 dissolved co-ops out of a total of 100 (15%). Of these, 21 operating and 5 dissolved co-ops participated in a follow-up telephone survey.

The research aims were to establish the:

- a) number and variety of co-ops incorporated in BC over the last ten years;
- b) conditions that gave rise to the incorporation of these co-ops;
- c) survival rate of incorporated co-ops;
- d) reasons for a co-op's discontinuance;
- e) ways in which a co-op's early development and incorporation might be assisted;
- f) ways by which a co-op's demise might have been averted.

In this research, we assumed that success referred firstly to viability – whether a co-op was in a position to pursue its objectives. Success can then be further defined by the level of member satisfaction with the outcomes of the co-operative, as well as with the internal processes, such as member and board relations and inter-organizational relationships, developed by the co-op along the way. Success factors, then, would be those practices that assisted or supported these objectives and outcomes.

## Key Findings

Overall, the survival rate of co-operatives in BC is significantly higher than that of conventional, capitalist forms of business.

The 5-year survival rate of both operating and dissolved co-ops is 100 out of 150 co-ops (for which we have data) or 66.6%. This compares favourably to the 2008 Quebec study of survival rates of co-ops in that province of 64%.

By contrast, Industry Canada figures show a 43% and 39% 5-year survival rate for conventional business start-ups in 1984 and 1993 respectively. In BC, business start-ups in 1984 experienced a 38% 5-year survival rate.<sup>1</sup>

Overall, when asked which sources were most helpful to them, respondents identified consultants, CDI (Co-op Development Initiative) and other co-ops as more helpful than either BCCA or government in providing support to emerging co-ops for business planning, access to capital, incorporation, governance and operational structure challenges. This is an indication that BCCA needs to develop additional supports for emerging co-ops and to make its current programs more visible.

Successful co-ops identified the following factors as being key to their development and survival:

- Acquisition of capital & strong financial planning & management
- Member engagement & board involvement & expertise
- Training & enlisting outside consultant expertise and support
- Business planning and clarity of purpose.

## Recommendations

Based on the information gleaned from this study, the BC Co-op Association makes the following recommendations:

1. The Registrar should collect more contact data from incorporating co-ops, keep up-to-date lists of operating and dissolved co-ops and have the capacity to make that information more readily available to the Association for its work in support of provincial co-operatives;
2. More opportunities should be developed for business planning support and other training for co-ops;
3. Sources of additional capital should be available for supporting the growth of co-ops after they have been launched (e.g. BCCA's Co-op Momentum Fund addresses this gap);
4. Information that identifies and promotes BCCA as a resource for emerging co-operatives should be more widely disseminated.

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<sup>1</sup> See the Industry Canada website — <http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/rd01074.html>.

## 1.0 Background

In BC, there has never been a concerted study done on the survival rate of newly incorporated co-ops or the reasons for their success or failure. This is an area of research that is also sorely lacking in the co-op sector generally, and the findings from such a study would provide valuable information on the efficacy of co-op development practice, the means by which such practice might be improved, and the environmental factors that either contribute to, or detract from, the development and survival of co-ops.

Over the last decade there has been a constant interest in the development and incorporation of co-operatives in BC, often spurred on by the co-op development work of sector associations like BCCA, or the availability of government funded policies and programs, at both provincial and federal levels, specifically aiming at the support of co-op development. In B.C., an average of 20 co-ops are incorporated every year. This amounts to roughly 200 co-ops incorporated in BC over the last ten years.

## 2.0 Research Questions

This project researched the patterns of co-op formation and dissolution in BC.<sup>2</sup> The focus of the research was to examine the co-operatives that have been incorporated over the last ten years, using a combination of the records of the Registrar of Companies and Co-ops, interviews with incorporated co-ops, and survey tools.

The research aims were to establish the:

- g) number and variety of co-ops incorporated in BC over the last ten years;
- h) conditions that gave rise to the incorporation of these co-ops;
- i) survival rate of incorporated co-ops;
- j) reasons for a co-op's discontinuance;
- k) ways in which a co-op's early development and incorporation might be assisted;
- l) ways by which a co-op's demise might have been averted.

## 3.0 Methodology

Research tools involved primarily a survey/questionnaire conducted via the online "Survey Monkey" (Appendix 1) supplemented by more in-depth telephone interviews (Appendix 2) with those who

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<sup>2</sup> A parallel study took place in Alberta. For information, contact the Alberta Community & Co-operative Association at [maasgard@acca.coop](mailto:maasgard@acca.coop).

volunteered their time after filling in the online survey. These tools yielded both quantitative data (survey) and qualitative data (interviews).

The project involved the hiring of a graduate student to carry out the survey development and interview and data analysis activities. The student was supervised in their work by senior staff at BCCA.

The roles and responsibilities of the student included the following:

- a) develop a questionnaire for the survey
- b) identify all relevant databases for the study
- c) work with Registrar's office in accessing relevant documents and databases
- d) work with the provincial association in identifying and collating relevant materials and documents
- e) conduct telephone interviews with targeted co-ops; complete surveys
- f) update contact lists and databases as appropriate
- g) prepare a report on survey findings.

Initial data collection combined listings of incorporated co-operatives provided by the provincial Registrar, and in-house databases of contacts compiled over the years. One recurring challenge in this kind of outreach activity is the lack of reliable contact information. The Registrar does not require that newly incorporating co-ops provide email addresses and, particularly for dissolved co-ops, any email addresses we may have on file are often no longer current. We have done our best to infill with information gleaned from the Internet and from colleagues, but were only able to obtain 91 contact emails out of the 259 co-operatives on the Registrar's list of co-ops incorporated in the past 10 years in BC.

Another challenge with the data from the Registrar is that any co-ops that have not sent in annual reports over a 2-year period were deemed "dissolved," whereas that isn't necessarily the case. We were able to identify several co-ops from the dissolved list that were indeed still operating.

The survey tool was developed in consultation between staff and student researchers in BC and Alberta.<sup>3</sup> Care was taken to make the survey short and easy to answer so that respondents would be encouraged to complete the survey, but nuanced enough that the data would be relevant, meaningful and comprehensive.

One of the tools used to analyze the quantitative data from the online survey was the integrated data analysis function of Survey Monkey, which, however, is limited in the correlations between data sets it is capable of showing. Subsequently, an opportunity became available to use the more superior data analysis capabilities of the JMP software program through the generosity of the Sauder School of Business at the University of British Columbia. While the survey was easy enough to fill out, largely

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3 Student researchers were Maryanne Matthias in BC and Celia Lee in Alberta.

due to the use of tables to capture large amounts of data (see Appendix 1), the analysis of the table data proved challenging as the data were often too “sparse” for the data analysis software to process.

For example, for the following question: “What external expertise did your co-op draw upon for each of the following functions?” respondents were asked to fill in the following chart using a scale of 1-5 for each question down the left-hand column and each response across the top row:

	Consultants	Government	Co-op Development Initiative program	ACCA or BCCA (provincial associations)	Other co-ops
Feasibility study?					
Business plan?					
Accessing capital?					
Developing bylaws?					
Determining the governance approach and structure?					
Determining the operational structure?					
Coordination of all or many of the above?					

Most respondents, however, didn’t have a response for many of the boxes, so left them blank. The software, however, regards this as problematic as it is unable to process that few responses. We instead relied on the Survey Monkey analysis to infill questions regarding the most used and least used resources. This generated sufficient data to process the responses.

Another issue with the table data is that it is difficult to assess, on the basis of the online survey responses alone, whether respondents were filling in “1 — not helpful at all” to indicate that they used the resource, but didn’t find it at all helpful, or didn’t use the resource and therefore didn’t find it helpful. Short of contacting each of the respondents and inquiring (a time-consuming task for a project with limited time and student support), we elected to assume that if by responding “1” a respondent meant “no, I didn’t use the resource” they were implying that they didn’t find it helpful, so didn’t avail themselves of the resource, thereby in effect having a similar outcome to those who did use the resource and didn’t find it helpful at all.

A potential flaw in the assumptions of this research is that respondents from dissolved co-ops are able to assess the reasons for the failure of their co-op. One could argue that it might be because they were *unable* to assess the problems of the enterprise that it failed, and that hindsight might not be enough to rectify this. Indeed some respondents were not able to answer the question, “what resources do you wish you had available during the incorporation process?” perhaps indicating a lack of capacity to identify solutions to the problems experienced by their co-op. A comparison of responses from dissolved co-ops with those of operating co-ops may help to tease out some of the success factors that respondents from dissolved co-ops might not have been able to identify.

To analyze the qualitative surveys, a summary sheet was prepared of all the responses for each question for both continuing and dissolved co-ops. Next, themes or commonalities from these responses were identified that allowed the researchers to further synthesize responses to a more succinct form of success factors. Variants and outlier responses were also readily identified from the summary sheets.

We had hoped that we would have about 60-75% dissolved co-ops in both the survey and interview components of the project as there is much that can be learned from failure, but this proved difficult for two reasons: first, our only source of contact data on dissolved co-ops is that of founding members for these co-ops kept by the Registrar. These records don't contain email addresses. Second, the contact information for many of these dissolved co-ops is no longer current; we had no other way of accessing current contact information. Despite these challenges, we were able to contact 29% of the dissolved co-ops, of which 51% of those responded to the survey. We feel that the information provided by these respondents is valuable and contributes to the overall quilt of success factors of co-ops in BC.

## 4.0 Defining Success

This research investigates success factors for co-operatives; however, success can be defined by a wide variety of criteria and indicators. In this research, we assumed that success referred firstly to viability – whether a co-op was in a position to pursue its objectives. Success may then be further defined by the level of member satisfaction with the outcomes of the co-operative, as well as with the internal processes, such as member and board relations and inter-organizational relationships, developed by the co-op along the way. Other measures of success may be very co-op specific: strengthening marketing efforts through consolidation, resurrecting dying enterprises or industries, cutting the costs of housing, food, or other goods/services, improving community vibrancy, developing employment opportunities, developing local investment opportunities, making use of community infrastructure, developing social capital, encouraging community-owned resources and services, diversifying the economy, etc.

A report by the Canadian Worker Cooperative Federation, published in May 2010, also grappled with the definition of co-op success. They concluded from interviews with 13 successful worker co-op representatives, that the following factors were held in common:

- Longevity

- Living wages
- Meaningful work
- Personal development
- Financial success
- Values-driven products.

These findings, apart from financial success, differ markedly from those of this current study which found that member engagement, training & support, and planning were key factors in the success of respondent co-ops (see “Conclusions and Recommendations”).

## 5.0 Findings

Over 100 co-ops were contacted for the online survey, of which 41 operating co-ops (27% of all operating co-ops) and 15 dissolved co-ops (15%) took the survey, with 26 of these participating further in the qualitative telephone interviews (18 operating, 3 "vulnerable" and 5 dissolved). The project took place formally between July 2 and August 30, 2010, with qualitative data analysis taking place during the last week of the project. Quantitative data analysis was carried out subsequent to this and was completed in January 2011.

### Co-op Survival Rates

The 5-year survival rate of both operating and dissolved co-ops is 102 out of 155 co-ops (for which we have data) or 65.8%. This compares favourably to a 2008 Quebec study of survival rates of co-ops in that province of 64%. In contrast, Industry Canada figures show a 43% and 39% 5-year survival rate for conventional business start-ups in 1984 and 1993 respectively. In BC 1984 business start-ups experienced a 38% 5-year survival rate.<sup>4</sup>

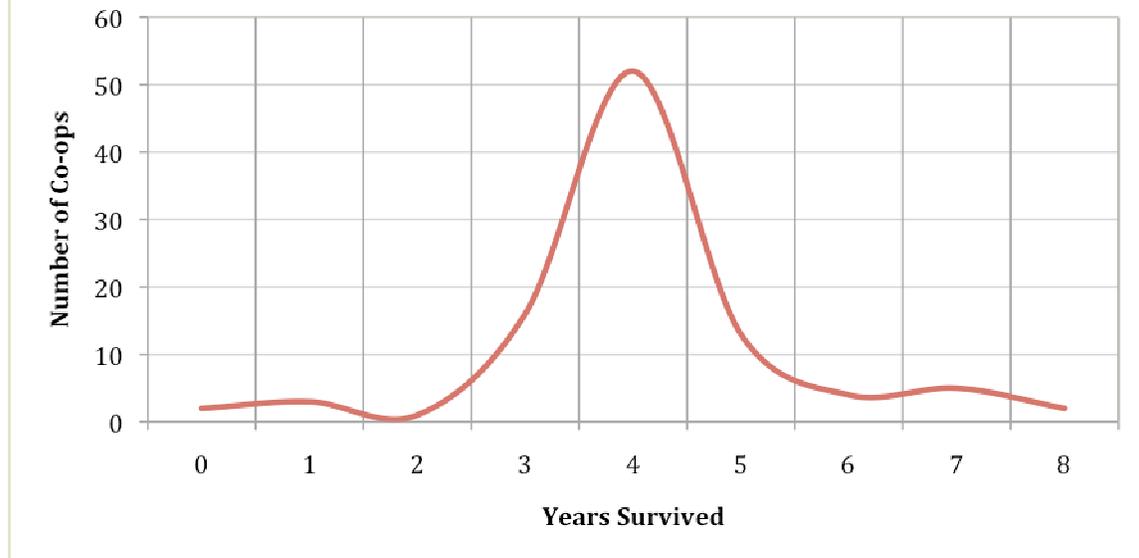
Almost 100% of BC co-ops that incorporated from 2006-2010 are still operating. While this is cause for some optimism, it should also be noted that of the 97 dissolved co-ops for which we have both the date of incorporation and dissolution, over 53% dissolved at the year-four mark, a notable spike in the bell curve of dissolutions over the 10-year study period (see chart below).

It is difficult to explain the striking difference in survival rates of those co-ops incorporated prior to and after 2005. One obvious factor is the advent of the Co-operative Development Initiative program in 2003, which has provided BCCA with the resources to hire a dedicated staff person for its co-op development activities, including hands-on technical assistance support and small grants, and to engage in co-op promotional activities and events. The CDI program has also directly provided co-ops with grants to support their development.

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<sup>4</sup> See the Industry Canada website — <http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/rd01074.html>.

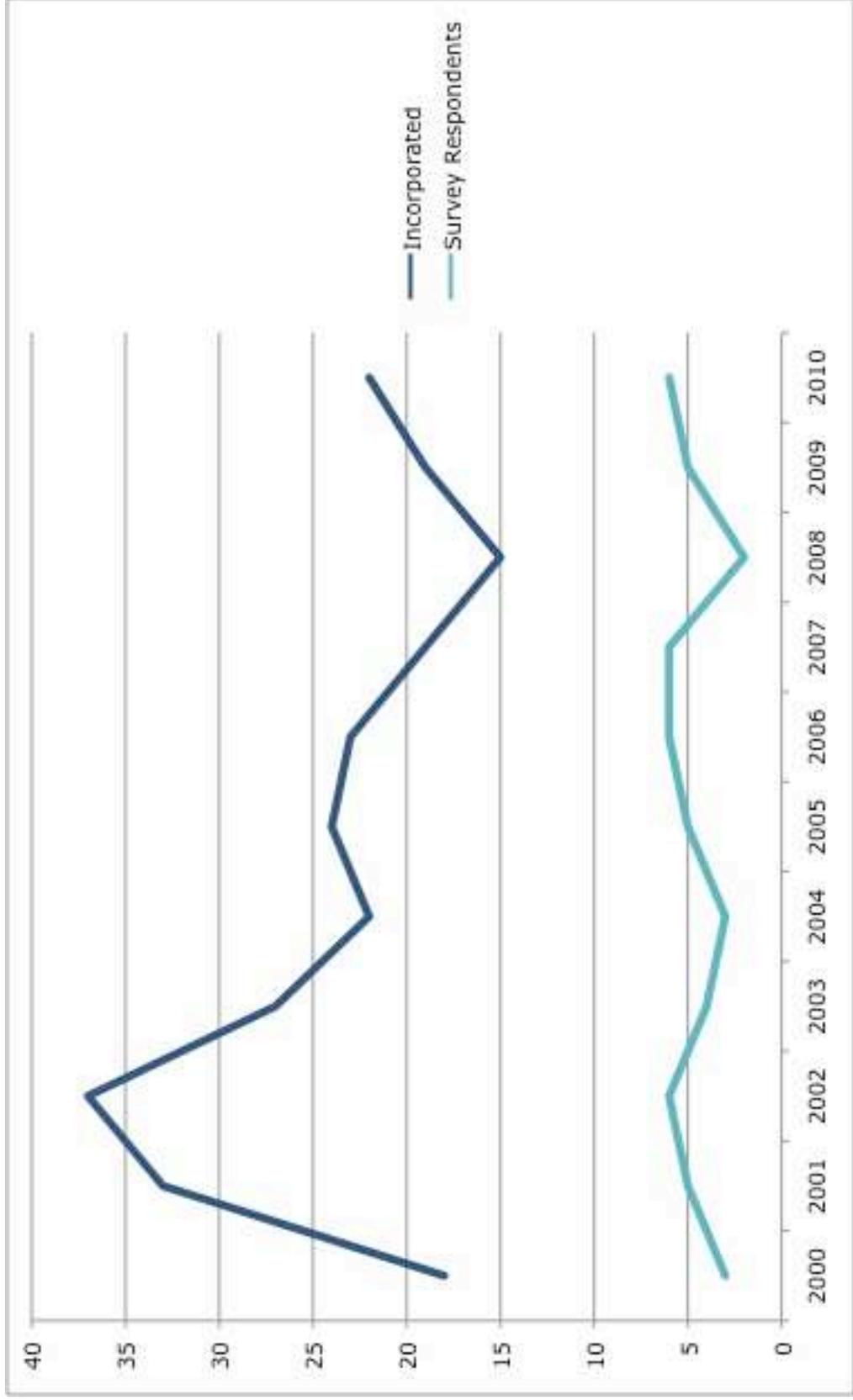
## Number of Dissolved Co-ops per Years Survived 2000-2010



### Quantitative Findings

Most of the BC co-ops responding to the survey were incorporated during 2005-2007 (37.8%) and 2009-2010 (29.7%) with an additional 10.8% in 2002 — see the chart on the next page. These latter co-ops may have incorporated in part as a result of the provincial Co-op Advantage Program, which provided co-op development support to co-op start-ups. The program was disbanded in June 2001. The marked slump in incorporations (and respondents) in 2008 could perhaps be attributed to the global economic downturn. Note that the number of respondents corresponds — as a pattern over the 10 years — to the number of incorporated co-ops. We can therefore state, with a strong degree of confidence, that our survey results are both indicative of a range of co-ops incorporated over the 10-year period and also that they are representative of the incorporation trends over that same period.

## Incorporated vs. Survey Respondents by Year of Incorporation



## Operating Co-ops

The vast majority of respondents were service co-ops (57.1%), with worker, producer and consumer co-ops evenly matched at just over 14% each (although 13 respondents skipped this question). Most of the respondents were not-for-profit (Community Service Co-op) (67%).

At incorporation the number of members ranged from three to 93, with about half having under 10 members and one-third having over 20 members. Currently, there are only six co-ops with fewer than ten members and several over 100, with one at 1,200. Almost all of the co-ops have either no staff or three or fewer staff members.

With regard to challenges during the start-up phase, operating co-ops replied that most of the challenges were associated with resources and business decisions, e.g., a business structure, website, decisions regarding wages and projects, marketing, etc. The second biggest challenge was around money—raising initial capital. Another significant challenge was the relational issues, i.e., conflicts, acquiring members and effective use of members' skills and knowledge.

With regard to the table question: "What external expertise did you draw upon for each of the following functions?" here is a summary of the results:

1. **Feasibility study** — respondents found other co-ops (37.5%) followed by Consultants and the Co-op Development Initiative (CDI) program very or extremely helpful (18.2%) and Government (81.8%) and BCCA (90%) to be least or somewhat helpful. Again, the "least helpful" category could include those who didn't use the resource as well as those who did use the resource but didn't find it helpful. In the case of BCCA, the Association doesn't offer a feasibility study development service, so we can assume that those who determined that BCCA was "not helpful at all" may be reflecting this.
2. **Business Plan** — similarly, respondents indicated that other co-ops (23.5%), Consultants (20.7%) and CDI (21.4%) were very or extremely helpful, and Government and BCCA least helpful.
3. **Accessing capital** — again, other co-ops (23.5%) and CDI (28.6%) were the clear favourites although government (14.3%) and BCCA (16.6%) had respectable showings. Many, however, found most of the options to be either not helpful or only somewhat helpful. Clearly this is an area that is not adequate to the needs of developing co-ops, particularly since many respondents indicated that this was a major challenge during their start-up phase.
4. **Developing bylaws** — Government was not helpful at all (61.5%), BCCA was very helpful (35.3%) and Consultants (37.2%) and other co-ops were extremely helpful (33.3%).
5. **Determining the governance approach/structure** — Government was not helpful (58.3%), CDI was extremely helpful (30.8%) and BCCA was very helpful (26.7%).
6. **Determining the operational structure** — Most of the resources were not helpful here, although CDI and Consultants were deemed extremely helpful and other co-ops were both very helpful (23.8%) and extremely helpful (19%).

Most indicated that they needed more information and more resources for advice and training at this stage of co-op development. Several of these respondents indicated that more legal expertise would have been particularly useful. This corresponds with the results from a BCCA Advisory Services Client Outreach Survey of those that have received a 90-minute Advisory Services session from BCCA in the past two years (contracted out to professional Co-op Developers). Although almost 100% of the 25 respondents indicated that the BCCA session was “very helpful” or “extremely helpful,” the survey showed that in addition they would like to see BCCA provide information sessions, co-op meet-ups, a guide to co-op development (which is now available), and access to legal experts.

What follows is a summary of responses of how respondents ranked resources post-incorporation to the present day:

	<b>Not helpful at all</b>	<b>Somewhat helpful</b>	<b>Very helpful</b>	<b>Extremely helpful</b>
<b>Governance</b>	CDI; government; other co-ops	BCCA		Consultants
<b>Financial mgmt</b>	CDI; BCCA; government; other co-ops		Consultants; other co-ops	
<b>Member relations</b>	CDI; BCCA; government; other co-ops	Consultants	CDI	
<b>HR</b>	CDI; BCCA; government; other co-ops		Other co-ops	
<b>Marketing</b>	CDI; BCCA; government; other co-ops			
<b>Operations mgmt</b>	Consultants; CDI; government; other co-ops		Other co-ops	

What this indicates is that there are fewer resources available that respondents find helpful post-incorporation compared with those available to them during the start-up phase. Furthermore, most indicated that the resource that could have further enhanced their success during this period was expertise either from BCCA, a consultant or a mentor from other co-ops.

Few respondents deemed partnerships to be applicable in their situation, although some indicated that they have partnerships with other co-ops and other enterprises/organizations, most specifically a credit union.

Initial capital varied from a low of \$200 to as much as \$850,000. Additional capital ranged from \$350 to \$1.4 million. Respondents indicated that raising both initial capital and additional capital was extremely important (60.6% and 69.7%) and important (24.2% and 18.2%). Note the comparison with dissolved co-ops below.

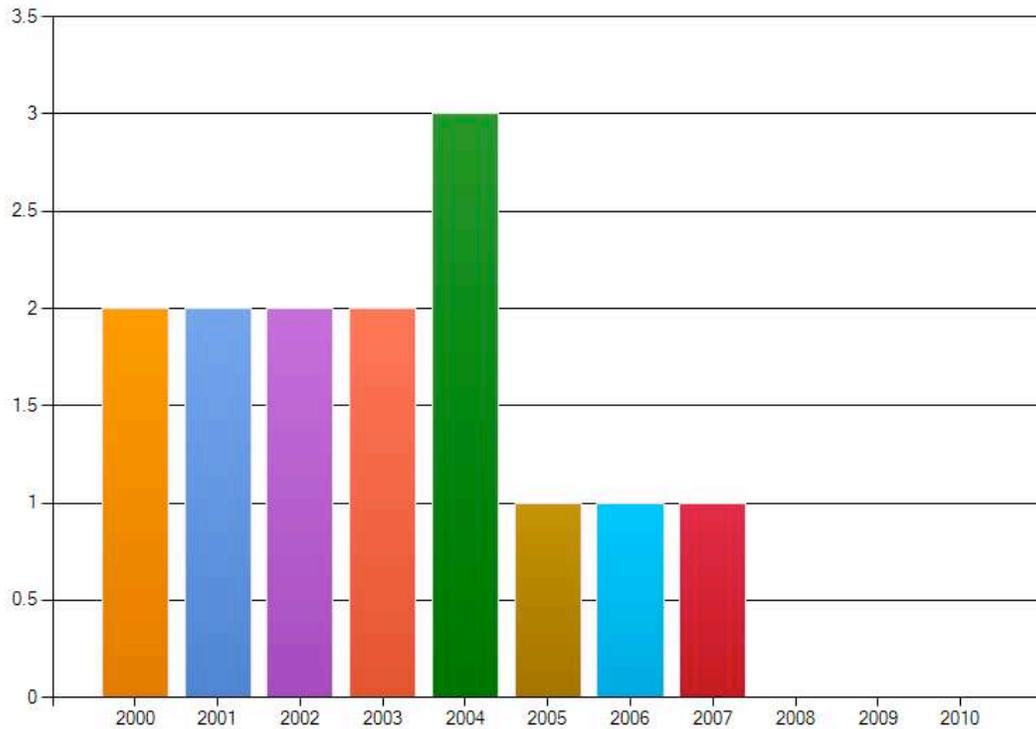
When asked what they would have done differently, respondents stated that they should have encouraged more member engagement and had more emphasis on business planning. A few indicated that they had been wildly successful and wouldn't have done anything differently!

Factors for success, according to respondents, focused on the passion and dedication of volunteers and members, hard work, a clear vision and planning process, a "stick-to-the-knitting" philosophy (fulfilling a niche market), support from BCCA and credit unions, and a clear communications process.

### **Dissolved Co-ops**

Of the 15 dissolved co-ops completing the online survey, 50% were worker co-ops, 25% producer co-ops, 8.3% consumer co-ops and only 16.7% were service co-ops (compared with the large service co-op component for the operating co-ops). Most were incorporated from 2000 – 2004 (12), with three more in 2005-2007. None were incorporated post 2007. The for-profit/not-for-profit split was almost even with 53% being for-profit respondents. Most of the co-ops dissolved in 2004, 2008 or 2010.

Number of dissolved co-ops, by year of incorporation



The number of members ranged from 2 (although the Act requires 3 to incorporate) to 220 at incorporation. Most had fewer than 25 members, compared with the more robust membership of operating co-ops. Most did not have staff, although one co-op had 25 staff members. Most that did have staff had fewer than 10.

With respect to expertise used during the incorporation phase, similar to that for operating co-ops, responses show that Government was “not helpful at all” for all categories, although most respondents indicated that CDI and BCCA were also “not helpful at all” or only “somewhat helpful” in contrast to responses by operating co-ops. Other co-ops were usually rated “helpful” although at times “not helpful at all” (e.g., for accessing capital and developing bylaws) or “somewhat helpful” (for the business plan, determining the governance approach/structure and operational structure). In the main, dissolved co-ops relied far more on other co-ops than did operating co-ops, and less on CDI. Equally, dissolved co-op respondents found government and BCCA to be the least helpful.

When asked what resources would have been useful during this phase, many respondents did not know. Others mentioned mentors or more information, but in general, this section did not receive in depth responses. This in itself may be indicative of a lack of capacity to identify resources to deal with challenges encountered. It may also relate to the relatively low usage of CDI or BCCA resources to address problems. This may also be reflected in the low valuation of CDI and BCCA’s helpfulness during the early stages of the co-op’s development.

Regarding expertise used in the post-incorporation phase, most respondents stated that they found consultants “helpful” or “very helpful” (particularly for Board governance and Member relations), while

CDI, BCCA and government were deemed “not helpful at all” or “somewhat helpful.” About 50% found other co-ops “not helpful at all” although many found them “somewhat helpful” or “helpful.”

When asked, “What resources or support could have enhanced your co-operative’s ability to continue rather than dissolve?” respondents again at times indicated that they didn’t know. Some stated that they could have used more marketing expertise, financial support and governance training.

Most of the respondents found partnerships to be not applicable, although 56.6% found BCCA membership somewhat helpful and 40% found CCA and other co-ops to be “somewhat helpful.” None found partnerships to be “very helpful” or “extremely helpful.”

Initial capital for dissolved co-ops ranged from zero (2) to \$140,000. Four respondents reported initial capital greater than \$10,000. Additional capital ranged from \$3,000 to \$500,000, although only four co-ops had any additional capital.

The main source of capital for dissolved co-ops was member loans and shares (53.8%) with bank/credit union loans at 23.1% and grants and personal loans at 15.4% each. Compared to operating co-ops, dissolved co-ops received fewer grants and relied less on member equity for raising capital. Most (30.8%) regarded raising initial capital as “neutral” with 23.1% rating it as “important” and an additional 30.8% as “extremely important.” *By contrast, only 3% of the operating co-op respondents were “neutral” about the importance of initial capital.* This would appear to be a significant difference between the two respondent groups in the value placed on initial capital and could help account for the success of operating co-ops. Similarly, 46.2% of dissolved co-ops regarded raising additional capital as “important,” compared with 18.2% of operating co-ops. Finally, only 30.8% rated additional capital as “extremely important” compared with 69.7% of operating co-ops.

When asked, “what factors contributed to the failure of the co-op?” responses ranged from the need for better marketing, more volunteers, board training, better trained staff, and general business acumen and experience.

To the question, “what should your co-op have done differently?” a few respondents indicated that perhaps the co-op model wasn’t right for their enterprise. Others pointed to marketing needing more of a focus.

## 6.0 Quantitative Data Analysis

What follows is a statistical analysis of the quantitative results of the survey by Neil McGuigan of the ISIS Research Centre of the Sauder School of Business at the University of British Columbia. The analysis was performed using JMP 8 statistical software from the SAS Institute.

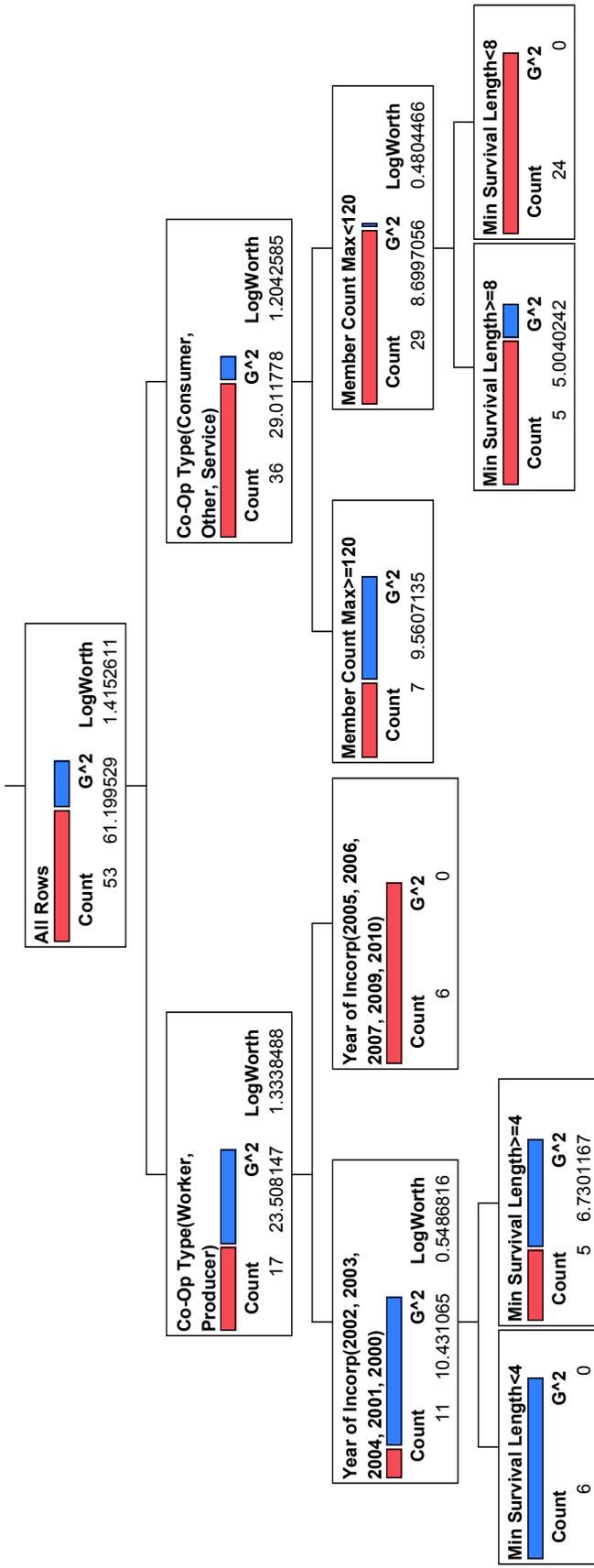
### Characteristics of Success

According to the data, the following characteristics emerged as the most significant when analyzing patterns of success.

- Co-op Type (with Worker/Producer co-ops fairing poorly)

- Year of Incorporation for Worker/Producer Co-ops (with 2000-2004 being bad years)
- Member Count for Consumer/Other/Service Co-ops, with large co-ops fairing poorly

The tree on the next page is a graphical representation of the most important success characteristics. The tree “splits” at the most important characteristic near the top and again at the second most important characteristic and so on. The tree shows that Co-op Type is the most important characteristic, and on the left is the Worker/Producer branch of the tree, which has a high proportion of dissolved (blue) co-ops. The Consumer/Other/Service branch has a lower proportion of dissolved (blue) co-ops (the more blue, the more likely a dissolution). Other characteristics include the year of incorporation, number of members and survival length. The closer a branch is to the top, the more important it was in deciding dissolution.



Tree Diagram showing relative impact of success characteristics

## Relationships Between Characteristics

The information in this section describes the relationships between whether a co-op dissolved and the other factors in the survey. Only statistically significant relationships (at 10% p-value) are shown, meaning ones that are likely to be generalizable to a larger population of co-ops.

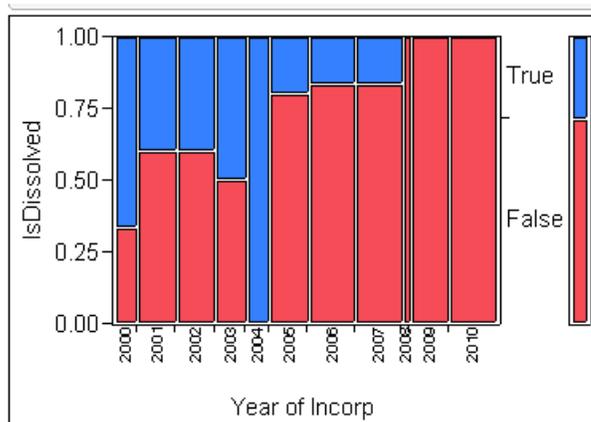
These relationships are not *ceteris paribus*, meaning the relationship is not “controlled” for other factors. It is the raw relationship between two factors, regardless of other factors.

The mosaic plot is a graphical representation of the relationship between categorical factors. The column on the far right of the plot shows the average proportion of dissolutions for that factor. The more “blue” a column in the plot is, the more likely you will see a dissolved co-op.

Reliability of the data is strong for the aggregate of data, but the analysis of co-op type begs the question of whether past events can predict future trends. For example, based on the findings from the study, in the future you would expect 17% to 37% of co-ops to dissolve, assuming the future is somewhat like the past. (Although it would be on the lower side if no 2008-style financial disaster happens again.)

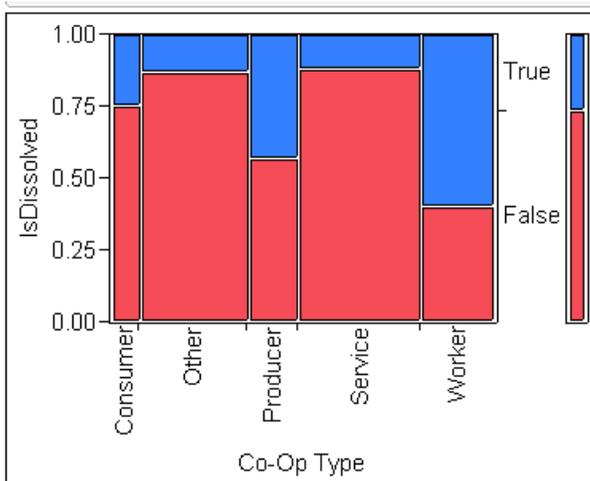
On the other hand, in an analysis looking at dissolution versus whether the co-op was a Worker Co-op type "Is Worker Co-op" explains about 10% of the dissolution rate, and there is only a 1% chance that the relationship is random. Therefore worker co-ops in the study were substantially more likely to have dissolved than non-worker co-ops (60% of worker co-ops dissolved versus 19% of non-worker co-ops). However, based on historical data from British Columbia, past dissolution rates are not necessarily indicative of future dissolution rates.

## Analysis of Dissolved Co-ops by Year of Incorporation

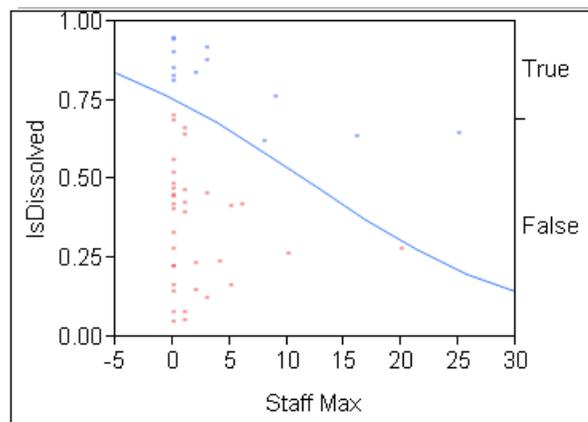


The graph shows that if a co-op were incorporated in 2000 or 2004, it was more likely than average to have dissolved (the longer the “blue” of the column, the higher the proportion of dissolution). For example, 67% of the co-ops incorporated in 2000 dissolved, but only 40% of those incorporated in 2002 dissolved. There is about a 7% chance that this relationship is random (or spurious) if repeated in another survey

### Analysis of Dissolved Co-ops by Co-op Type

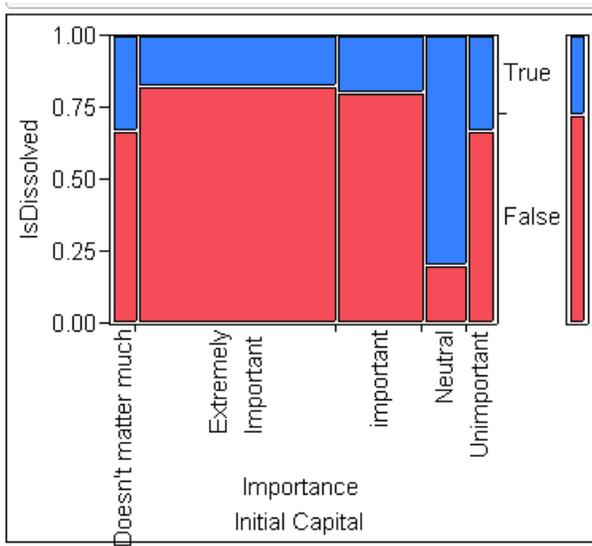


This chart shows that Worker and Producer co-ops were more likely than average to have dissolved (the blue portion of the column).



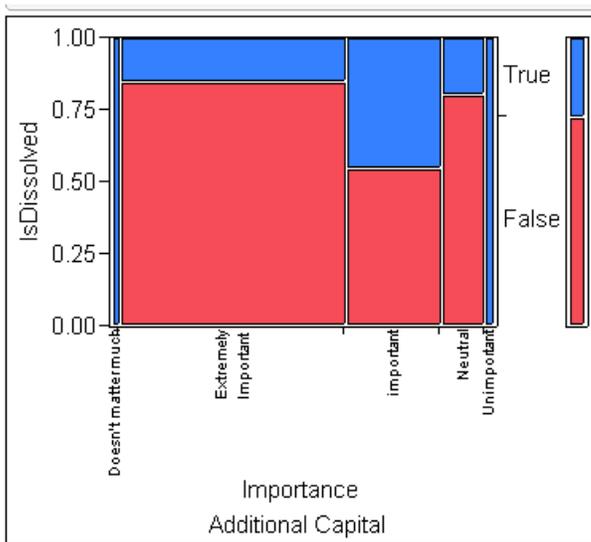
This scatter diagram shows that the higher the number of staff (at the peak of the co-op’s operations), the more likely a co-op was to have dissolved. Dissolved co-ops appear above the blue line. Note however that this relationship is not particularly strong.

### Analysis of Dissolved Co-ops by Importance of Initial Capital



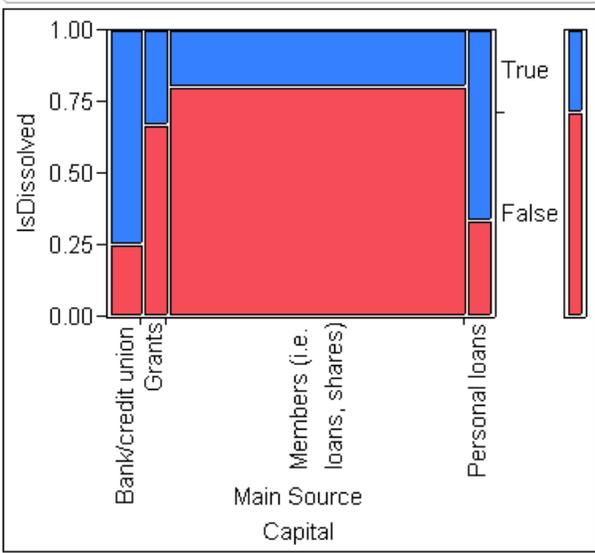
Co-ops who believed that the importance of initial capital was “neutral” were more likely than average to have dissolved. However, this relationship is not necessarily causal.

### Analysis of Dissolved Co-ops by Importance Additional Capital



Co-ops who thought that additional capital was extremely or were neutral about it fared well.

# Analysis of Dissolved Co-ops by Main Source of Capital



Co-ops that were founded with bank/credit union money or personal loans were more likely than average to have dissolved.

## Qualitative Findings

In analyzing the qualitative data for operating and dissolved co-ops, it became apparent that a third category would be helpful — vulnerable co-ops. These are co-ops that are still operating, but in their responses are similar to those given by dissolved co-ops. Our findings, therefore, will for the most part refer to these three categories of co-ops.

We conducted interviews with 18 operating co-ops, including three that we have identified as vulnerable, and five dissolved co-ops. While this is not a large enough sample size for vulnerable and dissolved co-ops to be able to identify clusters, themes or trends in the data, we are confident, given the data from the quantitative surveys, that the qualitative data provides crucial support for and expansion of those quantitative findings, particularly in the areas of the challenges faced by each co-op.

A Summary of Responses, comparing Operating, Dissolved and Vulnerable co-ops is shown in Appendix 3.

## Financial Factors

In a cross-comparison of responses, what immediately becomes apparent is that the financial health of the co-op is a key factor in its success, based on the key words “Good, excellent, fine, ok” of operating co-ops to the “perilous, weak, dire, non-existent” of vulnerable and dissolved co-ops. In large part this was related to the relative lack of ongoing operating revenue of vulnerable and dissolved co-ops, compared with operating co-ops, as there is relatively little difference in their capacity to attract start-up capital, although perhaps they didn’t attract enough capital to ensure a successful start-up.

Also, as in the findings from the online survey, one of the key findings from the qualitative interviews is that few (only 20%) in the dissolved group regarded funding and financing to be the most important factor in their lack of success, while 46% of those in the operating co-ops identified funding/financing as the most important factor to their success. Interestingly, 70% of successful co-ops indicated that they didn’t need more funding, and only 10% identified that more initial funding would have benefitted the co-op. Most of the dissolved co-ops agreed that more initial capital would have been helpful. One respondent from a dissolved co-op suggested that the amount of their initial funding might have provided them with “just enough rope to hang ourselves.”

While dissolved co-ops didn’t identify funding as the *most critical factor* in the decision to dissolve, 60% of them identified funding as *significant*, and at the same time credited other factors in their demise (100% of vulnerable co-ops agreed with this). Several mentioned the lack of good planning, i.e., a feasibility study and business plan. Another issue centered on member relations: members not taking on a member-owner role or not recognizing the need to ensure enough member capital at start-up. Similarly, some co-ops were incorporated on a “top-down” basis, and member management

and ownership concepts were not well realized as a result. One co-op suffered from a member embezzlement problem.

### **Training & Support Factors**

There were relatively few differences in the responses for training and support, although operating co-ops often received services from more than one developer or consultant compared with dissolved co-ops and 40% of respondents from dissolved co-ops regarded training/support as relatively unimportant to the success of their co-op. Most of the co-ops, both operating and dissolved, received support from co-op developers or other consultants and often from credit unions and BCCA. Each indicated that more, and particularly low or no cost, support would have been helpful, particularly in specific areas such as marketing, feasibility study and business planning, etc.

### **Governance & Member Involvement Factors**

The background and experience of the board directors appears to be a critical factor in the success of the co-op. Whereas 46% of the operating co-op boards had business or financial experience, none of the board members of dissolved co-ops had financial experience and only one of the four dissolved co-ops board directors had business experience; 20% of operating boards had co-op experience compared with none in the dissolved co-ops.

Similarly, 80% of members were involved or very involved in the operating co-ops compared with 2 of the 5 dissolved co-ops. Only one of the five dissolved co-ops reported that members had business experience, compared with 83% of the operating co-ops.

### **Management Factors**

Management also was a factor in the success of the co-op. The management of the operating co-ops varied from volunteer groups with committees (33%), paid management (27%), informal management (27%), and top down management (13%). That of the vulnerable and dissolved co-ops however had no paid management. That of the dissolved co-ops was informal (4) and top-down (1). Fifty-three percent of the management in operating co-ops had co-op experience, compared with none in the vulnerable and dissolved co-ops. The respondents from all the dissolved co-ops reported that the management was stretched thin (compared with only 13% of the operating co-ops) and lacked business skills.

### **Policy Factors**

The operating co-ops reported that only 20% of policies were informal, compared with no policies in vulnerable co-ops and 40% with no or informal policies in dissolved co-ops. Most respondents in operating co-ops and dissolved co-ops agreed that having policies in place have (or would have) helped the growth and development of the co-op.

### **Factors Leading to the Demise of Dissolved Co-ops**

Respondents from these co-ops indicated that the following factors led to their demise:

- lack of clarity of purpose
- lack of governance policies
- top-down management/governance
- market conditions
- lack of member involvement
- no feasibility study.

### **Advice Respondents Would Give to Start-up Co-ops**

The main advice that respondents had for new start-ups was:

- get outside help (i.e., consultants)
- anticipate problems and solutions
- be flexible with the changing nature of the co-op structure

The respondents also advised new groups to keep it simple and focused; get community buy-in; do a business plan and feasibility study; talk to others who are doing similar things; and set up structures and policies.

## **Conclusions and Recommendations**

Respondents noted a broad range of factors that lead to the success — or failure — of their co-op. The following chart compares the key responses of Operating and Dissolved co-op respondents in this regard:

<b>Operating</b>	<b>Dissolved</b>
Recognized importance of raising capital	Received fewer grants & rated importance of capital as “neutral”
Member engagement high	Needed enhanced member relations, member-owner role and member capital.
Engaged in effective business planning	Lack of good planning
Hard work, clear vision, fulfilling a niche market, clear communication	Needed better marketing, more volunteers, better trained staff, general business acumen & experience

Co-op and business background and expertise of board members	Needed more board training
Paid management	Volunteer management needed improvement
Formal policies in place	No policies in place

To summarize, here are the key success factors:

- Acquisition of capital & strong financial planning & management
- Member engagement & board involvement & expertise
- Training & enlisting outside consultant expertise and support
- Business planning and clarity of purpose.

Based on the information gleaned from this study, the BC Co-op Association makes the following recommendations:

1. The Registrar should collect more contact data from incorporating co-ops, keep up-to-date lists of operating and dissolved co-ops and have the capacity to make that information more readily available to the Association for its work in support of provincial co-operatives;
2. More opportunities should be developed for business planning support and other training;
3. Sources of additional capital should be available for supporting the growth of co-ops after they have been launched (e.g. BCCA's Co-op Momentum Fund addresses this gap);
4. Information that identifies and promotes BCCA as a resource for emerging co-operatives should be more widely disseminated.

## Appendix 1 — Online Survey Questions

### Investigating the Success Factors of Recently Incorporated Co-operatives in British Columbia & Alberta

#### Purpose of the questionnaire:

The report also aims to discover the number and variety of co-ops incorporated in B.C. and Alberta over the last ten years and to determine:

- a) The conditions that gave rise to the incorporation of these co-ops
- b) The survival rate of incorporated co-ops
- c) The reasons for a co-op's discontinuance
- d) The ways in which a co-op's early development and incorporation might be assisted
- e) The ways by which a co-op's demise might have been averted.

#### To assist in the research:

Please answer the questions below as they apply to co-op that you were/are involved with.

#### 1) Your personal information

- a) Name
- b) Role in the co-op
- c) Phone number
- d) Email address
- e) Mailing address

#### 2) Organization information

- a) Name of the Co-operative
- b) Year incorporated
- c) Type/sector of co-op
  - i) Worker
  - ii) Producer
  - iii) Consumer
  - iv) Service
  - v) Other (Please specify) \_\_\_\_\_
- d) Location

- i) Initial Location
- ii) Additional locations and dates added

e) How many members did/does your co-op have?

- i) At incorporation
- ii) Currently
- iii) At its maximum

f) How many staff members did/does your co-op have?

- i) At incorporation
- ii) Currently
- iii) At its maximum

**3) Expertise used during the incorporation phase**

a) What were three of the biggest challenges your co-op had during its start up phase?

b) What external expertise did you draw upon for each of the following functions?

FUNCTION	EXTERNAL SOURCE OF EXPERTISE							VALUE	
	Consultant(s)	Co-op Development Initiative Program	Co-op Development (i.e., ACCA, BCCA)	Provincial Association	Government	Other Co-ops	Others (Please specify)	None	
Feasibility study?									On a scale of 1 to 5 (with 1 being the least and 5 being the most) how important was that expertise to the success of your co-op?
Business plan									
Accessing capital									
Developing bylaws									
Developing policies									
Determining your governance approach and									

structure								
Determining your operational structure								
Coordination of all or many of the above functions								

c) What resources do you wish you had available during the incorporation phase?

**4) Expertise used after the incorporation phase to the present**

a) After the incorporation phase, which of the following external resources did you use?

FUNCTION	EXTERNAL SOURCE OF EXPERTISE							VALUE  On a scale of 1 to 5 (with 1 being the least and 5 being the most) how important was that expertise to the success of your co-operative?
	Consultant(s)	Co-op Development Initiative Program	(i.e., ACCA, BCCA)	Provincial Association	Government	Other Co-ops	Other s (Please specify)	
Board Governance								
Financial Management								
Member Relations								

Human Resources								
Marketing								
Operations Management								
Other (please specify)								

b) What resources or support could have further enhanced your co-operative's success during the period after incorporation?

**5) Partnerships and support networks**

- a) Has your co-op formed partnerships or taken out membership with any of the following:
  - i) BCCA/ACCA
  - ii) CCA
  - iii) Trade association
  - iv) Co-op sector federation
  - v) Partnership with other co-ops
  - vi) Partnership with other enterprises or organizations
  - vii) Other (e.g., Community Associations?) (Specify)
  
- b) On a scale of 1-5 (where 1 represents the least and 5 the most), how important have partnerships/memberships been to the success of your co-op?

**6) Financial factors**

- a) Financial structure: for profit or not-for-profit
  
- b) Capital raised (amount)
  - i) Initial capital
  - ii) Additional capital \_\_\_\_\_
  
- c) Capital raised (source) — check all that apply
  - i) Members (i.e. loans, shares)
  - ii) Grants (if yes, which ones?)
  - iii) Personal loans
  - iv) Bank/ credit union
  - v) Other assistance
  
- d) On a scale of 1-5 (with 1 being the least and 5 being the most) how important to the success of your co-op was:
  - i) Raising initial capital?

ii) Raising additional capital?

**7) Concluding wisdom**

- e) In your opinion, what factors contributed most to the success of the co-op?
- f) In hindsight, what would your co-op have done differently?

## **BALTA**

### **Project A11- Co-op survival Rates in BC and Alberta**

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#### **Sample questionnaire- For dissolved co-ops**

#### **Investigating the Success Factors of Recently Incorporated Co-operatives in British Columbia & Alberta**

##### **Purpose of the questionnaire:**

The report also aims to discover the number and variety of co-ops incorporated in B.C. and Alberta over the last ten years and to determine:

- b) The conditions that gave rise to the incorporation of these co-ops
- c) The survival rate of incorporated co-ops
- d) The reasons for a co-op's discontinuance
- e) The ways in which a co-op's early development and incorporation might be assisted
- f) The ways by which a co-op's demise might have been averted.

##### **To assist in the research:**

Please answer the questions below as they apply to co-op that you were/are involved with.

#### **1) Your personal information**

- a) Name
- b) Role in the Co-op
- c) Phone number
- d) Email address
- e) Mailing address

#### **2) Organization information**

- a) Name of the Co-operative
- b) Year incorporated
- c) Type/sector of co-op
  - i) Worker
  - ii) Producer
  - iii) Consumer
  - iv) Service
  - v) Other (Please specify) \_\_\_\_\_

- d) Location
  - i) Initial Location
  - ii) Additional locations and dates added
- e) When was the co-op dissolved?
- f) How many members did your co-op have
  - i) At incorporation
  - ii) At dissolution
  - iii) At its maximum
- g) How many staff members did your organization have
  - i) At incorporation
  - ii) At dissolution
  - iii) At its maximum

**3) Expertise used during the incorporation phase**

- a) What external expertise did you draw upon for each of the following functions?

FUNCTION	EXTERNAL SOURCE OF EXPERTISE							VALUE		
	Consultant(s)	Initiative Program	Co-op Development	(i.e., ACCA, BCCA)	Provincial Association	Government	Other Co-ops		Others (Please specify)	None
Feasibility study?										On a scale of 1 to 5 (with 1 being the least and 5 being the most) how important was that expertise to the success of your co-op?
Business plan										
Accessing capital										
Developing bylaws										
Developing policies										
Determining your governance approach and										

structure								
Determining your operational structure								
Coordination of all or many of the above functions								

b) What resources do you wish you had available during the incorporation phase?

**4) Expertise used after the incorporation phase to dissolution**

a) After the incorporation phase, which of the following external resources did you use?

FUNCTION	EXTERNAL SOURCE OF EXPERTISE							VALUE  On a scale of 1 to 5 (with 1 being the least and 5 being the most) how important was that expertise to the success of your co-operative?
	Consultant(s)	Co-op Development Initiative Program	(i.e., ACCA, BCCA)	Provincial Association	Government	Other Co-ops	Other s (Please specify)	
Board Governance								
Financial Management								
Member Relations								
Human Resources								
Marketing								

Operations Management								
Other (please specify)								

b) What resources or support could have enhanced your co-operative's ability to continue rather than dissolve?

**5) Partnerships and support networks**

a) Has your co-op formed partnerships or taken out membership with any of the following:

- i) BCCA/ACCA
- ii) CCA
- iii) Trade association
- iv) Co-op sector federation
- v) Partnership with other co-ops
- vi) Partnership with other enterprises or organizations
- vii) Other (e.g., Community Associations?) (Specify)

b) On a scale of 1-5 (where 1 represents the least and 5 the most), how important have partnerships/memberships been to the success of your co-op?

**6) Financial factors**

a) Financial structure: for profit or not-for-profit

b) Capital raised (amount)

- i) Initial capital
- ii) Additional capital \_\_\_\_\_

c) Capital raised (source)

- Members (i.e. loans, shares)
- Grants (if yes, which ones?)
- Personal loans
- Bank/ credit union
- Other assistance

d) On a scale of 1-5 (with 1 being the least and 5 being the most) how important to the success of your co-op was:

- i) Raising initial capital?
- ii) Raising additional capital?

**7) Concluding wisdom**

a) In your opinion, what factors contributed to the failure of the co-op?  
In hindsight, what would your co-op have done differently?

## Appendix 2 — Telephone Interview Questions

### 1. THE FOUNDING ENVIRONMENT

The following section will explore the conditions that gave rise to the incorporation of your co-op.

- a. Who founded the co-op, and why? What member needs did it hope to fulfill?
- b. How well do you think the co-op succeeded in satisfying those initial intentions or needs?
- c. What have been some of the challenges you have experienced in fulfilling your mission?

Prompt: financial, group issues etc.

### 2. FUNDING & FINANCING

Let me turn now to the funding and financing of your co-op.

- a. Overall, how would you describe the financial health of the co-op?

Prompt: Would you say that your co-op is financially solvent or stable currently?

- b. What are the current sources of operating capital for your co-op?
- c. What financing or funding did your co-op receive during start-up?
- d. What were the greatest challenges you face in raising capital?

Prompt: How were you able to overcome those challenges?

- e. What kind of additional financial support might have benefitted the co-op?

Prompt: At start up? After launch? Currently?

- f. Would you say that funding and financing was the most important factor to the success of your co-op? (Explain)

### 3. TRAINING AND SUPPORT

- a. Did you receive any training and support services during incorporation? If yes, which ones?

Prompt: BCCA/ACCA; CCA; trade associations; other co-ops; your community

- b. How important have these partnerships been to the success of your co-op?
- c. Were there services you didn't receive that you think may have affected the success of your co-op?

Prompt: Such as legal advice, or marketing services

- a. Were the services you received a significant factor in your success? Could the quality of those services been improved?

#### **4. MEMBER and BOARD RELATIONS**

And now I'd like to ask you some questions on relationships

- a. How involved were the members in the operations of the co-op?
- b. Do the members have business experience such as marketing, or financial management?
- c. In your opinion, how well did your group function as a team?

Prompt: Were there relationship tensions that made working as a co-op difficult?

- d. Do you think there is something that could have been done to strengthen relationships between members within the co-op?

Prompt: i.e., communication and conflict resolution workshops for new co-ops

#### **5. MANAGEMENT**

- a. Now, let's turn to the management of your co-op
- b. Tell me about your co-ops management style.

Prompt: Did your co-op hire paid management at your launch stage? Or did it group manage? Did this affect the outcome of the co-op?

- c. Did your Management have experience working with co-ops? How do you think this may have affected the early success of your co-op?
- d. Overall, how has the quality of management affected the ongoing success of your co-op?

#### **6. POLICY AND GOVERNANCE**

- a. Who was on the board and what experience did they bring to the co-op?
- b. How important was their experience to the success of the co-op?

Prompt: what level of experience or attributes do you look for in a board member?

- c. What policies did your co-op adopt?

Prompt: Human Resources? (E.g., Hours of work, Employee assessment, Grievance processes); Training and job orientation; Communications (Examples?); Financial Management

- d. Would/did having policies in place have helped/help in the growth and development of the co-op?
- e. Do you do annual filing?

**7. CONCLUDING QUESTIONS (ONLY FOR CONTINUING CO-OPS)**

- a. What advice would you give to a group with similar interests to yours when starting out?
- b. Is there anything else you'd like to add regarding success factors for your co-op that we haven't covered?

**8. CONCLUDING QUESTIONS — CO-OP FAILURE (ONLY FOR DISSOLVED CO-OPS)**

- a. If the co-op is not longer operational, what in your opinion are the conditions that led to its demise?
- b. What would have helped the co-op survive?
- c. Are there any other issues that you believe added to the failure of the co-op that we haven't covered?
- d. Was your co-op formerly dissolved with the registry, or struck from the registry due to lack of filing annual reports?

## Appendix 3 — A Summary of Responses from BC's Qualitative Interviews

Question	Operating	Vulnerable	Dissolved
1. How well do you think the co-op succeeded in satisfying its initial intentions?	Too soon to tell – 27% Well/very well/excellent – 53% Changed intentions, but doing well – 15%	Not very well – 2 They succeeded in some areas, but not in others. Awareness created, but no revenue streams realized.	About half their original intentions
2. What have been some of the challenges you have experienced in fulfilling your mission?	Business structure/plan issues – 66% Innovative model – 20% Volunteers stretched thin – 20% Funding – 20% Community buy-in – 7%	Not enough customers – 2 Multi-stakeholder issues – 2 No feasibility study, or lack of proper business structure resulted in not being able to pay overhead costs.	Top heavy; governance and policy issues; lack of clarity of vision; lack of member involvement; no business literacy; not enough members
3. Overall, how would you describe the financial health of the co-op?	Good to excellent – 53% OK/fine – 26% Non-existent/struggling – 20%	Perilous/weak/dire - 3	Non-existent; dire; bad; a problem
4. What are the main sources of operating capital for your co-op?	Sales revenue – 75% Member shares/fees/dues – 73% Grants & loans – 27%	No operating revenue – 66% Revenue from operations (but not enough to cover costs) – 33%	Sales revenue (but not enough to cover costs) – 4 Member shares - 1
5. What financing or funding did your co-op receive during start-up?	Grants – 53% Member shares – 40% Loans – 20%	Membership fees/shares – 66% Loans – 66% Grants – 66%	Member shares – 3 Loans – 3 Grants - 2
6. What were the greatest challenges you faced in raising capital?	No challenges – kept costs down; funded by government and grants/loans Challenges – business plan and loan applications; lack of co-op awareness with grant programs; finding the right partners; finding enough money at different stages	Economically depressed area – 1 No active membership campaign/planning - 3	Lack of members/member financing Inactive members Gaining equity Embezzlement
7. What kind of additional support might have benefitted the co-op?	None – 70% Government support – 20% Funding at start-up – 10%	Grants and help with the grant application process	More initial capital
8. What training & support services did you receive during incorporation?	BCCA referred to Devco – 66% BCCA alone – 7% Devco alone – 7% United Community Services	BCCA Devco	Yes – Devco; Vancity; UVic No - 2

Question	Operating	Vulnerable	Dissolved
	Co-op – 14% Other consultants – 20%		
9. Were there services you didn't receive that you think may have affected the success of your co-op?	<ul style="list-style-type: none"> <li>no or low cost consulting</li> <li>business plan/feasibility study help</li> <li>co-op development support</li> <li>co-op specific legal advice</li> </ul>	Marketing Funding and consultation follow-up	Feasibility study and business plan, marketing, co-op development and governance support
10. What experience did board members bring to the co-op?	Industry experience – 40% Board experience – 27% Business experience – 46% Co-op experience – 20%	Founders/co-op members are the board members	Members were also the board members – 2 Some had writing and director experience, but no finance or co-op experience
11. How important was their experience to the success of the co-op?	Very important – 58% Important – 25% Somewhat important – 15%	Financial experience lacking	Lack of business experience – 3 Business experience – 1 Most had industry experience, but lacked business skills
12. How involved were members of the co-op?	Involved/very involved – 80% Not very involved – 20%	Involved in operations – 3 Involved in board - 1	Not very involved – 3 Very involved - 2
13. Do the members have business experience?	Yes – 83% Some – 8% No – 8%	Small business experience	Yes – 1 No - 4
14. How well did your group function as a team?	Excellent/very well – 62% Well – 38%	Very well – 1 Conflict of Interest – 1 OK - 1	Well – 2 Not very well - 1
15. Describe your co-op's management	Volunteer group with committees – 33% Paid management – 27% Informal – 27% Top down – 13% (some cross-over between different categories)	No paid management	Informal – 4 Top-down – 1 Fine – 1 Management was unpaid and stretched thin for the most part.
16. Did your management have experience working with co-ops?	Yes – 33% No 46% Some – 20%	No co-op experience	No - 5
17. Overall, how has the quality of management affected the ongoing success of your co-op?	Industry knowledge is important – 40% Succession issues – 20% Stretched thin – 13% Too soon to tell – 7%	The issue isn't so much the quality of management but the lack of community involvement and an economically depressed area	No proper management Management stretched thin Lack of business skills Only one co-op's management was effective
18. What policies did your co-op adopt?	Informal – 20%	None/informal - 3	No or few formal policies – 40%

Question	Operating	Vulnerable	Dissolved
	In development – 20% Operational – 26% Governance – 75%		Operational policies – 40% Governance policies – 20%
19. Would having policies in place help/have helped in the growth and development of the co-op?	Yes – 53% No – 27%	Perhaps/don't think so - 2	No – 1 Yes - 3