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United States Department of Agriculture

Rural Business - Cooperative Service

Shared-Services Cooperatives



A shared-services cooperative is an organization whose members are businesses or public entities that jointly acquire goods and/or services at a specified quality for the best available price.

The goal of shared-services cooperatives

is to buy or provide products and/or services for their members at a total cost less than the combined costs of individual members buying or providing for themselves. Savings are captured through lower administrative costs, quantity purchasing discounts, and assured levels of business with vendors and suppliers. By purchasing cooperatively, individual businesses or governmental entities can increase the efficiency of their buying activities.

How Does a Shared-Services Cooperative Operate?

Because of the way a shared-services cooperative is organized, several structural and operational characteristics make it different from other types of businesses.

1. A shared-services cooperative is owned by the private businesses or public entities that use it. For example, an off ice supply cooperative is owned by the businesses that purchase office products through it.

As owners of the cooperative, members are responsible for the payment of fees and assessments, participation in the governance and operation of the cooperative, and use of the cooperative's services. Membership support is important. A shared-services cooperative cannot succeed without the patronage of the membership.

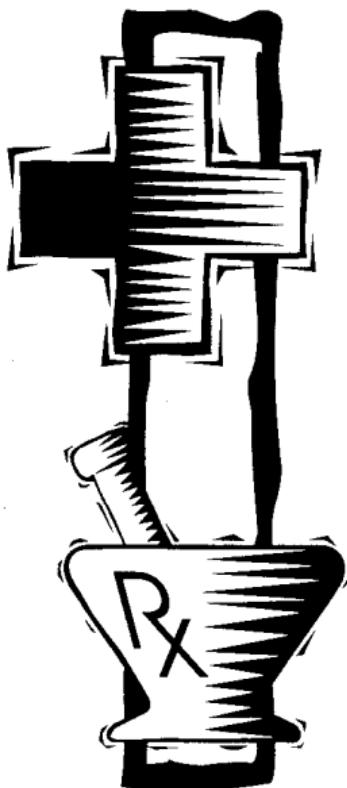
2. A shared-services cooperative is controlled by the private businesses or public entities that own and use the business. The cooperative is controlled by its member-owners through a board of directors (elected democratically from among the member-owners) and through participation in membership meetings and committee work.

The board sets the overall operating policy for the cooperative, approves the annual budget, and oversees the cooperative's operation. The board also hires professional management to handle the day-to-day operations of the cooperative. The manager hires needed staff and implements the policies of the board.

3. A shared-services cooperative operates to provide benefits to its members as users, not as investors. While the goal is not to generate a return on investment, operating budgets are developed so expected income exceeds operating costs. A shared-services cooperative, like any other business, needs to cover costs and generate an excess to cover expansion and unforeseen emergencies.

In general, a shared-services cooperative earns income through its fee structure. Part of the earnings generated when income exceeds costs of operation can be retained by the cooperative as ownership capital. The rest is refunded to members based on their use of the cooperative, not their investment in the cooperative.

Examples of Shared-Services Cooperative Organizations



Health care purchasing. Groups of employers have formed alliances to buy health care insurance for their employees at the lowest prices. Hospitals and clinics have formed cooperatives to purchase supplies, share medical personnel, and provide other services.

Pharmacy purchasing. Small independent pharmacies have organized cooperatives to save costs through volume purchasing and to benefit from coordinated sales and marketing efforts.



Educational services agencies. Regional and state agencies have been established by school districts to purchase supplies, health insurance, legal assistance, and administrative services. These agencies also provide special education programs and teacher training.

Restaurant supply purchasing. Many of the nation's fast-food restaurants have formed cooperatives to purchase restaurant supplies and equipment, advertising, insurance, and even financing.

Dealer-owned hardware. Independent hardware retailers have established cooperatives to purchase hardware items in large volumes and to assist members with market analysis strategic planning.

Cooperative day-care centers. Some companies that cannot afford to establish day-care centers for their employees have joined with other companies to form cooperative day-care centers. cooperative centers offer safe, creative, and educational day-care at affordable prices.

Resources

National Cooperative Business Association (NCBA) 1401 New York Ave. NW; Washington, D.C. 20005; (202) 638-6222

NCBA is the national membership and trade association representing America's cooperative business community. NCBA's work includes supporting the development and expansion of cooperative businesses, representing cooperative business interests before Congress, promoting international commerce, and representing American cooperatives to the world's cooperative business community.

National Cooperative Bank (NCB) 1401 I St. NW, Suite 700; Washington, DC 20005; (202) 336-7700 NCB has become the most important financial institution for America's housing, business, and consumer cooperatives. NCB is owned by its member-borrowers and, through its subsidiary NCB Development Corp. and affiliates NCB Savings Bank FSB, NCB Investment Advisers, and Cooperative Funding Corp., provides financial services and technical assistance to cooperative businesses.

USDA Rural Development has co-op development specialists in some States who can provide assistance and information. Rural Business - Cooperative Service (FIBS), in Washington, D.C., can help organize a cooperative and assist existing cooperatives. Publications on shared-services cooperatives and other cooperatives are currently available from RBS-Cooperative Services.

The rural business programs of RBS include many loan and grant programs. These programs help provide financing to rural business owners, cooperatives, public bodies, and Indian tribes for business ventures which create quality jobs and stimulate the economy of rural areas.

For further information or assistance contact:

USDA/FIBS-Cooperative Services
Ag Box 3250
Washington, D.C. 20250-3250
(202) 720-7558

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