

Publication



Shumka Centre for
Creative Entrepreneurship

Overview of Organizational Models



Overview of Organizational Models

There are a number of organizational structures that can support your art and design work. Having a sense of what these models mean can help you work toward a practice with ownership, governance (decision-making) and financial structures to suit what you want to do now and what you hope to do long-term.

Understanding these models can also help you assess potential jobs, opportunities to collaborate or resources you might need to seek out in relation to your practice.

Corporation: A traditional business enterprise to make capital.

Co-op: A social enterprise that meets community needs. Co-ops are member based.

Non-Profit Society: A community of interest around a cause or shared set of values.

Organizational Models

Structure	Pros	Cons
<p>A sole proprietorship is a business owned by one person. Sole proprietorships may have employees, but decision-making and financial risks and gains are held solely by the owner. Freelance practices are a form of sole proprietorship.</p>	<ul style="list-style-type: none"> • Straightforward and low cost to establish • Simple decision-making structure • Allows a sole-proprietor the option to separate personal finances from a business practice 	<ul style="list-style-type: none"> • Cannot own the legal rights to a company name (others are legally allowed to use the same name) • Liability: if the business were sued, the owner would be personally responsible • Limited life expectancy: if the sole proprietor exits the business, the business no longer exists
<p>A partnership consists of two or more owners or corporations owning a business together. Authority, risk and responsibility is shared among the owners—the decision-making structure among the group of people within the partnership must be considered.</p>	<ul style="list-style-type: none"> • Straightforward and low cost to establish • Risk and responsibility is shared among partners (this can be customized in a variety of ways) 	<ul style="list-style-type: none"> • Divided authority: the decision-making structure among the group of people within the partnership must be considered • Not a legal entity - partners remain responsible as individuals for certain liabilities of the partnership

Organizational Models

Structure	Pros	Cons
<p>A corporation is a legal entity authorized by the state to act as an independent entity.</p>	<ul style="list-style-type: none"> • Exists as its own legal entity distinct from the individuals who started it • Legally protected name • Limits liability for owners: the company can go bankrupt without the owners going bankrupt • Ownership is transferable • Can own land or carry debt as a legal entity 	<ul style="list-style-type: none"> • Regulated/governmentally scrutinized • Taxed more heavily than sole proprietorship or partnership
<p>A community contribution company (C3) is a hybrid business model that blends a for-profit corporation with a social purpose (social enterprise).</p>	<ul style="list-style-type: none"> • Brings legitimacy to the social purpose of a social enterprise • Allows for some for-profit activity • Some tax benefits over traditional corporations 	<ul style="list-style-type: none"> • Limits on the percentage of revenues that can be kept as profit: 60% must be reinvested toward the social purpose

Organizational Models

Structure	Pros	Cons
<p>A cooperative, also known as a co-op, is an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs through a jointly-owned and democratically-controlled enterprise. This includes:</p> <ul style="list-style-type: none"> • Worker Co-ops • Retail Co-ops • Producer Co-Ops • Housing Co-Ops • Utility Co-Ops • Credit Unions 	<ul style="list-style-type: none"> • One member, one vote (democratic decision making process) • Purpose emerges from member needs • Flexible model that can fit a lot of purposes • Fewer reporting obligations than corporations or C3 	<ul style="list-style-type: none"> • Requires cooperation and compromise – not well suited to people who want to work alone
<p>A registered charity is a not-for-profit corporate entity with a charitable purpose and status granted by the government.</p> <p>The CRA is the government department responsible for granting organizations charitable tax status, and consists of a 6-18 month application process that requires applicants to fulfill a number of requirements.</p>	<ul style="list-style-type: none"> • Registered charities may issue charitable tax receipts to donors • Exemptions from many types of taxes • Access to certain types of grants and funding sources only available to registered charities 	<ul style="list-style-type: none"> • Time-consuming to establish • Increased amount of governmental scrutiny • Requirement to adhere to charitable purposes

Organizational Models

Structure	Pros	Cons
<p>A non-profit society, or a non-profit organization (NPO) is a club, society, or association that is organized and operated solely for:</p> <ul style="list-style-type: none"> • Social welfare • Civic improvement • Pleasure • Recreation • Social, recreational or hobby groups—bridge clubs, curling clubs and golf clubs • Certain amateur sports organizations—hockey associations, baseball leagues, and soccer leagues • Particular festival organizations—parades and seasonal celebrations • Any other purpose except profit (non-profit instead of for-profit!) <p>In BC, a non-profit must have a Board of Directors made up of a minimum of 5 individuals.</p>	<ul style="list-style-type: none"> • Relatively straightforward to establish • Can exist beyond the involvement of founders • Non-profits are exempt from paying most taxes 	<ul style="list-style-type: none"> • Profits must be used towards the purpose of the society

Organizational Models

Structure	Pros	Cons
<p>A collective is a loosely formed group consisting of more than one person, often a group that comes together with a shared purpose (for example, common social vision or practice).</p> <p>Collectives are not a legally defined entity like a corporation and are not typically structured with the intent to make money. Instead, they can be concentrated on a common purpose such as sharing space.</p>	<ul style="list-style-type: none">• Easy to form and dissolve: loose, adaptable structure• Provides artists with collaborative practices that form successful working relationships• Increased exposure—more artists, several discipline, skills and experience• A collective helps shape your mission or purpose—multiple people come together with similar mindsets or needs	<ul style="list-style-type: none">• Informal structure can lead to lack of organization• Model does not allow the collective (as an entity) to have a bank account, enter into contracts etc.

Why Incorporate a Non-Profit Society?

Not-for-profit organizations are not required to incorporate. When incorporated, a non-profit organization is a legal entity separate from its members and directors, formed for purposes other than generating a profit, to be distributed to its members, directors or officers. This means an incorporated organization can enter into contracts, buy land, borrow money, have bank accounts, and more, in its own name.

1. Incorporating a non-profit society gives an organization legal status.

This means the liability of the members is limited—they are not personally liable for debts accumulated by the corporation.

2. It is not essential for a non-profit incorporation to incorporate.

Whether an organization decides to incorporate or not depends upon the type of organization, its activities, and its nature.

3. Incorporated associations have rights and responsibilities.

As a legal entity, an incorporated association is recognized by the legal system as having rights and responsibilities.

4. A non-profit society provides the ability to bring a legal action in its own name.

An unincorporated body cannot—the chances of receiving government grants may increase because of the stability the organization appears to have.

5. Incorporated associations have rights and responsibilities.

As a legal entity, an incorporated association is recognized by the legal system as having rights and responsibilities.

6. Membership changes can not discontinue an organization.

Continuity of the organization is assured while the membership changes. A corporation can also own property in its name regardless of membership change.

Resources

Government of BC Business Resources: The Government of BC has resources for businesses at every stage, particularly:

- Starting a Business: Starting a business section includes tools to evaluate and develop and test a business idea, write a business plan and steps to legalize your business.
- Small Business BC: A governmental organization that provides business advisors, education services, resources and community events for anyone who wants to start any of these models. They can help you with paperwork, walk you through forms, share tax benefit information, help navigate government websites, and more. Free 30-minute in-person appointments can also be booked.

BC Co-op Association: BCCA is the knowledge and resource centre for co-ops in BC, where co-ops and credit unions come together to collaborate, network, get support, learn, and contribute knowledge to shape BC's co-op movement. They organize events, provide consulting sessions on how-to start a co-operative as well as training & workshop sessions to build a co-op enterprise.

Appendix

This document is based on a topic presented as part of SOCS 411 Professional Practice course in Fall 2019. These resources are produced by the Shumka Centre for Creative Entrepreneurship at Emily Carr University of Art + Design with the generous support of the Ministry of Advanced Education, Skills & Training.

The Shumka Centre for Creative Entrepreneurship launched in 2018 to create programs and partnerships that help artists and designers realize their ideas in the world. The Centre is a place where creative practitioners can find the community, knowledge, and resources they need to launch, fund, and organize projects across the spectrum of contemporary art and design activities- products, projects, curatorial initiatives, platforms, companies, organizations, and more. We believe that tactical support specifically designed for the needs of artists and designers is the first step in achieving a systemic change to empower creative people. The Centre is operated by Living Labs.



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