

# How To Structure Your Business?

## Coaching Questions

### Are there other structures?

- **Charity.** A charity is a separate structure from a non-profit in most jurisdictions as it is designed to hold money and fundraise. Different models including trusts and endowments can be part of a charity's structure. Government tax organizations typically would treat these similarly to a non-profit, but with more strict regulations.
- **Cooperatives.** The cooperative structure has been around for a very long time. It is currently having a resurgence as people are recognizing the advantages of it including the membership's control of the organization as well as the ability for membership to invest in the initiative and each other. In most jurisdictions there are associations that represent the local cooperatives that would help you navigate the system and determine if this is a good model for you.
- **Social purpose corporations.** Many jurisdictions are creating a new business structure that blends non-profit with for-profit. Often the difference is that the business needs to reinvest a percentage of its income back into making a social impact. This structure is being used more and more as people seek to use business to do good.
- **BCorps.** This is not actually a business structure, this is a designation that can help you still have the branding of a social entity while still being a for-profit. There are specific criteria that you need to meet in order to have this designation and there is an ongoing fee to maintain it. However, it is increasingly important to have a corporate social responsible lens in business, and this is an increasingly acceptable way to do so.

## Why isn't this the first thing to do?

- Most people worry about their business structure as the first thing. But you don't know if the business idea will work yet, why would you worry about the structuring of it? You should only worry about the business structure once you have validated the business idea itself.
- You will choose the better structure for your initiative if you wait. Until you get into the weeds of your business, how would you know the best way to structure it? You might figure out that you really need stakeholder engagement & financing to make the idea work, and so you might start considering a cooperative that wouldn't have been on your radar if you hadn't gotten into the weeds.
- It is hard to change your structure! So you really want to be sure that you have selected the right one before doing it. In fact, it is really easy to start any business, but hard to stop one. The only reason to incorporate a non-profit or for-profit early is to make you eligible for things like a grant or request for proposal from a potential customer. Some governments will only work with an organization that has been in existence for over a specific period of time.

## Should you have a board anyways?

- Yes! Even if you are not a corporation, you should consider setting up a board regardless as they are a great source of feedback, they bring expertise, and they have great connections.
- If you are a non-profit, charity or a corporation, you automatically have a board of directors anyways. So you would have this in place.
- If you are sole proprietor or a partnership, you should set up a board of advisors. This is different from a board of directors as they don't have fiduciary duties to stakeholders, but their opinions and the best practices can still apply.
- Many organizations have a formal board of directors, and might set up multiple advisory boards to get regular feedback from all of their stakeholders. For example, you may have an advisory board of your channel partners or suppliers. You might have an advisory board of your customers. Feedback is always a good thing.