

Successful Steps in Starting a Worker Cooperative

Presented by
Chris Cooper, Program Coordinator
Ohio Employee Ownership Center



Why establish a Worker Co-op

- Unmet economic need or desire
- Individuals have ability to meet market need
- Group can accomplish more than the whole
- Business operates profitably (for its members)



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Worker Co-op Start-up Process

- Determine the Business Service or Product
- Determine if cooperative is appropriate model
- Organizing Steps
 - Develop Leadership and Membership
 - Conduct a Feasibility Study/Market Study
 - Develop a Business Plan
 - Capitalize the Cooperative
 - Review Legal Considerations



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Worker Co-op Start-up Process

- Cooperative Business Launch
 - Charter Member Meeting
 - Implementing the Business Plan
 - Membership Drive
 - Acquiring Capital
 - Management Selection
 - Acquiring Facility/Location



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Determine the Business Service or Product

- Is there a market for your Product or Service?
- Who are your customers?
- How are you going to activate the market for your Product or Service?
- Can the business make money with your Product or Service in your Target Market?
- Market Study/Feasibility Study (more on this later)



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Determine if a Co-op is an Appropriate Business Model

- Commonly aligned needs and values
- Balancing of Interest
- Agreement on General Approach
- Financial Commitment
- Commitment to Goals of Cooperative Venture
- Willingness to Subordinate some individual interest



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Organizational Steps – Developing Leadership & Membership

- Select Formation Committee
- Identify Leadership and Outside Advisors
- Hold Exploratory Meeting
- Complete Member –User Survey



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Organizational Steps – Research and Planning

- Review Market & Supply Sources
- Conduct a Feasibility Study
- Develop a Business Plan



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Organizing Steps- Capitalizing the Cooperative

- Stock or non-Stock Methods
- Common & Preferred Stock
- Membership and Capital Certificates
- Project Capital Needs
- Determine Member Investment
- Sources of Debt Capital

Organizing Steps- Review Legal Considerations

- Articles of Incorporation
- Bylaws
- Membership Application
- Employee Agreements
- Revolving Fund Certificates

Cooperative Business Launch

- Charter Member Meeting
- Implementing the Business Plan
- Membership Drive

Cooperative Business Launch

- Acquiring Capital
- Management Selection
- Choosing a Location/Acquiring Facilities

Do The Deal

Complete the transaction

- Financing commitment (s)
(loan documents & covenants)
- Secure Assets, execute agreements
- Prepare and execute final documents
 - ...Stock Redemption Agreement
 - ...Membership/Stock Subscription Agreements

Do The Deal

- ...Implement and Adjust Business Plan
- ...Employment Agreements
- ...Limited Recourse Note (sell redeemed stock)
- ...Exchanged cash for stock redeemed

General Rules for Success

- Use Advisers and Committee Effectively
- Keep Members Involved and Informed
- Maintain Good Board-Manager-Employee Relations
- Conduct Businesslike Meetings
- Follow Sound Business Practices
- Forge Links with Other Cooperatives

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ccooper1@kent.edu

330.672.3028