

ARE CO-OPS FOR YOU?

Part 2: Starting a Co-op

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Steps to Forming A Co-op

- Gather background information
- Organize
- Research Feasibility
- GO/NO GO: Review findings
- Membership drive
- Planning and Financing
- GO/NO GO: Begin operations

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Gather Background Information

- What is the need to be met?
- How could you meet this need?
- What are your organizational options? Is a cooperative a good model?
- Who are the interested parties? (sometimes called stakeholders)
- Who are potential collaborators?
- What is the business environment?

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Organize: Making Decisions

- In order to move a group forward, it is important to know how decisions are made. This will help you avoid difficulties, or questions of legitimacy.
- Who makes decisions?
- How are decisions made?
- How are decisions recorded and communicated?

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Organize: What is a Steering Committee?

- A steering committee is an informal organization that usually consists primarily of prospective co-op members.
- It provides leadership for the project.
- It will ideally delegate some activities to other committees.
- It may also include representatives of local associations or organizations.

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Organize: Role of a Steering Committee

- Serve as a central point for flow of information.
- Communicate with prospective members and other interested stakeholders.
- Facilitate creation of a shared vision.
- Identify critical questions to be answered before the project can proceed.
- Commission feasibility study and other research.
- Issue requests for proposals, select appropriate consultants, provide direction.
- Develop membership drive strategy.
- Develop business plan and secure financing.
- Recruit or provide for financial accounting and legal services.

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Organize: Delegation of Responsibilities

- The steering committee can't do it all, but is ultimately responsible for major decisions.
- It is important to create other committees to do specialized work. This provides more opportunities for involvement.
- Examples of work to delegate:
 - Drafting of by-laws
 - Planning of fundraisers
 - Design of membership systems
- In many cases, the steering committee will give final approval to delegated work.

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Organize: How to Incorporate

- Each state has its own cooperative law or statute.
- Contact your Secretary of State's office for more information about your state.

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Research Feasibility: What is a Feasibility Study?

- This is a major, multi-part project, which will be quite labor-intensive.
- Determine level of demand for proposed products and services.
- Evaluate interest of potential members and other customers.
- Quantify potential level of participation and commitment from members.
- Project first several years of finances.
- Identify factors necessary for the success of the cooperative
- Define risks and benefits to potential members

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Review Findings GO/NO GO Decision

- Given what you have determined with the feasibility study, is the business envisioned likely to succeed?
- If marginal, what could be changed to make the project more viable?
- If not feasible, then look at other options for meeting the need that was initially identified.

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Membership Drive

- Set a goal for number of members recruited and amount of equity raised.
- Before you start, you should have your membership information clearly decided and presented.
- This information should include share prices, payment options, member rights and responsibilities, classes of stock, and revocation or sale.
- Set up record-keeping systems.

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Planning and Financing

- Develop business plan.
- Make report to members; summarize plan and recommend proceeding.
- Obtain legal and accounting counsel.
- Seek out grants and other non-bank financing.
- Finalize capitalization plan, establish bank relationship.

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Begin Operations GO/NO GO Decision

- Identify qualifications for a manager; hire management
- Project manager may be short-term
- Establish accounting and control functions
- Develop operating policies
- Open the doors

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Where to go for assistance

- The Northwest Cooperative Development Center (www.nwcdc.coop)
- USDA/Rural Development State Offices (www.usda.gov/rurdev)
- Local co-ops in your region
- State University's Cooperative Extension

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Where to go for assistance: Additional Websites

- University of Wisconsin Center for Cooperatives (www.uwcc.wisc.edu)
- National Cooperative Business Association (www.ncba.coop)
- National Cooperative Bank (www.ncb.coop)

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