



Steps to Starting a Cooperative

When starting a cooperative, it is very helpful to have an understanding of the big picture. There are two reasons for this: First, it helps participants understand the scope of the project, and to develop realistic expectations about the timeline. Second, it helps to keep the development process running smoothly.

There are a number of different models for this process, and the one we present is not necessarily the best for you. However, it is always helpful to have a single guideline to keep your group focused. That way, you can better understand the importance of what you are doing at a given time, and see how it fits into the big picture.

Having a shared model will also help you bring your focus back to the tasks which are of more immediate importance. For example, it is important to establish exactly what you are trying to do with your cooperative before you put too much energy into discussing its location and layout. When discussion wanders to decisions and tasks which are further down the line, it is helpful to recall the larger process.

STEP 1: Gathering Information. You will want to answer the following questions, to make sure that you agree about what you are setting out to do.

- 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?

STEP 2: Get organized. Once you have identified the problem to solve, this will provide you the foundation for your ongoing work together.

- How are decisions made and communicated?
- Who makes what sorts of decisions?
- What committees and roles will you need?
- What responsibilities and decisions will be delegated, and to whom?
- What legal form will your cooperative take?

STEP 3: Research feasibility. At its core, your cooperative needs to be a successful business. This process usually involves hiring an expert to determine whether your proposed business is likely to succeed in your market. This study is often very expensive, but it is quite important; you could lose much larger amounts of money in a business failure.

- What are the demographics for the area?
- What competition will you face?
- How much will it cost to open the business?
- What sort of cash flow is projected?
- What sites are available and suitable, at what cost?

STEP 4: Review Findings. This is your first “go/no go” decision. You will take the results of your feasibility study, and decide whether to move forward. In the event of marginal feasibility, you may need to redesign the project.

STEP 5: Membership Drive. While you have already developed an informal membership, this is the point at which you start aggressively seeking additional members to help capitalize the business. You will need to raise a substantial portion of your funds from members.

- Set a goal for number of members recruited and amount of equity raised.
- Before you start, 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. This is extremely important.

STEP 6: Planning and Financing. This step involves the conversion of your feasibility study into a business plan, which shows that you know how you will achieve those feasible results.

- Your first line of financing is your membership fees.
- You will probably also need to raise additional funds through member loans or donations
- Once you have secured member equity and other funds, you will probably need to borrow money from a bank. This is where a solid business plan is essential

STEP 7: Begin Operations. This is another “go/no go” moment. Once you have your financing lined up, you make a final decision to move forward. This is a very long, complicated and expensive step. So you should seek out expert guidance as much as possible.

- Identify qualifications for, and hire, management
- You may wish to hire a project manager to oversee the opening
- Acquire facilities and equipment, carry out necessary renovations
- Establish accounting and control functions
- Develop operating policies
- Open the doors