



Steps to Start a Cooperative

When starting a cooperative, it is very helpful to have an understanding of the big picture of what is involved. There are two reasons for this: First, it helps participants understand the scope of the project, and to develop realistic ideas about the timeline. Second, it helps to keep the development process running smoothly by focusing attention on the most urgent concerns.

There are a number of different models for this process, and the one presented here may not be the best for you (two others are listed at the end of this document). Even so, it will always be helpful to have a single set of steps to keep your group focused, and this guideline will provide a starting point for your planning. 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 guideline will also help you bring your focus back to the tasks that 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 that are further down the line, it is helpful to recall the larger process. This is similar to the steps taken by a painter, who must first sketch out broad outlines before filling in detail.

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? Why are you all gathered together?
- How could you meet this need through cooperation?
- What are your organizational options? Is a co-op the best model?
- Who are the interested parties? (sometimes called stakeholders)
- Who are potential collaborators? (not likely to join, but still helpful or interested)
- What is the business environment? Is this co-op likely to succeed in it?

STEP 2: Get Organized. Once you have identified the problem to solve, this will help you to determine how you will work together over the long run.

- How are decisions made and communicated?
- Who makes what sorts of decisions?
- What committees and coordinators will you need?
- What responsibilities and decisions will be delegated, and to whom?
- What legal form should 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 an important investment; you could lose much more in the event of 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.
- 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 solid and transparent 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 not only is your cooperative feasible, but that you know how you will achieve those feasible results.

- Your first line of financing is your membership equity, or shares.
- You will probably also need to raise additional funds through member loans or donations. Between these two, you should have at least 40-50% of startup costs.
- 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 management and hire management.
- You may wish to hire a separate project manager to oversee the opening.
- Acquire facilities and equipment, and carry out necessary renovations.
- Establish accounting and control functions.
- Develop operating policies.
- Open the doors.

For more information:

Cooperative Grocers’ Information Network, “How to Start a Food Co-op,” is available for download at <http://cgin.coop/files/manual.pdf>

U.S. Department of Agriculture’s, “How to Start a Cooperative,” is available online at www.rurdev.usda.gov/rbs/pub/cir7/cir7rpt.htm