

## STEPS IN FORMING A CO-OPERATIVE

Although every co-op will approach development in its own way, there are several key steps that successful co-operatives follow to get started. Below is a summary of the steps that many developing co-ops use. Some of the work will be done by the steering committee or the board, some may be done by members or volunteers and some of the work may be done by a co-operative developer or other consultant.

### Step I: Pre-Development

Pre-Development is the time to find other people in your community that are prepared to build the co-op with you. To start a co-operative you need at least five members (three, if it is a worker co-operative).

During Pre-Development, the group will need to:

\* Identify what the need or opportunity is that the co-op can address:

**A need:** Often communities lack certain services or products.

A co-op can be formed to provide the needed service or product.

**An opportunity:** Sometimes changes in the community or workplace create new possibilities for services or products. Co-ops can be formed to use these opportunities.

\* Conduct a pre-feasibility assessment, to determine that there is a potential market and business rationale for your co-op idea – will you be able to attract enough members?

\* Identify what resources are available in the community to help you and what professional assistance is needed to develop and launch the business.

### Step II: Building the Group and Establishing the Form

Now it's time to decide:

Is the co-op model the right model for the business?

What services will the co-op provide to members?

Who the members will be? What will be their obligations as members?

Who will be members of the steering committee and the first members of the co-op?

Whether non-members can be involved in the co-op, and if so, how?

### **Step III: Governance, Structure and Incorporation**

This phase will help you decide on how the board and members will work together, what the roles are and how decision making will happen. This information will be gathered together in your bylaws.

Phase 3 is the time to decide:

The size, composition and authority of the board

How the membership will be involved

How members can join the co-op and how members can be removed

How capital for start up will be raised

Step 3 is also when the co-op will be incorporated.

### **Step IV: Business planning and Financing**

Now it is time to determine your co-op's:

Financial plan

Business plan

Marketing plan

Feasibility and sustainability

How much financing will the co-op need for start up? Where will the capital come from?

How will members invest?

### **Step V: Open for business!**

Step 5 is about launching the business and there are many activities for this phase, including:

Developing a 'critical path' of activities and timelines

Hiring staff

- purchasing equipment

- putting financial systems in place

Negotiating leases and other legal agreements

- ensuring other legal requirements are in place, such as taxes, insurance, WCB, etc

- electing and training the board of directors

The group needs to be certain it is prepared for this step: have the necessary skills and technical help ready.

## **Step VI: Sustainability, Follow-Up and Mentoring**

You've launched the business, but there is still more to do to solidify the development of the co-op:

Recruiting new members

Keeping existing members involved and informed

Ensuring the business is running well – policies, contracts, and business performance are all functioning well

The board and management are trained and working well together

Adapted from and more information available at: **DevCo** (<http://www.devco.coop/what-we-do/consulting>), the **Co-op Zone Developer's Network Co-operative** (<http://www.coopzone.coop/en/developmentpath>), the **Ontario Co-operative Association** ([http://www.ontario.coop/pages/index.php?main\\_id=104](http://www.ontario.coop/pages/index.php?main_id=104)), and the **British Columbia Co-operative Association** (<http://bccca.coop/content/starting-a-new-co-op>)