

## **Building Cooperatives**

The co-operatives are a business democratically governed by its members who have committed to success and their establishment requires more steps than a regular business. We identify three major steps to constitute a co-operative starting by the phase before incorporation, incorporation and finally after incorporation. The different phases include but not limited to the following steps and depend on the type of the cooperative.

### **1) Identify the Opportunity**

Every new business venture begins with an idea. It could be a new product or service, or a variation on an existing one. Often the process to start a co-op begins with a group realizing they share a common challenge or need, or they perceive an opportunity of common interest.

### **2) Determine the Need and Support for the Project**

Once the need / potential for a co-op is confirmed, arrange a meeting with potential members where the project sponsors can present the idea, its benefits and costs, and obtain feedback from interested parties.

It is a good idea to survey potential members to measure the concept, evaluate the volume of business that may exist and to determine if people are willing to contribute financially to the project.

If sufficient interest to proceed exists, create a Steering Committee to manage the feasibility study step.

### **3) Undertake a Feasibility Study**

There are many ingredients that go into creating a successful co-op. One of the key elements is ensuring that the feasibility study step is performed well. Its results will become the cornerstone for many subsequent decisions.

For the most part, development of a new co-op usually requires assistance from experienced outside resources, such as lawyers, accountants, community leaders and industry experts. These resources will help you to develop reasonable and appropriate organizational structures and sound business and financial plans.

Ideally the feasibility study should be done by someone who is an industry expert and is independent of the potential co-op membership. Note, the cost of the feasibility study may be partially offset by government programs or other sources.

Potential members will be required to make an up front financial contribution to cover the costs of the feasibility study. Should there be a reluctance to provide the up front financial contribution; caution should be exercised as this may be an indication of a lack of commitment to building / expanding the co-op.

The results of the feasibility study will provide you with the information you need to assess the project's potential for success and make a sound business decision. However, it is not a guarantee, and the decision to proceed with the venture and how best to go about it should rest with the potential members.

#### **4) Select a Champion**

Once the feasibility study has been completed, select a champion to present it to potential members and potential stakeholders such as funders, suppliers, and customers.

Note the champion often becomes the person charged with managing subsequent development steps of the project.

Minimum skills / attributes your champion should possess include:

- An understanding of how co-ops function (administratively and financially)
- An understanding of business development processes and practices
- An understanding of the feasibility study process
- The ability to interpret what the feasibility study results indicate
- The ability to communicate effectively with potential members
- The ability to build consensus with potential members
- Credibility with potential members (i.e. may be a stakeholder)
- Genuine enthusiasm for the project

#### **5) Incorporate and Raise Finances**

- Incorporate to have a legal entity to negotiate the for the next steps of the process
- Hold a meeting and approve new members
- Elect a Board of Directors
- Reaffirm the champion and the ongoing role within the new co-op structure
- Appoint committees
- Raise the necessary funding to develop a business plan

## **6) Prepare a Business Plan**

A business plan is a document providing a complete description of the proposed co-op enterprise. The plan must include financial projections, marketing opportunities and other pertinent information about the venture. It must also address all issues relevant to the project. Visit the online business plan development utility.

Once the plan has been approved by the steering committee, present the business plan to the potential membership. The information is required to enable them to decide if they are willing to risk investing equity in the new business.

After securing the members' support, present the plan to the individuals or organizations, especially potential stakeholders such as lenders, suppliers and customers from whom the co-op is seeking financial or other support. It is important that the business plan explain:

- Why they should invest in the enterprise you're proposing;
- The seriousness of the enterprise; and
- The team's ability to launch and develop it successfully and to repay any financial assistance.

## **7) Review the Business Plan and its Assumptions with Potential Members**

Understanding the business plan, its assumptions and demonstrating that the project should be successful is a key to giving members enough information and confidence that they will be willing to supply the necessary equity, attracting competent management and securing lenders and other creditors necessary to operate the business successfully.

The business plan should be studied by the potential members.

Members should demonstrate their willingness to proceed with developing the project by providing the required capital, as set out in the business plan, to attract the other stakeholders into the project.

Before embarking on a campaign to secure capital from members, you must ensure that the appropriate approvals have been received from The Registrar of Cooperatives for an Offering Statement or The Securities Commission for an Initial Purchase Offering.

If the decision is made to proceed with the venture, the key areas to address are the organizational structure management, and implementation of the business plan.

## **8) Build and Operate the Co-op**

Proceed with the project only after the equity required by the business plan is raised, funders, creditors, suppliers and customers are confirmed to meet the volumes of business identified by the business plan to at least break even.

The incorporators are the first directors and the only members until new members are approved by the board. Arrange a meeting of existing and potential members. Potential members should be encouraged to formally join before the meeting in order to have the right to vote. At the meeting, voting members should elect directors, approve the bylaws, set out financial requirements of membership and approve the implementation of the business plan.

For more information on Board of Directors' roles and responsibilities, visit the Saskatchewan's *Directors Handbook*. While there may be minor differences between Saskatchewan and Manitoba's cooperative legislation, the role of a cooperative director remains essentially unchanged.

Prepare for business launch - Once the business plan has been approved, identify leaders to run the equity drive. When the volumes of business and equity targets set out in the business plan have been met by the members and they are prepared to support and do business with the co-op, the co-op is ready to launch the business.

Launching the business will involve hiring management, acquiring or building facilities, hiring and training staff and opening for business.