



Democracy at Work
Institute US FEDERATION OF
WORKER COOPERATIVES

BUILDING SHARED ENTREPRENEURSHIP



AN INTRODUCTION TO
WORKER COOPERATIVES
FOR SMALL BUSINESS SUPPORT
ORGANIZATIONS

Worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. In contrast to traditional companies, workers at worker cooperatives participate in the profits, oversight, and governance of the organization using democratic practices. Workers own the majority of the equity in the business and control the voting shares. In the United States and globally, this model has proven to be an effective tool for creating and maintaining sustainable and dignified jobs, decreasing business failure rates, improving the quality of life of workers, and promoting community and local economic development.

Just as with sole proprietorships, partnerships, or corporations, in order to reach their full potential worker-owned businesses rely on a small business support ecosystem. From start-up to opening day, through expansion and succession planning, the worker cooperative model can support entrepreneurs in reaching their dreams. By exposing entrepreneurs to the shared ownership model, and providing access to resources to help them implement it, small business support organizations can expand the benefits of business ownership.



WORKER COOPERATIVES: SHARING ENTREPRENEURSHIP TO CREATE SUCCESSFUL BUSINESSES

By using the worker cooperative model, entrepreneurs of many backgrounds can increase their chances of creating a successful business.

The following **case studies** demonstrate how sharing the burdens, risks, and rewards of starting a business can contribute to its success at any stage.

BEYOND CARE COOPERATIVE CHILD CARE: COMBINING RESOURCES TO CREATE DIGNIFIED JOBS

For many low-income workers, owning the business they work in is about more than a share of the profits. A cooperative is one of the few ways to accomplish security and dignity at a business they own. For the childcare providers at Beyond Care, the cooperative model allowed them to secure better pay and working conditions than they could as sole proprietors. By providing its members with high levels of professional development, such as courses in advanced first aid and early childhood



development, Beyond Care offers a higher value service than their competitors. In doing so, the cooperative creates a better service for their customers and better work conditions for its members. Founded in 2010 with 19 members and the support of SCO - Center for Family Life in Sunset Park, Beyond Care today supports 41 member-owners who are providing better care for better wages through cooperative business.



COLAB: THE POWER OF A FIRM, THE FLEXIBILITY OF FREELANCING

For many creative professionals, working for someone else stifles their creativity and takes the control over both working conditions and the work product out of their hands. Working alone, however, is risky, anxiety-producing, inefficient, and limits the projects a freelancer can take on. For the 25 worker-owners and collaborators at CoLab, the worker cooperative model bridges the gap between independence and isolation, helping them create “technology solutions for social enterprise that win hearts and better lives.” CoLab brings to its clients a team of project managers, designers, programmers, and communication strategists, while giving its members the opportunity to work independently, pursue creative projects, and dream big. According to Ana Willem, one of CoLab's Senior Developers: “I immediately sensed that I was in a different cultural paradigm, a place where I would be able to bring my whole self, and a place where the qualities of integrity and creativity and humanity are valued, and collaborations based on mutual benefit and a zero sum end game flourish.”

THIRD ROOT COMMUNITY HEALTH CENTER: SHARING RISK FOR A BETTER BUSINESS

When Jacoby Ballard and Green Wayland Llewellyn saw an opportunity in 2008 to open a holistic health center in Ditmas Park, Brooklyn, they faced the dilemma of how to start a labor-intensive business with little capital. The usual options for a multi-practice holistic health center are either for one owner to go deeply into debt to pay instructors a retainer to be available and loyal, or to use an often-changing set of practitioners, increasing the owner's stress, and decreasing the quality of the center's product. By utilizing the cooperative model, Third Root's founders were able to recruit five other entrepreneurs to launch the business. These entrepreneur-practitioners offered a stable set of high quality services to their customers, without generating a huge debt burden. Seven years later, a community anchor with 13 holistic health practitioners, Third Root is a model for growth that shares risk and reward.



SOUTH MOUNTAIN COMPANY: GROWING A BUSINESS THROUGH WORKER OWNERSHIP

Employee loyalty is often key to growing a business, especially in industries where start-up costs are low and employees are highly skilled. That was the case for John Abrams and his design-build firm, South Mountain. In 1987, when a few of his employees were thinking of taking their trucks and tools and starting firms of their own on the small island of Martha's Vineyard, John decided to turn his company into a worker cooperative to keep them in the fold. He sold shares in South Mountain to a number of his employees, getting due compensation for his own 10 years of work and creating greater opportunity for his workers. Today South Mountain continues to grow its business and John is still the CEO. By sharing ownership, John has been able to take sabbaticals, write a book, and speak around the country, and South Mountain has become a leader on Martha's Vineyard in advocating for, and building, renewable energy and affordable housing.

BUILD WITH PROSPECT: SUCCESSION PLANNING THROUGH COOPERATIVE ENTERPRISE

Selling a company that you've worked for years to build may be one of the most challenging decisions an entrepreneur may face. How do you get compensated for the years of work you've put in? How do you avoid seeing your business taken apart for its client list? How do you ensure the next owners will honor and continue your life's work? For Carla and Jeremy Shannon of Build with Prospect, a Brooklyn-based and nationally recognized green building firm, the answer was to sell the company to their employees. In 2013 the Shannons decided they wanted to move upstate within the next five to ten years. Their plan is to slowly entrust control and governance of the company over the course of the next two years with the final transfer of ownership in 2016. Already, they have found that their new worker cooperative identity has increased their employees' dedication to the business. It has also been a selling point to their customers, who are pleased to know the owner of the company doesn't just visit the construction site once a week, but is there every minute of the job.

SMALL BUSINESS SUPPORT ORGANIZATIONS & WORKER COOPERATIVES

While a worker cooperative may seem like an entirely new type of enterprise structure, cooperatives are, at their core, small businesses. Like other starts-ups, a start-up worker cooperative is a group of highly committed individuals skilled in their trade and seeking to add another level of business skills to their toolbox to bring better value to their customers. As with any business, worker cooperatives primarily need help refining and focusing their ideas, putting numbers to their plans, and learning to navigate the challenges of licensing, sourcing, and scaling operations.

Worker cooperatives present unique benefits, including their higher survival rates and the larger number of entrepreneurs committed to driving the project forward. They also present a few unique challenges for small business developers. Their special support needs center around the rights and responsibilities of cooperative membership. Shared ownership means more participation in the governance, management, and decision-making processes at all stages of the start-up.

At start-up, the group of entrepreneurs (usually 3-5) needs to learn to work together much sooner than a single entrepreneur. This includes building decision-making structures that aid in delegating small tasks and bringing the group together for big decisions about the direction of the business. Developing management of a shared enterprise must be an intentional process and cannot rely on the default assumption of a single owner taking on management functions. Finally, because cooperatives are designed to expand their ownership

beyond their founders the founding group must consider how they will be rewarded for their startup efforts down the line while making membership meaningful for new members.

Some unique questions worker cooperatives face are:

- In choosing an entity, what are the functional considerations of the worker cooperative model?
- What kind of management structure will the cooperative use to support worker-owners and hold them accountable for the functioning of a successful business? What are the requirements, process, and buy-in cost to become a member?
- How will profits will be distributed to the member-owners and retained by the business?
- How will governance (Board of Directors, decision-making) of the business be structured at startup, and how will it change over time to provide for future growth?

To help start-up cooperatives answer these questions and to integrate worker cooperatives into their programming as an option for entrepreneurs, small business support organizations often partner with cooperative support organizations, which have a wealth of models, templates and implementation experience with these unique questions. These two types of organizations work together to provide educational materials and workshops, train worker-owners, and give technical and business support for start-up worker cooperatives.



WORKER COOPERATIVE SUPPORT ORGANIZATIONS IN THE UNITED STATES:

The following non-profits work specifically with start-up worker cooperatives and small business support organizations throughout the United States:

Democracy at Work Institute (DAWI):

A national organization with staff in Oakland, New York City, and Seattle, DAWI offers materials and training for small business organizations that support worker cooperatives. They also create ongoing partnerships to provide coaching to start-ups from small business support organizations.

nyc@institute.usworker.coop

The ICA Group:

The ICA Group is a national not-for-profit consultancy whose mission over that last 35 years has been to promote human and economic development through the creation of employee-owned businesses and community-based projects that save and create jobs for low-income people.

ica@ica-group.org

The US Federation of Worker Cooperatives (USFWC):

The USFWC is a national membership organization for worker cooperatives. They maintain a comprehensive list of lawyers, accountants, and non-profits who provide services to worker cooperatives, as well as an extensive library of resources. They also offer an array of small business membership benefits such as technical assistance for new cooperatives, and group purchasing on key items for start-ups including credit card processing services

info@usworker.coop

The Working World (TWW):

An impact investment nonprofit dedicated to supporting worker cooperatives, TWW pairs investment with a coaching approach to support businesses with patient capital and business development.

nyc@theworkingworld.org

The Democracy at Work Institute was created by the US Federation of Worker Cooperatives (USFWC) to ensure that worker cooperative development in economically and socially marginalized communities is adequately supported, effective, and strategically directed.

It is the only national organization dedicated to building the field of worker cooperative development. Through research, education and relationship-building, it meets the need for coordination of existing resources, development of standards and leaders, critical discussion of models and best practices, and advocacy for worker cooperatives as a community economic development strategy. The Institute brings both a birds-eye view of the national stage and an experiential on-the-ground understanding of cooperative business, making sure that our growing worker cooperative movement is both rooted in worker cooperatives themselves and branches out to reach new communities of worker-owners.

Drawing on our ongoing research and on-the-ground-knowledge of worker cooperative enterprises, we work with a variety of clients and partners:

- With worker cooperatives to help them develop, grow and replicate.
- With non-profit organizations to support the implementation of new cooperative programs, & to increase the impacts of existing programs.
- With conventional businesses to support them in succession planning and transition to cooperative ownership.
- With governments and economic developers to design and implement policies and programs that use worker cooperatives as a tool for local economic development.

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