

Tools for your Community:
Business Succession Plans:
Consider Employee Ownership

Diane Gasaway, Executive Director, Northwest Cooperative Development Center



NWCDC

The Center

a 501(c)3 nonprofit which provides development services for new and existing co-ops

Our mission

to foster community economic development through the co-op business model

We're

a team of co-op developers with skills specific to start-up and organizational business development

Objectives

- Why worker co-ops & why now
- Understand the basic co-op models and their contribution(s) to their communities
- Introduce potential economic benefits of co-ops
- Share successful examples
- Provide strategies to support co-op initiatives
- Identify challenges/barriers

What We Know

- Member owned, governed, and benefitted
- Co-ops born out of economic need
- Guided by seven int'l recognized principles



7 International Co-op Principles

Voluntary and open membership

Democratic member control

Member economic participation

Autonomy and independence

Education, training, information

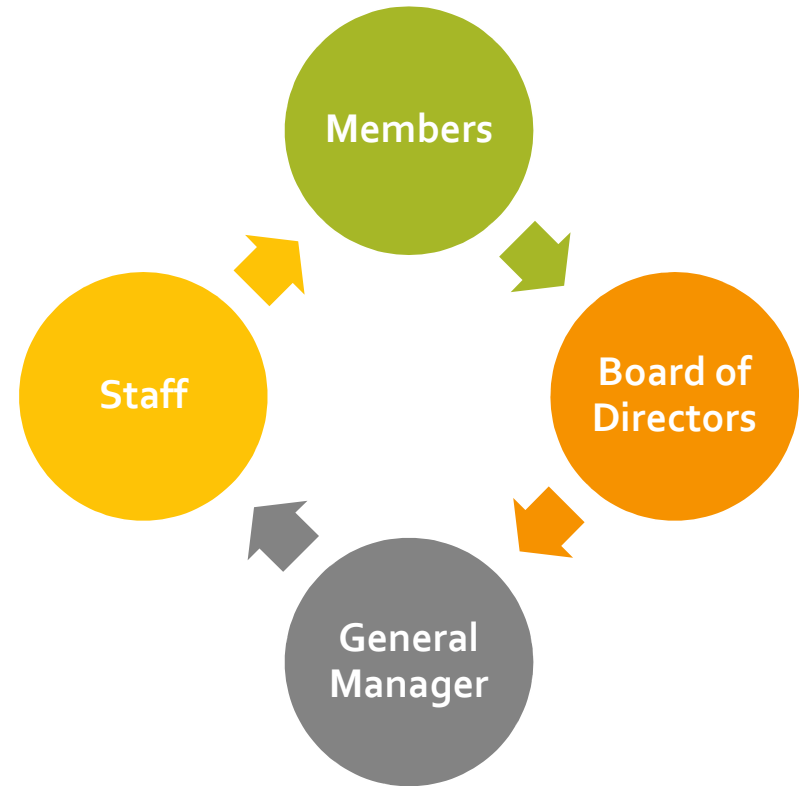
Cooperation among cooperatives

Concern for community



Reason for Being

Co-ops exist to serve their member/owners



Types of Cooperatives



Idaho County Light & Power Cooperative Association, Inc.

A Touchstone Energy® Cooperative
The power of human connections™



- Consumer
- Producer
- Worker

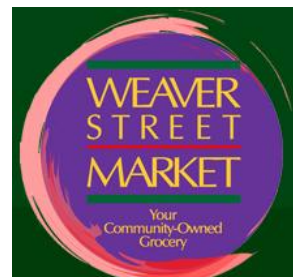
THE ORIGINAL
BOISE CO-OP
1973



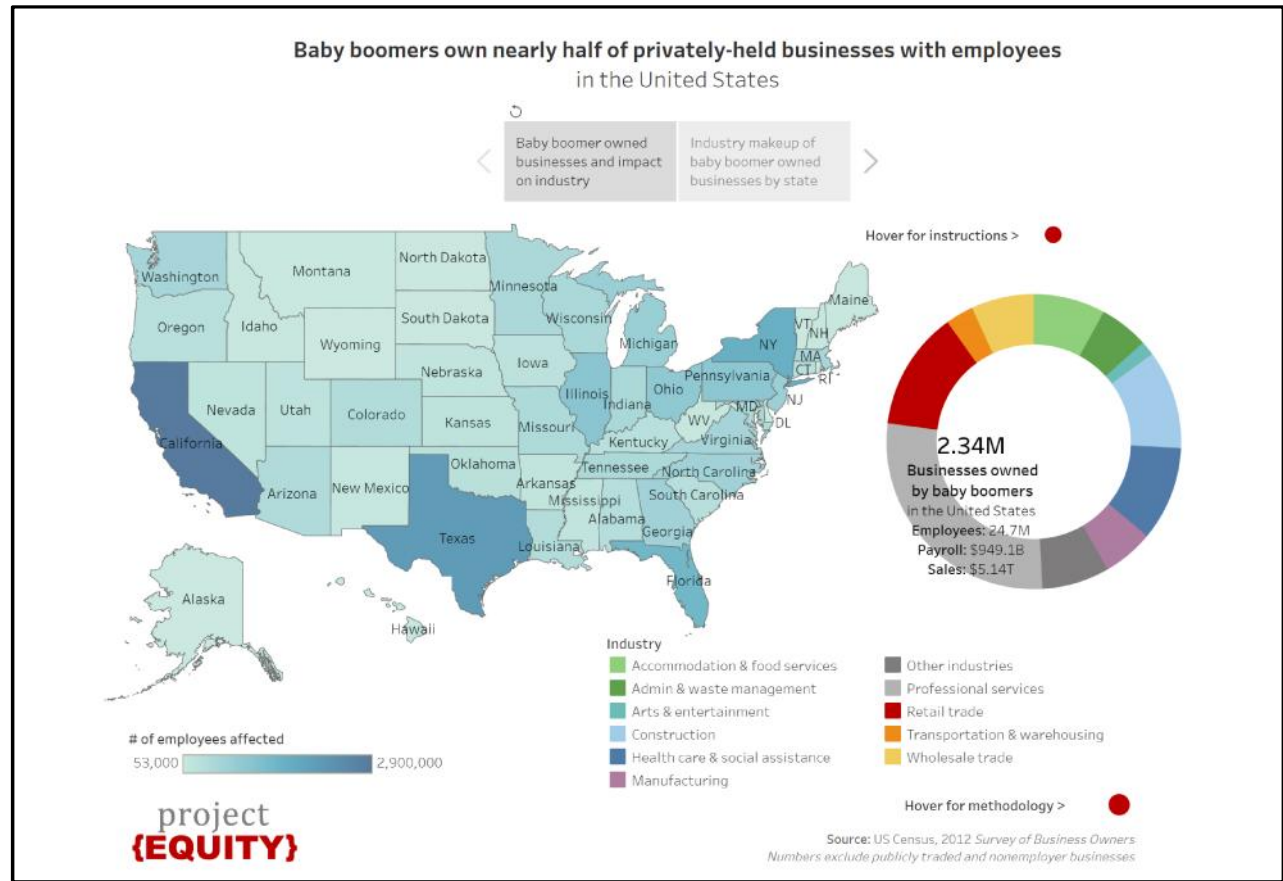
Innovative Examples



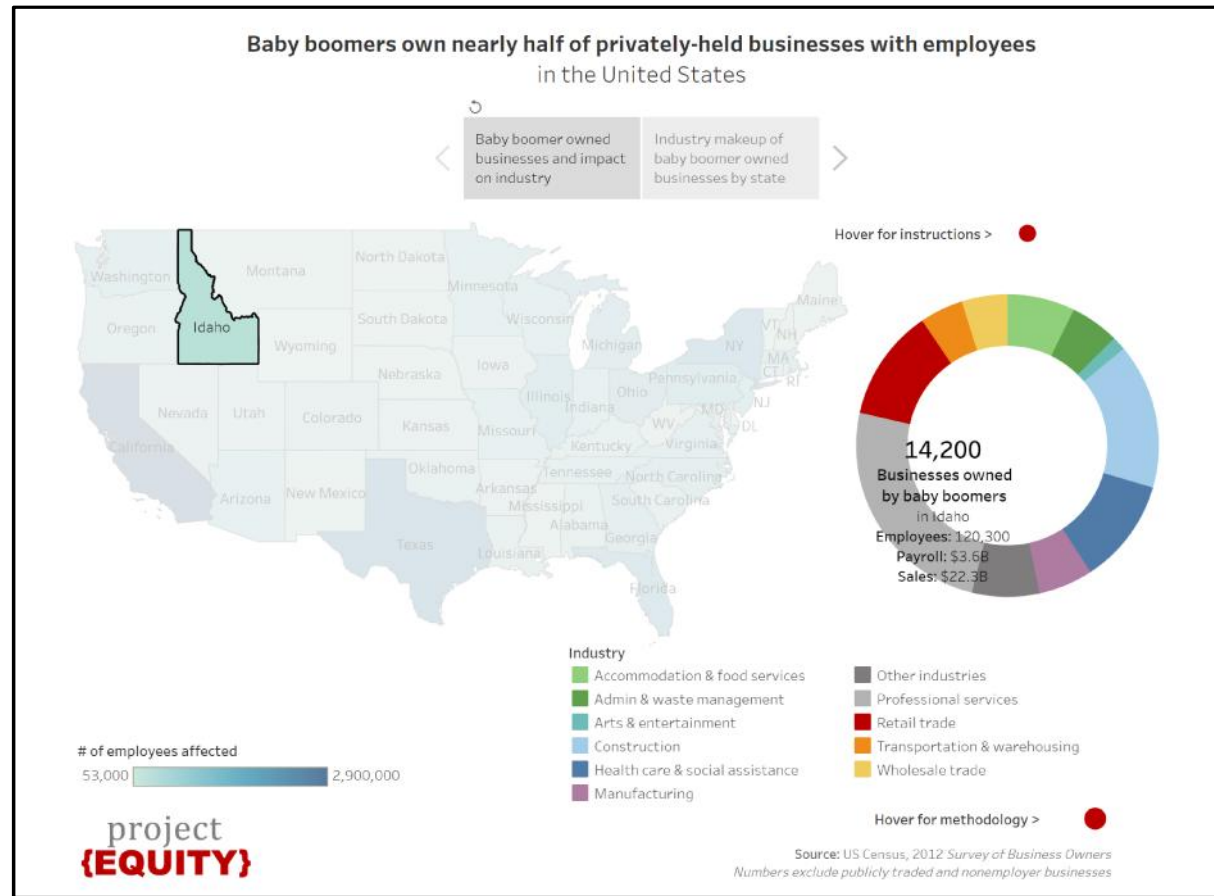
- Housing – Manufactured Home Community & Multi-unit Co-ops
- Multi-stakeholder
- Shared Service Co-ops
- Purchasing Co-ops



Silver Tsunami



Idaho



Main Street Employee Ownership Act

- 1. Expanded SBA Loan products for employee owned businesses**
- 2. Technical Assistance provided to employee owned businesses by Small Business Development Centers**

Degrees of Employee Ownership



ESOP



Hybrid

- Public Benefit Corp
- Employee Owned Trust
- Equity & Profit Incentives



**Worker
Cooperative**

Worker Co-ops vs ESOPs

	Worker Co-op	ESOP
Employee-owned	✓	✓
Voting rights (1 member/1 vote)	✓	
Board of Directors	✓	
Patronage Dividends	✓	
Benefit trust		✓

What Else?

ESOP	Co-op
Voting power in Trustee	Voting power in member
One share – one vote (maybe)	One member – one vote
Employees may or may not have voice in operations and/or seat on board.	Employees generally have voice in operations and always control the board.
Company may be sold by Trustee if Trustee believes it benefits the Plan.	Employee /owners have to approve sale.

Impact

WA	#	# owners	# employees
Worker Co-ops	18	172	229
ESOPs*	36	19,737	?

*Employee Ownership by the Numbers. (2019, September 1). Retrieved November 4, 2019, from <https://www.nceo.org/articles/employee-ownership-by-the-numbers>.

ESOPS in
Idaho

WinCo Foods®

LOW PRICES
Every Aisle • Every Department • Every Day



**ESOP
Discussion?**

**Co-op
Discussion?**

Both?

	Set Up Costs	Gross Revenues	Retirement Plan?
ESOP	\$80k - \$90k	\$4 Million	Yes
Co-op	\$5k - \$65k	Breakeven	Maybe



Trends

- **Workers Coops**
 - Homecare
 - Construction
 - Young, people of color
 - Immigrants
 - Tech
 - Main Street



Worker Co-ops In Washington



Why form a Co-op?

To create:

- Shared risk / wealth
- Retain local business
- Retain jobs
- Build leadership
- Commitment to community
- Limited liability

When not to form...

- Not financially feasible
- Employees not interested
- *Less than 3 members*

Challenges

- Access to affordable capital
- Business skill development
- Time
- Champions
- Governance
- Communications

Conversion Lifecycle

- Determine Desire of Seller
- Determine Desire of Buyer
- Conduct Feasibility Study(Go/No Go)
- Conduct a Valuation(Go/No Go)
- Create Business Plan / plan for management succession
- Meet w/Co-op Buyout Committee
- Identify Funding (Go/No Go)
- Obtain Co-op Attorney
- Develop Organizational Documents
- Complete Transaction



Project Readiness

- Willing seller?
- Leadership?
- Local support?
- Experience and resources?
- Financially prepared?
- TA needs?
- Goals?

Advising on Employee Ownership

- **Educate** and **inspire** prospects about employee ownership
- **Screen** clients and **spot** candidates
- Provide quality **referrals** to specialist service providers
- **Monitor** and **support** client through the transaction and beyond

A graphic consisting of a blue border surrounding a light green-to-blue gradient rectangle. The text 'NWCDC Services' is centered within the rectangle in a bold, black, sans-serif font.

NWCDC Services

- Feasibility Assessment / Analysis
- Organizational Development
- Cooperative Education
- Strategic Planning
- Business Planning
- Market Research
- Board Training
- Grant Writing
- Micro-lending

Hypotheticals

- **Company A – Machine Shop**
 - A 50% co-founder of a specialized machine shop is 61 and is considering retirement.
 - \$5 million in revenue, 45 employees
 - Employees are skilled laborers, but not entrepreneurial
- **Company B – Retail Store**
 - 40 year-old owner (LLC) wants to sell retail store to employees and remain engaged with business.
 - \$250,000 in annual sales, 4 employees plus owner. Owner also owns the building.
 - Employees skilled in operations, but limited financial and management experience.

Conversations / Questions



Resources

- **Organizations & Websites:**
 - Northwest Cooperative Development Center www.nwcdc.coop
 - Cooperative Development Foundation www.cdf.coop
 - CooperationWorks! www.cooperationworks.coop
 - ROC USA rocusa.org
 - US Federation of Worker Co-ops www.usworker.coop
 - USDA Rural Development http://www.rurdev.usda.gov/LP_CoopPrograms.html
 - University of Wisconsin-Madison, Center for Cooperatives
<http://www.uwcc.wisc.edu/>
 - National Center for Employee Ownership <https://www.nceo.org/>
 - Project Equity <https://www.project-equity.org/>
 - Democracy at Work Institute <https://institute.coop/>
 - National Center for Employee Ownership <https://www.nceo.org/>
- **Resources/toolboxes**
 - The Worker Cooperative Toolbox; NCDF,
http://www.usworker.coop/system/files/worker_coop_toolbox.pdf
 - How to Start a Cooperative; USDA, www.rurdev.usda.gov/rbs/pub/cir7/cir7rpt.htm
 - Circle of Responsibilities <https://www.rd.usda.gov/files/CIR61.pdf>
 - Jason Wiener | pc <https://jrwiener.com/>
 - Ohio Employee Ownership Center <http://www.oeockent.org/>

Thanks!

Northwest Cooperative Development Center

www.nwcdc.coop

Diane Gasaway, Executive Director

diane@nwcdc.coop

360-943-4241