

# **Working Together to Create Jobs**

## **A Guide to Worker-owned Cooperative Development**

by

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To Helen Foster Snow, Edgar Snow, and Rewi Alley, three forerunners who saw the promise and potential of worker cooperative entrepreneurship to create jobs, income, and dignity for poor people in Asia, and demonstrated that it works.

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## Chapter 1

# Introduction

This guide was developed because of the International Labour Organisation's (ILO's) recognition of the urgent need for increased job creation in the 1990s. The 1992 ILO Director General's Report states that, "The ILO's task will be to promote policies and programs that encourage the enterprise spirit and the establishment and development of enterprises and co-operatives with a view to creating jobs."

In accord with that ILO statement, the ILO Regional Office for Asia and the Pacific, as part of its 1993-94 work plan, adopted a project "to develop an approach for employment creation through worker-owned co-operative enterprises in the Asia Pacific region and a plan for the ILO's involvement in supporting such an approach." During November 30-December 2, 1993, a task force of eight national experts from China, Indonesia, Thailand, India, Bangladesh, and the Philippines, one international expert, and the Asia Pacific Regional Adviser on Co-operatives met in Bangkok to begin developing such an approach.

Because the capabilities and potential of worker-owned co-operatives (WCs) and group entrepreneurship to provide employment for workers in both rural and urban areas are not widely known or understood, the task force concluded that a written guide outlining their basic principles and the essential mechanisms to launch them is necessary to help the ILO actively promote them. Therefore, under the direction of Ejvind Mogensen (the ILO Asia Pacific Regional Adviser on Co-operatives), Gary Hansen (the Director of the Utah Centre for Productivity and Quality, Utah State University) wrote this guide to explain the process of WC entrepreneurship to development practitioners and potential users. (Following a workshop in early 1995, a final version of this guide will be printed and distributed to the people who will actively promote group WCs in communities and countries in the Asia Pacific region.)

This guide is designed to be a practical and useful handbook for those interested in launching an enterprise and job creation program by working directly with people and communities to organise WCs on a systematic and continuing basis. It describes the essential mechanisms needed to carry out this unique form of group entrepreneurship and outlines the steps for organising an innovative WC development program on a large scale.

It is intended to be used by: (1) individuals and groups of people who want to become successful WC entrepreneurs; (2) government economic development officials desirous of promoting a dynamic approach to enterprise and employment development; (3) co-operative development officials interested in expanding the cooperative sector by promoting WC development; and (4) development banks and international donors looking for more effective ways to reduce unemployment and poverty in the urban and rural areas of developing countries and in countries transitioning from command to market economies.

## Chapter 2

# An Example of Worker Co-operative Entrepreneurship: "Working Together to Create Jobs in Zamboanga"

*The following story is a hypothetical example of how the group entrepreneurship and worker-owned co-operative (WC) development process works. It highlights the important elements and principles of group entrepreneurship and demonstrates how they are combined into a powerful, dynamic process of enterprise and job creation in a community or geographic region. This example is just one approach to worker co-operative entrepreneurship and development. A group or community could use another entrepreneurship and WC development approach to foster job and enterprise creation. The bracketed italicised comments are to help the reader better understand how the WC entrepreneurship and development process is implemented.*



## **Working together to create jobs in Zamboanga**

### **Learning about worker co-operative entrepreneurship**

As a result of attending an ILO-sponsored workshop on successful approaches to enterprise and employment creation held in Jakarta in the Spring of 1994, the director of the Milipines Co-operative Development Department (CDD) learned about the "Indusco Strategy" for job creation and local economic development. The Indusco Strategy uses a dynamic combination of group entrepreneurship, education, and financial support to systematically organise and launch large numbers of new employment and income-generating worker-owned co-operative (WC) enterprises. Upon returning home, the director discussed the Indusco Strategy with his colleagues. They decided to launch a WC development program using this strategy to alleviate the widespread unemployment and poverty in the country's Zamboa region.

## **Starting a worker co-operative development project**

The ILO Regional Office in Bangkok not only provided the Milipines CDD director with a guide on how to implement the Indusco Strategy, including a list of experts who were knowledgeable about using this innovative form of group entrepreneurship to achieve local economic development, but it also helped the director engage an ILO consultant to write the proposal to start an INDUSCO project in the Zamboa region. The ILO Regional Office helped the director to submit the proposal to several international donor agencies. After undergoing a rigorous review process, the proposal was approved. A US\$50,000 planning grant was obtained from one of the international donors.

In the fall of 1994, the Milipines CDD began its new ILO/Milipines Worker Co-operative Entrepreneurship Development Project -- "Milipines Indusco Project" for short. A task force involving some of the country's leading citizens provided input and helped the Indusco Project team conduct a feasibility assessment. The assessment indicated that the project was feasible. To ensure that the project would be independent from government control and to enable the implementing unit to become a dynamic engine of employment and enterprise creation on a long-term basis, it was recommended that a new non-profit NGO should be created to implement it.

Because of their enthusiasm for the proposed project, several of the task force members volunteered help the Milipines CDD obtain a grant to start the project and to undertake the necessary legal and organisational work to establish the non-profit NGO -- the Milipines WC Development Foundation (WCDF) -- in Raratonga, Milipines. Through their joint efforts, the Milipines WCDF was chartered in December 1994 to promote group entrepreneurship and systematically organise WCs for employment creation and local economic development.

A grant of US\$1,400,000 was obtained from the same international donor who financed the feasibility study. The donor was very impressed by the task force's thorough and detailed report assessing the feasibility of the Milipines Indusco Project and how it would be implemented. The grant provided the necessary funding to organise the Milipines WCDF and launch the WC development program. Part of the grant (US\$1 million) was earmarked to establish the WCDF Loan Fund and the remaining US\$400,000 was to be used to set up the WCDF, organise the necessary outreach and support units, and finance their operations for the first three years. Also, the Milipines CDD provided M\$200,000 to help start the WC development work in two regions, and the ILO contributed some assistance in the form of a technical expert. The ILO was anxious to actively participate in the project's implementation because it was an entirely new approach to local economic development and held considerable promise for creating jobs and reducing poverty, and if successful they wanted to be in a position to replicate the project in other countries in the Asia Pacific Region.

## **Promoting worker co-operative entrepreneurship**

The WCDF Board hired a director and two professional staff members for the headquarters established in Raratonga, Milipines. They set up a WC development organisation consisting of three complementary units -- a worker co-operative entrepreneurship team (CET), a



co-operative financial office (CFO), and a group entrepreneurship training centre (GETC) -- to organise new WCs in the Zamboa region. Following the hiring and training of the CET staff, three experienced and professionally trained business persons and three recent university graduates (an engineer, an MBA, and an accountant), the WCDF informed the public of the start up of the WC development project through the local media and began offering courses in group entrepreneurship and WC development in the communities of Samar, Tak, and Zamboanga.

Soon, a number of people had heard about the project and had taken the introductory CET courses on group entrepreneurship. Several of the participants began to discuss at length the possibility of starting their own WC to provide stable employment for themselves and improve their economic position. In May 1995, a group of twenty Zamboangans invited a member of the CET office in Raratonga to come and discuss with them the possibility of organising a WC in Zamboanga.

## **Incubating new worker co-operatives**

The Zamboangan group appeared to have a co-operative spirit, a good leader/manager, and a plausible business idea so the CET staff helped them carry out a venture development screening process and conduct a pre-feasibility study. It proved favourable to further consideration of their proposed WC venture so the CET staff drew up a contract of association with the Zamboangan group and agreed to assist them during the business planning phase and start-up period. *[If a group does not have a logical leader/manager, the CET staff, in conjunction with the prospective group entrepreneurs and the CFO, select a leader/manager who has the backing of both the group and the CET.]*

The Zamboangan group had sufficient collateral in the form of land owned by several members and a building to house the business. The CET used their property as collateral to obtain a loan from the CFO to pay the manager's salary to run their business. *[If the group lacks adequate collateral, the CFO makes a deferred-interest loan to the start-up group to pay the manager's salary during the promotion and business planning period.]*

The CET helped the group register as the Zamboangan WC under the co-operative laws of the Milipines. (Registering as an WC means that an entity exists to receive the promotion loan and to pay the manager's salary during the promotion/launching period. The Milipines co-operative laws support the organisation of modern industrial WCs). The Zamboangan group's promoter/manager, Mr. Vanatu, was assigned a CET advisor and provided with an office and other support services in the CET office in Zamboa. The CET advisor worked closely with Mr. Vanatu and the Zamboangan WC group during the planning, promotion and launching of their WC and for a year or two thereafter.

The Zamboanga WC group had their own business idea, a restaurant featuring native cuisine and catering to the growing tourist industry in the region. The CET advisor, Mr. Vanatu, and the Zamboanga WC group performed the initial screening of their restaurant idea. They used the predetermined selection criteria developed by the CET -- market trends, sales per worker,

capital per worker, etc. After a careful evaluation, they concluded that their restaurant idea was financially viable.

*[If the group's business idea fails to pass the selection criteria, the group can select an idea from the CET's product bank of feasibility studies. Then the CET advisor, the WC group's promoter/manager, and group members update the feasibility study for that enterprise. If the updated feasibility study results are positive, a business plan is written.]*

Because the Zamboangan WC business idea passed the three step screening and feasibility process, a formal business plan was written. *[The business plan must include enough detail to answer all the relevant questions about the venture that a third party could ask.]* After the Zamboangan WC business plan was completed and approved by the organising group and the CET, it was submitted to several banks in the region and the Milipines WC Development Foundation CFO to obtain the necessary funding to start the business.

The 15 charter members of the Zamboangan WC (five of the twenty prospective members decided not to participate) put up 10 percent of the cost as equity capital, amounting to M\$15,000. The Milipines WCDF CFO loaned them 40 percent of the funds needed (M\$60,000), and the Milipines Small Industry Development Bank loaned them 50 percent (\$M75,000). After receiving the necessary funds to start their WC, the promoter/manager and the WC members worked with the CET and the CFO advisors to establish their new restaurant.

*[If the CFO agrees to finance the new start-up, or funds are obtained from other lenders, financial arrangements are made to obtain the equity capital from the worker-members and to systematically draw on the debt and equity capital obtained from all sources to launch the enterprise in a timely manner. The worker-members' equity in the new enterprise is determined during the business planning and financial negotiating processes. (It may be several hundred or several thousand U.S. dollars for each member, depending on the type of enterprise and job creation costs).*

*During the first year or two of operation (i.e., the launching and consolidation period until break-even), 70% of the start-up costs (including the WC manager's salary during the promotion period) are capitalised as an asset which is depreciated over a period of ten years so that the original members of the WC do not bear a greater portion of the start-up costs than those who join at a later date.*

*Projections in the business plan for a manufacturing enterprise normally allow for about two or three years of losses after start-up before the WC reaches the break-even point. In a mature WC development program, usually the initial loan for a new enterprise is scheduled to be repaid five to seven years after start-up. During the first two years, there are no interest or principal amortisation payments. The interest (at an agreed rate) and principal payments begin in the third and fourth years, and then interest increases to market rates for the remainder of the loan.]*

With the help of the CET and their manager/promoter, the Zamboanga WC members refurbished the building to house their restaurant, purchased and installed the necessary furnishings and equipment, obtained suppliers for the food and other items needed, and arranged

training so they could fill the various positions in their restaurant. The grand opening of Zamboanga's Finest Food was held five months after they approached the CET for help.

Soon the new restaurant was filled with tourists because of the high quality of their food and service. Within a few months, the restaurant was making a healthy profit and paying off its loans ahead of schedule. At the end of its first fiscal year, the co-operative's board of directors declared a patronage dividend above that allocated for wages; the WC members received a sum based on their labour during the previous year. Also, part of the profits were set aside to cushion the restaurant during off-peak times and to provide capital to expand their business, and some profits were allocated to each member's individual capital account to provide working capital and reserves for the enterprise.

Because the WC members were gainfully employed and the restaurant had considerable untapped market potential, the WC considered taking on additional members to expand the restaurant. During the next year, ten prospective members, each carefully screened by the existing members of Zamboanga's Finest Food WC and willing to invest M\$1,000 for a share of stock, were invited to join, increasing the membership to 25. The new members received extensive training in WC principles, group entrepreneurship and self-management at the WCDF training centre. They also took courses in food service and business management at the local vocational training centre.

## **Growing the "Zamboia WC Group"**

Though slow at first, the demand for the CET's help increased steadily as more and more people in Zamboanga and the surrounding communities saw how the WC restaurant increased their neighbour's employment and incomes. The second WC, a shrimp farming operation employed 10 people and sold fresh shrimp to the Zamboanga's Finest Food restaurant and also marketed them in the nearby cities. The CET and GETC continued to provide WC entrepreneurship training courses and to help other would-be WC group entrepreneurs during the start-up process.

Over time, the number and kinds of WCs in the region has increased, including several manufacturing WCs and a WC furniture factory. Through the encouragement of the CET and the CFO, they began networking and organised a regional "Zamboia WC Group" to purchase supplies, market products, conduct research and development, and engage in other mutually beneficial activities.

When the three year grant from the international donor ended, the Zamboia WC Group was reorganised to insure that the services being provided by the CET, CFO and GETC would continue. The WCs in the Zamboia Group decided to organize the three support units as second-degree cooperatives owned by their workers and the WCs. The income received through the contracts of association made between the individual WCs and the WCDF, course fees from training by the GETC, and the profits from the CFO's banking operations were sufficient to finance the continuing work of the CET, CFO, and GETC in the Zamboia region.

Because of the success of the WCDF job and enterprise creation operations in Zamboa, another three-year grant was obtained by the WCDF from the same international donor to create a second WC development unit (containing a CET, CFO and GETC) in another region of Southern Milipines. This grant was augmented by funds provided by the Milipines CDD for the same purpose.

## **The “Milipines Indusco Project” ten years later**

A prosperous, well-run group of WCs is operating in the Zamboa region. At last count, The Zamboa WC Group consisted of 24 manufacturing and service WCs, employing over 5,000 worker-owners, and operating profitably in seven different industries. Zamboanga's Finest Food, the first WC in the group, has expanded into a fully integrated tourist resort, including three restaurants, a hotel, golf course, and convention centre. At last count, it was employing 375 worker-members. Another successful WC Group has been established in the Samar Region, with 2,500 worker-members owning eleven manufacturing and service WCs. They have now created the Samar WC Group with their own second-degree CET, CFO and GETC support co-operatives. Two years ago the WCDF, with support from the Milipines Government and the Asian Development Bank launched its third WC development program in the Mindo Region. Already three WCs have been established in this region employing 135 worker-members.

The success of the Zamboa WC Group has continued apace. Because of networking and other group-sponsored arrangements, several of the WCs in the Zamboa Group are jointly bidding on international contracts that none of them could bid on individually. Three manufacturing WCs in the electronics business are exporting products to Korea, Japan, and the United States and several more are subcontractors to firms in these countries. The CET, the CFO and the GETC originally set up by the Milipines WCDF to start the first Milipines INDUSCO Project in the Zamboa region have all become second-degree co-operatives owned by their own worker-members and the 24 co-operatives in the Zamboa group.

The manufacturing WCs in the Zamboa Group have established joint purchasing arrangements to buy raw materials and supplies and have developed a joint marketing arrangement to distribute their products nation-wide and for export. Recently, there was some discussion about organising a group-run research and development unit to provide additional technical and product development support to the manufacturing WCs.

The Zamboa Group's CFO is now the Samar Workers' Co-operative Bank (known in the region as the SWCBank) and continues to finance new WC start-ups as well as providing savings and credit services to the working people in the entire region through its fifteen offices.

Several years ago the GETC in Raratonga obtained a new building and was reorganised as the Zamboa Entrepreneurship Training Centre (ZETC). It serves the entire Zamboa Group of co-operatives as an education and training institution, providing specialised worker co-operative management and business training to the group's worker-members and managers. It also offers some technical courses which are not available through other vocational training institutions.

A visitor revisiting the region after a ten year absence could not believe the changes that had taken place in Zamboanga. His comments, after spending a week at the Zamboanga Resort and Convention Centre and touring the surrounding area were insightful:

“Who would have dreamed, ten years ago, that the people residing in the Zamboa region would experience the economic growth and prosperity which resulted from launching the Milipines Indusco Project. When I was here before, the area was economically depressed and the people discouraged. Many of the young people wanted to move to the capital city or go abroad. Today, people in the region speak with pride as they tell me the story of *their* Zamboa WC Group, and the jobs and income it provides for them and their children. It is clear to see that the Zamboa WC Group has become the economic backbone of what is now a vibrant and prosperous region.”

## Chapter 3

# Definitions and Concepts of Worker Co-operative Entrepreneurship

In order to effectively promote worker-owned co-operative (WC) entrepreneurship and create jobs and enterprises on the scale and with the positive impact described in the story of “Working Together in Zamboanga” in Chapter 2, it is necessary to understand the underlying concepts and principles which infuse this unique type of entrepreneurship and enterprise development. In this chapter, definitions and concepts of WC entrepreneurship and development are provided. In Chapters 4 and 5 the process of organising a WC development program and incubating new WCs using these concepts are presented.

### **Internationally recognised co-operative principles.**

The Rochdale Pioneers in England in the 1840s set forth eight co-operative principles to guide their operations. More recently the International Co-operative Alliance reformulated them into six internationally recognised co-operative principles:

#### **The 6 internationally recognised co-operative principles**

1. Membership in a co-operative society should be voluntary and available without artificial restriction or any social, political or religious discrimination.
2. Co-operatives are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed to by the members and accountable to them. Voting should be on a one person-one vote basis.
3. The society should pay limited interest on share capital.
4. Surplus or savings arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as to avoid one member gaining at the expense of others.
5. All co-operative societies should make provision for the education of their members, officers, and employees in co-operative principles.
6. Co-operative organisations should actively cooperate in every practical way with other co-operatives. (ILO 1988)

## Supplementary “worker-owned” co-operative principles.

Because of their unique ownership, management, and employment structures, WC owner-members must subscribe to several supplementary principles in addition to the six internationally recognised co-operative principles. *Experience has demonstrated that the following supplementary principles are essential to successful WC operation and growth:*

- *ownership of WCs must be exercised only by the suppliers of labour--the workers;*
- *all workers must become worker-owners;*
- *the workers, as owners of the enterprise, must decide on the disposition of the net income of the business; and*
- *the control of the enterprise must be exercised and the benefits divided among the worker-owners in their capacity as suppliers of labour and not as suppliers of capital.*

## Definition of worker co-operative and worker-owned co-operative

In this guide, the terms worker co-operative and worker-owned co-operative (hereafter WC) have the same meaning, and it is a specific and unique meaning. *In a WC the members, subscribing to co-operative and WC principles, and functioning as “group entrepreneurs”:*

- *take the full risks and benefits of organising, owning, and operating an enterprise;*
- *exercise their governance and control on the basis of one person-one vote; and*
- *work together in a common production or service facility (factory or office) to jointly produce (manufacture, prepare, or organise for sale) the products, goods, or services sold in the marketplace.*

*WCs are different from client-owned co-operatives -- supply and marketing co-operatives, consumer co-operatives, and credit unions. In a client-owned co-operative, the client-members, producers or consumers, own and control the co-operative to provide a service or to serve their members’ needs. The workers in client-owned co-operatives are employees, not owners or controllers of the enterprises.*

## Definition of group entrepreneurship and WC entrepreneurship

As used in this guide, the terms group entrepreneurship and WC entrepreneurship have the same meaning. They mean *a group or groups of people in an urban area, rural village, or community manifest the characteristics of entrepreneurship:*

- *a desire to be self-employed,*
- *a willingness to undertake the process of starting a new WC enterprise,*
- *a willingness to take calculated risks, and*
- *the ability to engage in a common productive activity and to take responsibility for financial resources.*

The WC entrepreneurship and development process outlined in this guide is designed to systematically create new business enterprises on a continuing basis and substantial scale. Specially designed entrepreneurship, financial, and educational mechanisms are used to incubate and nurture modern worker-owned joint production or service co-operatives. This unique WC entrepreneurship process is initiated and sustained by a specially created non-governmental organisation (NGO) called a WC Development Foundation (WCDF). The WCDF provides the expertise and leadership to establish the essential mechanisms to systematically identify, recruit, and help prospective group entrepreneurs in a community or region to organise and operate new WC business enterprises. These WCs will then become part of an integrated WC “group” or “complex.”

## **Requirements for successful worker co-operative entrepreneurship.**

Adherence to the internationally recognised co-operative principles and supplementary WC principles is necessary but not sufficient for prospective group entrepreneurs to start and operate a successful WC enterprise. Three more elements: entrepreneurial characteristics, a business concept, and access to capital, must be combined with the co-operative and WC principles to constitute what one of the leading texts on the subject calls the "labour-entrepreneurship window of opportunity." (Adams & Hansen 1992) *Organisers of successful WCs must possess or obtain all four of these elements.*

**1. A commitment to co-operative and WC principles.** First, as noted above, the organising group must understand and accept the general co-operative principles and the additional WC ownership and capital formation principles to construct successful WC enterprises. To avoid serious problems, WC organisers must thoroughly understand and practice these principles from the outset.

**2. A viable business concept.** Second, all members of the group must share a viable business concept. The business concept must be carefully thought out, screened, and analysed through a business feasibility study. Timing is important; changing technology, economic conditions, or impending privatisation are just a few of the many forces that impose time constraints. (The venture development screening process and business feasibility study are discussed in greater detail in chapter 5.)

**3. Access to capital.** Third, there must be access to adequate capital. Capital comes in many forms and from many sources. It may include the time and labour of the worker-owners and credit extended by others. It must also include the membership equity agreed to by the organising members and possibly some grants or loans from specialised small business lending agencies and international donors.

**4. Entrepreneurial characteristics.** Fourth, some (at least one, but preferably more) people in the organising group must have the necessary entrepreneurial characteristics,



experience and business skills to start a WC. Important WC entrepreneurial characteristics include:

- a high energy level--the ability to get up early and work hard all day;
- a positive self-image--a determination to succeed;
- oral and written communication skills to sell a product or service;
- the ability to assess the potential of a product/service/ideal;
- flexibility and resiliency--the ability to adjust to the rewards and pitfalls of the marketplace;
- decision-making skills;
- always learning;
- the ability to marshal resources;
- the ability to work together with others to achieve a common goal;
- and a sense of adventure--the courage to try something new.

While basic entrepreneurial characteristics cannot be taught, some skills can be gained through formal education, and others can be gained through work experience.

## **Characteristics of successful worker co-operatives**

A major study of WCs as business enterprises found financial management deficiencies -- the inability or failure to link financial decisions to market opportunities, stock control, and technical innovation -- to be their most common weaknesses. The researchers conclude that if WCs perform less well than similar private enterprises “it is due to managerial deficiencies, not to an intrinsic weakness of the form.” (Abell & Mahoney 1988)

Another study of WCs in developing countries concluded that their success (or failure) is determined by the organising group's ability (or lack of ability) to:

- identify good business opportunities and activities,
- have or acquire the necessary mix of skills,
- have the personal characteristics and commitment needed to undertake good business planning, and
- pick good leaders and managers. (Harper 1991)

In short, when WCs fail, it is because they lack or fail to obtain one or more of the critical elements necessary for successful WC entrepreneurship.

These and other studies conducted in developing and industrialised countries found that a number of factors contribute to the success of WCs and other types of employee-owned enterprises (Adams and Hansen 1992; Hansen 1993; Rosen, Klein and Young 1986; Whyte & Whyte 1991; Meek & Woodworth 1990):

## **Factors contributing to the success of WC and other employee-owned enterprises**

- Profitable business ideas
- Quality leadership and management
- Technical competence and workforce training
- Members' commitment based on their capital stakes
- Effective systems of democratic management and decision making
- A network of mutually supportive worker-owned co-operative organisations
- Continuing education and training to increase managers' and worker-owners' skills
- Membership solidarity
- Adequate guidelines for good co-operative practice
- Regular, substantial contributions (e.g., dividends) to the workers as owners.
- Involvement of workers in the major decision-making.
- Managers treating the workers like owners instead of employees.
- Workers educated to understand what being owners means and to think and behave like owners.

## **Requirements for successful WC promotion and development.**

*Successful, large-scale, and continuing WC development requires several key components together with an integrated strategy for their organisation and use. Failure to include all of these components as part of a carefully designed development program results in isolated, weak and marginal WCs that generate few jobs and little income.*

Eight essential elements are required for launching an effective, large scale WC development program or effort in a country or region.

### **Requirements for successful WC promotion and development**

1. An appropriate legal and institutional framework
2. A suitable WC model
3. An entrepreneurship institutionalising and business incubation mechanism
4. A linked financial unit or institution
5. A linked entrepreneurship education and training institution
6. A coherent set of co-operative values, goals and objectives
7. The development of networks, groups or federations
8. A well-designed plan for implementation

**1. An appropriate legal and institutional framework.** Co-operative legislation that promotes the development of the WC program and incorporates the unique WC principles must be in place or be passed by the appropriate legislative bodies in the targeted areas. Such legislation enables the members of individual WCs to build strong, efficient, and well-capitalised enterprises that can be melded together into an integrated functioning network or system. The legal or institutional framework for the WCs must allow the members to solve their organisational, financial, and business problems on an ongoing basis; to meet new challenges and changing conditions; and to achieve the goals and objectives of the WC system. In most cases, co-operative laws designed for agricultural or consumer co-operatives are not suited to the needs of modern WCs.

**2. A suitable WC business organization.** The unique ownership incentives provided by the individual capital account system and the presence of a financial arm or institution closely linked to the WCs are critical to their economic viability and growth. These equity capital and organisational structures are essential to create and establish productive and financially successful WC business enterprises of any size and scale beyond the marginal. They establish a realistic, co-operative basis of ownership, equity accumulation, and distribution of profits. This capital ownership system, which includes internal capital accounts for each worker-owner, provides the incentive and means to increase the worker-owners' equity, motivation, commitment and skills while reinforcing their adaptability and flexibility. It also helps to retain a cadre of professionally trained, participative managers.

**3. An entrepreneurship and business incubation mechanism.** The group or worker co-operative entrepreneurship team (hereafter CET) is the entrepreneurship institutionalising and WC incubating mechanism needed to build a strong employment and income-generating WC system. Each CET consists of a small cadre of highly skilled business professionals (Category I) who have expertise in at least one of three areas: (1) organisation and management; (2) engineering and production; and (3) business -- finance, marketing, accounting, human resources. The CETs are capable of conducting venture development screening and feasibility studies, performing promotional work and carrying out the other tasks associated with WC enterprise creation and incubation.

A selected number of academically trained but inexperienced young professionals (Category II) and talented individuals in the community without academic training (Category III) are recruited to augment the CET staff and are part of the human resource development dimension of the WC development program. It is intended that many of these junior professionals and community members will eventually become the managers and leaders of new WCs as well as backfill the CET professional staff as the program expands.

The CETs are strategically located in communities or geographic regions to provide guidance and support services to groups of prospective WC entrepreneurs. They promote group entrepreneurship, identify business opportunities, determine their feasibility, and serve as midwives in giving birth to new employment-creating WCs.

The objectives of the CETs are:

- to increase the number of people with entrepreneurial characteristics and business skills;
- to identify and evaluate market gaps, available resources, raw materials and WC business opportunities in the communities or regions;
- to match people possessing entrepreneurial abilities and desiring to become worker-owners with business opportunities and to facilitate those business start-ups; and
- to create economically viable, sustainable WC businesses.

CETs identify prospective worker-owners and develop new WC enterprises in two ways:

- 1) potential WC worker-members, either groups or individuals in the communities and surrounding areas, who come to the CET with a business or product idea and/or a desire to start a business; and
- 2) CET staff who have business or product ideas and actively recruit people in the community to become worker-members in new WCs.

When a group of prospective WC entrepreneurs decides to create a new WC, they sign a contract of association with the organisation implementing WC development. This agreement enables them to receive or obtain the entrepreneurial assistance, financial support, management assistance, and training they need to start a new WC business. In return, the group agrees to provide the necessary equity, adopt the WC ownership structure, submit to the financial discipline imposed, make regular financial reports to the WC development organisation's financial arm, and become active members of a WC complex. Following the signing of this agreement, the CET and other WC development support institutions begin working with the group to launch a new WC business.

The CET advisors screen groups of potential WC members and then work closely with them during the feasibility and business planning stages to teach them the basic co-operative and worker co-operative principles and business skills and then advise them on all aspects of the business during the critical first years of operation.

**4. A linked financial office or institution.** Studies of entrepreneurship and small enterprise development agree that *incorporating some means to obtain adequate credit and venture capital financing is essential to the start-up and growth of any new enterprises and co-operatives. This is especially true for new WCs.*

Therefore, a specialised WC financial office (CFO), or financial arm, must be established to obtain the additional capital beyond that which the worker-owners can provide. This can be done locally by setting up credit and savings co-operatives or WC development banks to mobilise savings in the targeted area or using existing commercial banks. It can be done regionally or nationally by obtaining additional venture capital grants from government small enterprise or co-operative development programs and lending institutions such as the Asian Development Bank, World Bank, foundations, international donors, and other sources. In addition, the CFO should

establish close working relationships with the existing banking sectors in the community and country to help package loans and make available the other financial arrangements the WCs need as they grow and expand.

The CFO staff, working in close co-operation with the CET, serve as financial advisors, venture capitalists and bankers in the WC development program. They must be capable of evaluating the financial aspects of any proposed business start-up, expansion, or conversion and of securing or providing the necessary financing to create viable new WC businesses. Under the terms of the contract of association each new WC signs, the CFO monitors the financial health of existing WCs, helps them to remain financially solvent, and assists them to obtain the capital they need to expand, compete and take advantage of new business opportunities.

**5. A linked entrepreneurship training unit or institution.** Education and training are critical to the success of the WC entrepreneurship and development program. Past experience demonstrates that *the long-term viability and success of WCs in the manufacturing and service industry sectors depend on the education and training the WC worker-members and managers receive on a regular and continuing basis.*

A WC or group entrepreneurship training centre (GETC) is needed to promote a WC enterprise culture among the worker-members and to help them become more efficient and productive as business persons and more democratic and participative in managing their businesses. Also, an educational and training program is needed to provide entrepreneurial, technical and specialised WC training to prospective worker-members and selected groups of young people in the community who are interested in becoming WC entrepreneurs.

Regardless of what integrated strategy launches the WC development program, a human resource development effort is necessary to provide the WC managers and worker-owners with the specialised types of training which they need but which are not available from other sources: motivational and achievement needs training, group entrepreneurship training, co-operative principles training, WC principles training, participative management and governance skill training, and business, technical and vocational skills training.

If the WC group or complex stakeholders are prepared to finance the expansion as the WC program grows in a community or nation, the GETC could become the nucleus of a permanent WC training centre or even a second-degree worker-owned technical institute or college that is directed and controlled by the stakeholders (the WCs, CETs, CFO, GETC staff and students). In short, the GETC stakeholders determine its future role and development. The GETC's dominating philosophy, objectives, and business training programs should reflect co-operative principles, supplementary WC principles, and group entrepreneurship concepts.

**6. A coherent set of co-operative values, goals and objectives.** If the WC development system is to grow and succeed, the WC owner-members must subscribe to the common, coherent set of co-operative values, goals, objectives, and principles that are identified and articulated for present and future membership and are inculcated in them through an extensive, continuous educational process. These values, goals, and operational principles are

derived from or expand on the internationally recognised co-operative principles and supplementary worker co-operative principles outlined above. Appendix A at the end of the chapter contains the basic values, goals and objectives, and operating principles that are essential to successful WC entrepreneurship and development. (Whyte & Whyte 1991)

**7. The development of networks, groups or federations.** Whenever CETs incubate new WCs in communities or regions, they must establish linkages among them to reduce their costs of doing business and enable them to become more competitive in their industries and regions -- obtaining market intelligence, marketing products and purchasing raw materials. Later, the WCs may want to establish group arrangements to jointly provide research and development, bid on large projects, develop new products, and produce greater quantities of goods and services.

It is anticipated that nationally or on a regional basis the WC development program and its affiliated WCs will evolve into one or more full-fledged co-operative "complexes" or "groups." The CETs, the CFO and the GETC will become second-degree co-operatives owned by and serving the needs of the affiliated WCs.

Before establishing networks and other co-operative arrangements for mutually beneficial group activities, the WC development program organisers and co-operative managers should examine the small manufacturing firms in the Emilia-Romagna region of Italy and the flexible manufacturing networks in Denmark, Spain, and elsewhere for concepts and practices applicable to their own program. (Pyke 1992)

**8. A well-designed plan for implementation.** Regardless of how talented or dedicated one or two individuals may be, they cannot expect to implement a viable WC development program on a "shoe string" or an ad hoc, improvised basis. It is one thing to organise a single WC employing 10 or 20 persons. It is quite another thing to organise 30 or 50 WCs employing 5,000 or 10,000 worker-owners, and meld them into a strong, dynamic WC system or complex in a community or region. The process of creating significant numbers of successful, economically viable WCs in a developing country, or any country, requires substantial planning, time, resources, and organisation by competent, knowledgeable people.

## APPENDIX A

### Essential Values, Goals and Objectives, and Operating Principles for Successful WC Entrepreneurship and Development

Although the organizers of a WC development program determine the basic values, objectives and guiding principles for their system, the six internationally recognised co-operative principles and four supplementary WC principles are a crucial starting point. (Whyte & Whyte 1991; Adams & Hansen 1992; Hansen 1993)

**Values.** Based on the co-operative and supplementary WC principles, groups undertaking WC development should understand and emphasise the following values: (1) **Equality**. Regardless of social class or position, worker-owners are to be treated as equals in interpersonal and organisational relations and to have equal rights and obligations in a WC; (2) **Solidarity**. All WC members gain or lose together; no member should benefit at the expense of others; (3) **Dignity of Labour**. All human labour, blue-collar, white-collar and managerial, has dignity; (4) **Participation**. Worker-members have a right and obligation to participate in the decision-making that affects them.

**Goals and Objectives.** The primary objective of the WC enterprises is to generate good jobs and income for WC worker-members and their families. Other important objectives include employment security, human and social development, autonomy and self government, and economic progress.

#### WC goals and objectives

- ◆ **Good jobs and income** through the creation of viable WCs in the manufacturing and service sectors. All WC members must be committed to using their commonly held equity capital to create jobs in their communities by starting new WCs and expanding, restructuring, or redirecting existing WCs to maintain competitiveness.
- ◆ **Employment security** for all WC members in good standing as long as their WC remains economically viable. This may mean that some workers must change jobs or undergo retraining within their WC or even move to another affiliated WC.
- ◆ **Human and social development** to ensure that the working conditions in WCs are humane and to foster the social development of the members and their communities.
- ◆ **Autonomous and self-governing.** However, the individual WCs should be linked in a network or federated together to strengthen them and to help them cope with changing external conditions and respond to new business opportunities.
- ◆ **Financial success** to achieve job creation, income generation and employment security. Although profits are not the only purpose for WCs, profits or surplus are essential to the survival and growth of these enterprises.

**WC Operating Principles.** Additional operating principles distilled from the six basic co-operative and supplementary WC principles include: balancing members' interests and needs in individual WCs and other WCs in the "WC system", long-term thinking and planning, periodic self-evaluations of WCs, openness to new members as growth and turnover permit, free access to WC operating and financial information, politically neutral, and, when feasible, encouraging inter-WC trade, creating new WC groups to secure economics of scale, and controlling WC size to maintain efficiency and member involvement.

### WC operating principles

- ◆ **Balance** between members' interests and needs in individual WCs and in other WCs. No member should gain at another's expense
- ◆ **Long-term planning** -- well beyond the immediate situation.
- ◆ **Periodic self-evaluations** to improve the WC's organisation and operation.
- ◆ **Nondiscriminatory.** Open to all people with good attitudes and requisite skills and training for job and membership openings.
- ◆ **Politically neutral.** Individual members may express their own political views and belong to any political party but the WC must refrain from doing so.
- ◆ **Free access to information.** To make intelligent decisions, the members must, as much as practical, have access to all information relevant to decision-making and their responsibilities.
- ◆ **Inter-WC trade.** Individual WCs should buy from and sell to one another except when it is clearly disadvantageous.
- ◆ **Formation of WC groups** to share general management or support services as long as none of the WCs' interests are sacrificed.
- ◆ **Controlled size** for production and marketing efficiency and administration--and worker participation. WCs should be large enough to be productive but small enough so the management and governance is handled by members and managers who know each other.



## Chapter 4

# Steps in Organising a Worker Co-operative Development Program

Careful planning and organising are necessary for a worker-owned co-operative (WC) development program to achieve its potential in creating jobs and income. There are five steps in planning and organising a successful WC promotion and development program.

### Steps in planning and organising a WC development program

1. Establish a planning group
2. Obtain information and assess the feasibility of WC development in the community or region
3. Write a plan and proposal for the WC development program
4. Market the WC development proposal
5. Implement the WC development program

## 1. Establish a Planning Group

The members of the planning group should be selected on the basis of their commitment to the WC program, their knowledge and technical expertise, their political skills, and their willingness to be active program participants. The planning group members could be drawn from:

- the co-operative sector and WC sector (if one exists),
- independent and distinguished members of the NGO, academic, and business (including banking) communities,
- government departments concerned with co-operatives,
- economic development and small-scale industry promotion agencies,
- donor organisation(s) interested in fostering the WC program for employment and enterprise development,
- potential group entrepreneurs, and
- other potential urban and rural sector constituencies for the WC program -- the self-employed, women, unemployed and under employed, youth, etc.

(If potential donors or representatives of funding agencies are members of the planning group, selling the proposal and obtaining financial support to launch the program should be easier and the probability of achieving success should be greater.)

Once organised, the planning group agrees to a common set of goals and objectives. Then it recruits a small full-time secretariat and professional staff to help gather data, conduct the feasibility study and develop a blueprint to design the WC program along with the necessary support mechanisms to provide continuous support and direction to the program. When the WC development program is started, they provide the leadership, direction and administrative support for it.

## **2. Assess feasibility of worker co-operative development**

In order to succeed, a WC development program must be tailored to the specific needs of the community, region, or country where it is to be implemented. In addition, the feasibility and planning process must include enough information to accurately assess the potential for promoting and incubating WCs. To ascertain the potential and feasibility for starting a successful WC development program in a specific location, the planning group should:

- review the available global, national, regional and local information pertaining to the feasibility of undertaking a substantial WC development program on a systematic, continuing basis
- assess the suitability of the existing enabling policy and regulatory environments:
  - (a) the economic-business climate,
  - (b) the positive and negative social and psychological attitudes about business and entrepreneurship, educational constraints and technological insufficiencies,
  - (c) the nature, composition, and strength of the client-owned co-operative sector and its leaders' attitudes toward WC development;
  - (d) the legal environment for WC and small enterprise development; and
  - (e) the availability and quality of business support services
- evaluate the strengths and weaknesses of the WC sector (if one exists)
- assess the banking and financial services available to support WC development
- identify opportunities for WC entrepreneurship

The final step in the feasibility assessment process for a WC development program is to prepare a report summarising the findings and making recommendations. The report should identify any constraints or factors that might affect the WC sector development and determine the potential for developing the financial and other support institutions needed to systematically incubate WCs for employment creation. This process involves in-depth discussions to make plans, develop an enabling policy environment and undertake any institution-building required.

The proposed WC development program must be co-ordinated with other public and private efforts for economic development, especially those dealing with small enterprise and self-employment that may be underway or are planned for the rural and urban sectors, communities,

regions or nations where WC development programs could be implemented. The organisers of the WC development program proposed in this guide must be aware of and, where appropriate, co-ordinate their activities with existing small enterprise and co-operative development efforts.

However, a word of caution. If the WC development strategy is to be successful, it should not be subordinated to, controlled by or dominated by other co-operative and small enterprise development programs. In many countries the existing entrepreneurship and business development promotion institutions are weak or non-existent, resulting in ineffective, fragmented small enterprise and co-operative development programs that have little lasting impact on solving unemployment problems, creating new business enterprises, or strengthening existing small businesses. Appending WC development efforts to one of these other programs or agencies is a prescription for failure.

### **3. Write a plan and proposal for worker co-operative development**

After the planning group completes its feasibility study and report, it should review the information to decide if the findings and recommendations are positive to create a WC development strategy and the support mechanisms needed to implement it. If the planning group decides to proceed, it develops a strategic plan and funding proposal based on the feasibility study and recommendations.

#### **A. Develop a strategic plan and proposal.**

The strategic plan presents the rationale and justification for the organisational approach used to promote WC development, spells out the steps required to implement it and anticipates the outcomes. The proposal puts the strategic plan in terms that a financial donor or development bank can understand and provides the budget and any other items in a format needed to “sell” the proposal and obtain approval and funding. These documents are developed through the following steps.:

- (1) Identify and list the WC development program objectives, policies and guidelines and outline the proposed organisational structure.** include how to organise, manage and deliver the WC entrepreneurship outreach, incubation and related services and the components or support mechanisms to be created -- how to set them up, and how the mechanisms will provide and deliver their services.

This should be followed by information about the systematic organisation, staffing, training, start-up and subsequent support of WC operations contemplated in targeted locations along with any other details needed for their successful implementation.

- (2) Determine the WC development program resource requirements and how to obtain them.** What services can be provided by other existing institutions (banks, government agencies, funding programs, educational institutions, co-operative movement, etc.) and what services will need to be provided by the program.

**(3) Establish a timetable and procedures for implementing the elements of the plan.**

The plan should state the scope of the proposed program and include:

- (a) the size and reach of the WC development program at the time of start-up and over time; e.g., a pilot or small-scale basis to be expanded over time using the experience gained and resources available.
- (b) location: the criteria used to identify and select the areas (a specific community, several communities, an entire region, or the nation as a whole) in which to establish the new WCs.

These criteria should determine the nature and scope of the WC operations in targeted communities or areas during the first and subsequent years.

**(4) Develop plans and strategies to obtain and disburse financial resources to start promotional work and incubate WCs, Include a budget for the first and subsequent years of operation.**

The completed strategic plan serves as a blueprint. It should include: (1) a section introducing and justifying the proposed program, including the assumptions on which it is based and the data and supporting documentation that demonstrate its feasibility and potential for success; and, (2) a section stating the specific objectives for the WC development program, the proposed organisation structure and functions (e.g., creation of a WC Development Foundation), the financial and other resources needed to implement it, the sources to approach to obtain the necessary funds and other resources, and the anticipated outcomes.

## **B. Select a strategy for WC promotion and development.**

Several different strategies could be used to organise and carry out the WC promotion and development efforts. However, experience suggests that the best one, the one most likely to succeed, is to set up *a free-standing NGO especially designed to organise and manage the WC development program, including all the essential mechanisms needed to effectively promote and incubate WCs*. This strategy charters a new NGO or parent WC Development Foundation (WCDF) that organises and co-ordinates the activities of the three essential operating units -- **the Co-operative Entrepreneurship Team (CET)**; **the Co-operative Financial Office (CFO)**; and **the Group Entrepreneurship Training Centre (GETC)**. These three units, under the general direction of the WCDF Board, carry out all the activities to systematically incubate new WCs in a community(ies) or geographical area(s).

The parent WCDF also pursues, as part of its long-term development efforts, the establishment of an integrated “group,” “complex” or “system” of affiliated WCs along with their essential support institutions in the targeted community(ies) or area(s). The ultimate objective is to create one or more WC complexes in the region or country in which the CET, the CFO, and the GETC become second-degree co-operatives jointly owned by their worker-members and the primary WCs to whom they provide support and services.

**Should alternative WC development strategies be considered?** The above strategy is most likely to generate substantial employment and income using WC entrepreneurship because the entire organisation and its staff are focused full time on WC development, and the CET, the CFO, and the GETC support units are especially designed to function in an integrated way to incubate, support, and promote them. Typically, government small business and co-operative departments and NGOs have a variety of other interests, missions, expertise, and constituencies and may be unable or unwilling to provide the necessary leadership, direction, or resources to WC development.

Past outcomes of co-operative development support systems throughout the world strongly support the free-standing NGO strategy (in the WCDF form outlined above) for WC development. After studying the results of co-operative development support systems for industrial producer co-operatives in developing countries, including WC-type co-operatives, British scholar Peter Abell concluded that the client-owned co-operative movements (agricultural and consumer) are incapable of encouraging and facilitating the growth of WCs, that government co-operative departments are ill-suited to promote and maintain these types of co-operatives, and that the existing small business advisory organisations are equally unsuited to this task. (Abell 1988)

Although no other options are recommended for organising a WC development program for these reasons, other considerations may necessitate or lead to a decision to use another organising approach than the one proposed in this guide.

The strategy and approach selected to organise an effective program to promote WC development should be determined by:

- the results of the feasibility study
- the planning group's recommendations
- the need and desire for significant numbers of new business enterprises for employment and income creation (Is the effort intended to make a major contribution to employment creation or a marginal one?)
- the organisers' preferences
- the financial resources available, and
- the political realities.

When deciding what organising strategy to use, remember that past experience suggests that half-way measures or grafting the WC development program onto existing small business development centres or co-operative development agencies are less likely to succeed.

## **4. Market the development proposal**

Once the planning group completes and approves its plan and proposal for the WC development program, it becomes the basic document used to market or sell the idea to government officials, potential donors, co-operative leaders, community leaders, NGOs, development banks and funding agencies to obtain the necessary backing, financial support, and assistance needed to implement it.

If potential donors or representatives of funding agencies actively participate, as members of the planning group, in the design of the strategic plan, selling the proposal and obtaining financial support to launch the WC development program should be easier and the probability of success greater.

## **5. Implement the WC development program**

Once the necessary support and funding for the WC development program are obtained, four important tasks follow -- *developing an action plan; establishing a WC development organisation; staffing the WC development program; and starting operations.*

### **A. Prepare an action plan.**

Although the strategic plan sets forth the rationale and justification for the WC promotion and development program, the general direction it should take and the basic mechanisms to be created and procedures to be followed when it becomes operational, the *action plan* becomes the operational guide or blueprint for those who organise and operate the WC development program in a community, area or country.

The action plan, like any good business plan or architect's drawings, spells out step by step what is to be done, how it is to be done, when it is to be done, by whom, and with what resources. These steps include the development mechanisms, financial commitments, locations, types of premises needed, budgets, sources of funding, personnel requirements, staff recruitment procedures, salary scales, training needs, marketing strategy, and a myriad of other organisational and operational details.

To implement the strategy recommended in this guide, a new NGO (such as the WC Development Foundation whose sole purpose is to promote WC development) incorporates the recommendations of the planning group, follows the directions of its newly created board of directors, and adopts the WC development format, organisational structures and integrative philosophy and strategy outlined above.

### **B. Establish the WC development organisation.**

The first task is to prepare for the legal establishment of a WC Development Foundation and to convert the planning group, or some derivative thereof, into its board of directors and staff

The governing body has five primary tasks:

- provide general direction to the WC program and co-ordinate activities;
- recruit staff to promote group entrepreneurship and incubate WCs;
- identify market opportunities;
- lobby and work with business, government, and co-operative leaders to improve the enabling environment, to develop institutional links and to sell the program; and
- obtain resources to support the WC program.

### **C. Staff the WC development organisation.**

The designated lead organisation (WCDF or other NGO), the board of directors and the staff work out the specific goals and objectives for the WC development program and organise the entrepreneurship support units -- the **CETs**, the **CFO**, and the **GETC** -- to deliver the services to facilitate group entrepreneurship and incubate WCs. The CET, the CFO and the GETC staff must have adequate communication and administrative skills to direct the overall program.

**The CETs** (co-operative entrepreneurship teams), under the leadership and direction of the national WCD Foundation, are organised in the targeted areas to work with communities and groups of people to promote and incubate employment creating WCs;

These carefully selected and balanced professional teams implement the WC development program. They should come from three categories of persons in the targeted country or community: Category I--*vocationally experienced, academically trained persons*; Category II--*vocationally inexperienced, academically trained but under-employed persons* (recent college or technical school graduates); and Category III--*competent, experienced but academically untrained individuals in the community or region where the WC strategy will be established*. The Category I and II staff should be competent in **one** of the following professions:

- *organisation/management*
- *engineering/production*
- *marketing/accounting/human resources*

The criteria for the selection of the professional CET staff include:

- Being a self-starter and having good interpersonal and communication skills.
- Being technically competent -- capable of conducting feasibility studies, performing promotional work and carrying out consulting and other tasks associated with WC enterprise development.

- Organisation/management -- able to recruit, screen, and organise people into operational worker co-operatives and provide them with or obtain the necessary training to manage a successful WC.
- Engineering/production -- able to design the products and organise their production.
- Marketing/accounting/human resources -- able to handle the marketing, accounting and personnel needs of the WC enterprises.

Each CET must have access to competent legal staff to handle WC registrations and provide legal advice.

**The CFO** (credit/venture capital office or other financial mechanism) mobilises capital for new WC enterprise creation and to support the entrepreneurial activities of the CETs in the communities where the program is to be implemented.

The CFO staff consists of several seasoned financial professionals who are fully conversant with the financial and other aspects of WC business starts and banking needs. They should possess extensive financial and banking experience and have the necessary technical and personal skills to conduct financial analyses of business plans, review financial statements, monitor financial performance, package loans and conduct audits to meet the financial needs of the WCs.

**The GETC** (group entrepreneurship training program or institution) provides the specialised entrepreneurial, technical, managerial, and worker-owned co-operative training for the WC entrepreneurs. The GETC staff consists of one or two seasoned trainers who are fully conversant with business and management training and WC development. They organise and direct the pre- and in-service training for CET staff and organise and offer training to WC group entrepreneurs and worker-members. They are physically located in the WCDF headquarters office, or if appropriate, some may be out-stationed in a CET office.

GETC staff should possess extensive experience and the necessary education to develop and deliver training and educational programs to adult learners. In addition, they need to understand co-operative and WC co-operative principles and be knowledgeable about business and management subjects, with an emphasis on participative management, productivity, quality, and other related areas. At the outset, the education and training services may be delivered in the form of a structured training program and, if suitable, existing training institutions can provide some of the skill training. Ultimately, the GETC should mature into or take the form of an associated WC educational institution.

Over time, as the WCs organised through the CETs' efforts expand in number and strength, it is expected that the CETs, the CFO, and the GETC in an area or region will become second-degree co-operatives owned by all the stakeholders -- the employees of the CET, the CFO, the GETC, the WCs -- in the WC group or complex plus any other co-operatives choosing to affiliate with the WC group and any donor agencies contributing financial support.



## **D. Begin incubating new WCs**

Once the staffs for the CET, CFO, and GETC have been recruited and trained, the real work of WC development gets underway. This includes outreach and education work, public relations, offering group entrepreneurship training courses, seeking out potential group entrepreneurs, assessing the local environment and economy, and identifying good business ideas suitable for WC entrepreneurship. This is interspersed with and followed by the process of incubating new WCs -- by matching prospective teams of group entrepreneurs with good business ideas and helping them obtain the resources and other assistance they may need to plan and launch their new WC enterprises.

## Chapter 5

# Steps in Starting Worker Co-operatives

### Basic steps for starting new worker co-operatives

A group of prospective WC entrepreneurs having the four essential elements necessary for group entrepreneurship identified in Chapter 3 (acceptance of co-operative and WC principles, entrepreneurial characteristics, a sound business idea, and access to adequate capital) may decide to start a co-operative on their own without any outside help. They can, and if they want to increase their chances of success, should complete the basic steps for starting a new WC outlined in this chapter. However, if the prospective WC entrepreneurs lack some of the necessary elements or desire outside assistance, they can obtain them through the CET, CFO, and GETC mechanisms of the WC development program. In either case, the following four steps are important to launch successful WC business ventures.

#### Four steps to develop a successful WC business

1. Select a sound business idea
  - (a) Identify possible business ideas
  - (b) develop venture selection screening criteria
  - (c) screen business ideas and select the most promising
2. Write a business plan
3. Obtain adequate financing
4. Organise and start the business

### 1. Select a sound business idea

There are several dimensions of the process of selecting a sound business idea: generating possible business ideas, developing suitable venture selection criteria, and screening the ideas using the criteria to find one which can be developed into a successful WC business venture.

## **A. Generate possible business ideas**

A wide range of business ventures can be operated as successful WCs. WCs can be organised for businesses where human values and co-operative principles are of equal importance to productivity and profits. They can be organised to take over businesses where the owners intend to retire or the shareholders wish to put their capital to other uses. In such cases, the assets of the firms are sold or given to the employees, and the enterprises are reorganised as a WC. WCs can be organised where a government plans to privatise an existing public enterprise (for example, the organisation of a worker-owned bus co-operative in northern England several years ago). They also can be organised as part of government-sponsored efforts to create new enterprises to generate employment, as happened in Spain and Britain in the 1970s and 1980s.

WCs can be used to operate enterprises in a wide range of industries, from simple low-tech manufacturing or service sector activities to the production of very sophisticated products and services. Industrial WCs, the foundation of the Basque system of co-operatives in northern Spain, produce household appliances (refrigerators and stoves), machine tools, robots, and other sophisticated products.

Throughout the world, WCs are involved in manufacturing, food products, computer software, printing, furniture manufacturing, construction, solar heating, publishing, book distribution, grocery stores and restaurants, clothing, transportation, consulting, wholesale distribution, health care, subcontracting assembly work for automobile manufacturers, and personal services to name a few.

In developing countries, WCs are involved in clothing, shoemaking, catering, candlemaking, furniture making, restaurants, ceramic brickmaking, wireweaving, consumer goods manufacturing, building construction, building maintenance, lighting fixtures and switch manufacturing, and machine shops and foundries, among others.

WC opportunities seem to be limited only in ventures that require such large work forces and substantial capital investment, e.g., automobile assembly and oil refining, that they make WC values and operation unfeasible or impractical.

The Basques in Spain have demonstrated that WCs can be started and operated successfully in a wide range of industries and sectors, including major manufacturing enterprises. However, when their co-operatives reach 400 to 500 worker-members, they are encouraged to spin off new industrial worker-owned enterprises to maintain a sense of community, solidarity, and participation among the worker-owners and between the workers and the management of their enterprises.

Some considerations to take into account when generating ideas for starting a WC follow.

### **Considerations for determining possible WC business ventures**

- WCs can be started from new business ideas, from buyouts of existing businesses, from privatisation of state-owned enterprises, and from the threatened closure of enterprises
- Low tech enterprises are easier to start than high tech enterprises, but both are suitable for WCs
- Labour intensive enterprises are easier to start than capital intensive enterprises, but both are suitable for WCs
- Manufacturing and service businesses are equally suitable for WCs
- Successful WCs can be organised in rural as well as urban areas and in the informal as well as formal sectors
- Industries and businesses requiring very large amounts of capital and large work forces are less well-suited to the WC form of organisation
- Conversions of failing enterprises to WCs are less likely to succeed than those created from divestitures of successful enterprises

## **B. Develop venture selection screening criteria.**

Well-chosen venture selection “screening criteria” not only save time and money but are absolutely essential to successful WC development. The venture selection criteria enable the prospective WC group entrepreneurs on their own or assisted by CETs to identify the potential enterprises that best integrate the prospective WC entrepreneurs’ skills and resources, employment and income objectives, the WC program’s development objectives, and the economic development opportunities of the targeted area.

Appropriate WC venture selection criteria begin with the CETs and the WCD Foundation asking three types of questions:

- questions to understand the prospective WC entrepreneurs' objectives;
- questions to understand the business and political environments; and
- questions to understand the WC program organiser's objectives, including mission and strategic goals.

Examples of questions that could be asked follow.

**(1) Questions to understand the prospective WC entrepreneurs' objectives**

Would the proposed venture:

- meet the employment and income needs of the group?
- secure the necessary resources to generate employment and income?
- provide needed goods and services?
- expand the skill base of the workers in the group and/or community?
- provide links with existing businesses for new opportunities?
- make a favourable impression on outside business interests and financial institutions that would encourage them to support and participate in WC economic development?
- provide opportunities for group members to assume the responsibilities of managers and directors?
- cause noise, air, water, odour, land and health problems?

**(2) Questions to understand the business and political environments:**

- Would the venture have a steady, reliable market for its goods or services? If so, would that market grow?
- Would a group of prospective WC entrepreneurs be willing and able to provide the equity capital and workforce required to start the business?
- Would the venture capital investment necessitate large debt financing? If so, would existing lenders or sources provide it?
- Could the business capture a sufficient share of the market?
- If the venture failed, would the enterprise be saddled with a large debt, unused or unusable buildings and equipment, and unemployed worker-owners?
- Would the venture have or be able to obtain the special skills and licensing needed?
- Would the business break even within a reasonable period, one year, three years?
- Would the business generate sufficient profits to amortise the start-up debt and provide money for expansion and growth?
- Would the business provide good jobs and steady income for the worker-owners?
- Would the business require substantial re-investment to maintain or expand its stability and profitability?

**(3) Questions to understand the WC program organisers' objectives, including its mission and strategic goals.**

Would the proposed venture:

- be a profitable WC with the human and capital resources available in the community and region?

- maintain or expand the WC program organiser's capacity to undertake more group entrepreneurship activities?
- fit with the program organiser's overall worker WC development strategy?
- expand the base for WC enterprises and industries in a rational, coherent way?
- have the potential to develop sufficient revenues and profits for the enterprise to meet its own financial commitments and to help provide funds to support future WC expansion?
- maximise the use of scarce resources to generate new WCs to produce more jobs and greater income in the community and region?
- have the potential to be a contributing member in a network of WCs capable of building a strong WC sector in the community or region?

Though the venture screening criteria could be used in different ways in the screening process, **Appendix I** (at the end of the chapter) illustrates one way to do it. Using a rating sheet, every potential enterprise is rated on a zero-to-five point system -- *zero* means it does not meet the criteria, *five* means it fully meets the criteria. The total points assigned to each potential venture show which ones have the most potential for success. Three separate rating sheets could be used, one for each of the three different perspectives -- program organisers, business and political environments, and prospective group WC entrepreneurs. These three perspectives could be given equal weighting or different proportions (e.g., 40%, 20%, 40%), depending on their importance in the overall selection criteria. The final rating for each potential venture would be the total of the three separate sheets. An alternative method would be to rate the criteria for all three perspectives on one sheet and compile the total ratings from it.

### **C. Carry out the screening process.**

Prospective WC entrepreneurs should apply the venture selection screening criteria to each business idea they generate. They can also seek the assistance of the CET in screening their business ideas. In addition to assisting groups of prospective entrepreneurs, the CET staff continually look for new business ideas and opportunities that might be suitable for new WCs in their community or region. Because new WC venture development costs money and time and the CET staff must conserve scarce resources and help prospective group entrepreneurs make good investments, they help them screen the potential WC business ideas and opportunities through the first levels of the screening process before devoting substantial resources to detailed business planning and enterprise development.

The screening process to identify the enterprises considered most promising for WC incubation consists of three parts:

- (1) identifying the best business opportunities;
- (2) identifying groups of prospective entrepreneurs desirous and able to start WCs; and
- (3) selecting the ventures which best integrate the business opportunities and the prospective group entrepreneurs' interests and skills with the factors necessary for successful WC development and the targeted area's resources and potential.

(By inviting the prospective WC groups to participate in the screening process, the CETs can increase the motivation and business skills training of the prospective WC entrepreneurs while promoting WC development and business planning.)

The completed feasibility studies are gathered together in a CET *product bank* for use by the CET and prospective entrepreneurs desiring to start new WCs.

Successful WC enterprise development requires a series of increasingly detailed analyses of the business ideas and opportunities. The following chart compares this process to three separate sieves, each successive one having smaller holes. The *sieves* are the policies, analyses and decision-making criteria of the prospective WC entrepreneurs and WC development system. Only the most promising WC business opportunities for a targeted area pass through the bottom sieve.

### **Screening potential WC business ideas**

The CETs continually search for and solicit new business ideas from many different sources, including groups of prospective WC entrepreneurs. The business ideas are then put through a rigorous screening process.

#### **The first sieve -- the WC venture selection criteria**

As discussed previously, every business idea is evaluated by a predetermined set of venture selection criteria based on the objectives of the prospective group entrepreneurs, the WCD Foundation and CET. Working together, the CET staff and prospective WC group entrepreneurs apply these criteria to the potential WC business ideas.

It is crucial to involve the prospective WC group entrepreneurs in this whole process to help them understand it, to increase their commitment, decision-making and venture development skills and to train them in general business matters. There can be no successful WC without the necessary analytical and organisational ability.)

Ideas that pass these criteria undergo a pre-feasibility analysis.

#### **The second sieve -- the pre-feasibility analysis**

The CET staff and the prospective WC group entrepreneurs conduct the pre-feasibility analysis. It evaluates the *product or service*, the *market*, the *competition*, the *type of organisational structure required*, and the *financing*. This analysis determines why a business idea will **not** work, rather than why it will. For all but the most complex kinds of business, this analysis should take about one to two weeks. The business ideas that pass this analysis warrant a full-fledged feasibility analysis.

### **The third sieve -- the feasibility analysis**

The CET staff and the prospective WC group entrepreneurs conduct the full-fledged feasibility analysis. It evaluates the same five topics as the pre-feasibility analysis -- product or service, market, competition, organisation, and finance -- but in much greater detail. It asks, Would this worker-owned co-operative enterprise make a profit? This analysis explores options for operating the business idea and determines if the business idea makes financial sense. During this screening, the pros and cons of the potential WC business ideas are listed on separate sheets of paper and compared. (The venture selection criteria can be used again and again to review the results of pre-feasibility analyses.). Those business ideas that survive the feasibility analysis become candidates for business planning.

## **2. Write a business plan**

The CET and the prospective WC group entrepreneurs carefully evaluate every WC business idea that passes the feasibility screening process to decide whether to develop a formal business plan and to take the other steps leading to a WC start-up for any of them. This is because an investment of considerable time and money is required to complete the planning process and to undertake the steps to start a new WC enterprise.

Though the feasibility study provides most of the information needed to prepare a WC business plan, there are important differences between them. The *feasibility study* evaluates the different ways a WC venture could operate and whether it would be financially sound. The *business plan* describes the formal organisation of a new WC business, the actual way it would operate and lists the facts and figures to obtain financial support to launch the business from a co-operative financial institution (CFO), banks, or other lenders. Before starting this stage it is important to have an identifiable group of prospective entrepreneurs, a promoter/manager and the necessary commitments spelled out in a formal, binding Contract of Association between the prospective new WC entrepreneurs and the CET and the CFO.

The preparation of a good business plan requires considerable time and effort -- 300 to 400 hours of time minus the time spent on the feasibility study. Its preparation allows the WC organisers to make their mistakes on paper and correct them without incurring significant losses. This planning process also tests the prospective WC group's commitment to the WC business idea by spelling out how much capital they will be required to invest to start the business.

The essential elements of a WC business plan are outlined in Appendix II at the end of the Chapter.



### **3. Obtain financing**

With the assistance of the CFO, the prospective WC entrepreneurs use their business plan to seek the necessary funding to start the business. They take their carefully prepared business plan to banks and other lending sources to obtain capital to finance the start-up of the business. The financial package for a WC business start-up normally includes funding from several sources: the capital paid in by the WC owner-members (at least 10 percent of the total cost), a substantial amount in the form of a loan from the CFO (especially if the CFO has been capitalised with funds from a source such as a development bank, an international donor agency, or money obtained from a government small enterprise or co-operative development funding agency), and money obtained from commercial banks and other lenders.

### **4. Start operations**

The CET and CFO advisors work closely with the prospective WC group and their promoter/manager throughout the entire WC business planning and start-up stages and during the critical first years of operation. This last stage entails acquiring premises, obtaining equipment, training the worker-members, establishing backward and forward linkages to resource suppliers and product markets for the enterprise, and commencing operations.

The CFO, under the Contract of Association each new co-operative signs with the WC development program at the time they come to the CET for assistance in starting a business, also serve as financial advisors to affiliated WCs. They monitor their financial health and assist them to obtain external debt capital to finance expansions, maintain their competitiveness, and take advantage of new business opportunities.

Under the terms of the Contract of Association, the affiliated WCs furnish the CFO with copies of their annual accounts and budgets. In addition, the WCs provide the CFO with certain financial data on a monthly basis. Both parties treat the information as confidential. The WCs also agree to periodic audits by CFO auditors. The auditors then complete a report on the co-operative's economic, social, and business development, including existing or potential problems and recommendations. The CFO also provides the WCs with regular reports about the CFO's financial planning and other economic and technical matters that may be of interest and value to the WCs. The CET also continues to provide technical assistance to the WC until it is capable of operating on its own.

A Contract of Intervention also spells out the roles, powers, and responsibilities of the manager, the board of directors, the intervenor, and the CFO and the CET to assist WCs who experience difficulties after they have been in business for a while.

### **A concluding comment about starting and operating WCs**

The entire process and many details involved in the actual start-up and operations of WCs are beyond the scope of this chapter and guide. This guide is not intended to be a comprehensive

and detailed manual for starting and running a WC for two reasons. First, its primary purpose is to outline the steps and processes for organising a successful WC development program at the national or local levels. Second, a number of excellent guides, business planning manuals, and entrepreneurship training materials are available (including some produced by the ILO) to help potential groups of WC entrepreneurs learn the business skills and the unique aspects of WC management and governance. A list of some of these resource materials is provided in Chapter 7.

## **Human Resource Development in a WC business**

WCs are both a unique form of co-operative and a unique form of business enterprise. Prospective members of WCs in most countries lack the business and management skills to run a business, including a WC. Furthermore, most managers hired to run WCs have little preparation for managing this type of enterprise. Consequently, WC members (and the managers they hire) require considerable human resource development to enable them to understand the complex working relationship between them and their managers, overcome their inexperience in owning and participating in managing their own business enterprise; and their lack of familiarity with the co-operative rules and regulations governing the running of modern WCs.

The human resource development efforts are essential to empower the WC members to effectively organise and operate their new WC enterprises. To do so, they need to be able to:

- adopt a suitable WC constitution and by-laws that can be registered legally;
- establish an appropriate management structure and functions for the business
- determine the rights and responsibilities of the managers and workers in the enterprise; and
- demonstrate their ability to work effectively with each other as worker-owners and managers.

It is anticipated that in addition to business planning, basic business and vocational skills, prospective WC group entrepreneurs would also receive training from the CET and GETC on such topics as:

- the requirements to form a WC;
- the basic co-operative and worker-owned co-operative principles;
- management and information sharing in WCs;
- WC teamwork and group skills -- brainstorming, problem solving, working together, communication, etc.;
- the legal and financial structures of modern WCs, including organising and using individual capital accounts;
- understanding the constitution, model rules and by-laws;
- the responsibilities of worker-members and WC membership; and
- the rights of worker-members as employees and the handling of grievances and other work-related problems in WCs.

Chapter 7 lists some resources for starting and managing a WC and some comprehensive training materials on co-operative skills, WC business skills, group facilitation skills, and participative management skills. It also provides a selected list of readings for those who want to learn more about using group entrepreneurship and WCs to generate employment and income.

## **Appendix I**

### **Worker Co-operative Venture Selection Criteria Form**

## Appendix II

### Essential Elements of Business Planning

When a group of prospective WC entrepreneurs approach the CET with a business idea, the CET takes them through the entire WC venture development screening process. If a potential business idea is drawn from the CET's product bank, the group participates in updating the feasibility study and the preparation of the business plan.

The business plan is prepared by the designated manager/promoter and the prospective WC group entrepreneurs with the help of the CET staff. It describes their business goals, how they plan to achieve them and establishes a specific time period for doing so. The business plan alerts the group to the things that are crucial for a successful WC business venture, forces them to think through what it is they want to accomplish and to make a number of important decisions before investing significant time and money.

In addition to the purposes identified above, the completed WC business plan serves: (1) as the funding document which the CFI, banks, and other lenders require to grant loans and other financing; and (2) as a blueprint for starting, expanding, and/or operating a WC business.

#### 1. Collect data and define the business.

The proposed new WC business should be compared with the competition to evaluate its potential. This includes studying the industry the firm would be in, knowing exactly what product or service it would produce, what would make it competitive, and who the customers would be.

#### 2. Analyse the data.

The preliminary analysis and assessment of the proposed WC business pinpoints any weaknesses in the proposal and indicates whether the proposed enterprise is likely to succeed. The analytical process includes a break-even analysis and a market analysis to determine the level of business needed to make a profit and whether the market would support the proposed product or service.

#### 3. Decide on a strategy.

Once rough projections are made of what the proposed WC business could achieve, it is time to decide how to achieve them. The topics in this part of the plan could be grouped into four sections.

- 1) **a general marketing plan**, including issues such as location (if location is critical to marketing the product), sales and distribution, advertising and promotion, pricing, etc.
- 2) **a production plan**, including issues such as location and facilities, production methods and equipment, materials and sources of supply.
- 3) **an organisation plan**, including the essential organisation for a modern WC:
  - governance, participation, ownership and the individual capital accounts system;
  - identification of the key personnel involved in the management and governance of the enterprise;
  - the educational and training needs of the workforce;
  - information about compensation and staffing--including the number of worker-owners and the functions to be performed; and

- information about the necessary supportive services and linkages.
- 4) **a schedule** explaining the major steps to be taken to start the WC business, when to take them, and how they interconnect.

#### 4. Forecast the results.

Once the business plan decision-making process is completed, it is time to assess the implications of all the previous decisions in dollars. Normally, businesses measure their success on financial statements from the accounting system. For purposes of the WC business plan, results are projected in the form of pro forma financial statements because:

- (a) they provide the type of information to estimate how well the business would do;
- (b) the CFI and financial institutions approached for money expect them; and
- (c) they make it easy to compare plans to actual results once the business is started.

The financial section of the business plan for a new WC includes a set of projected financial statements for three to five years which estimate start-up costs, develop sales forecasts, provide profit and loss statements, and cash flow statements.

Financial statements prepared by businesses normally include:

- (1) **a balance sheet** summarising the overall financial status of the business -- what it owns or is owed (assets) and what it owes to others (liabilities), including what it owes to the owners (equity) at one point in time;
- (2) **an income statement** showing the total earned (profit) or lost (loss) in its operations and sales after subtracting the costs of operation over a period of time (e.g., a month or a year); and
- (3) **a cash flow statement** showing all sources of cash (including cash sales and collections on credit sales, loan proceeds received, capital invested by owners, and proceeds from the sale of assets) and how the cash is spent (paying for shipments of inventory or supplies, paying wages and bills, buying equipment, making loan payments, and dividends or withdrawals for owners).

#### 5. Compile the Plan.

The last step in the business planning process is to write and compile the formal WC business plan which is used as a financing tool and a blueprint to start the new business. The business plan should be written, organised, printed, and bound to present the strongest case for the enterprise and its WC organisers, both in terms of what the plan contains and the way it is presented. Because it is written partly for outsiders, such as bankers, to convince them to loan money to the enterprise, it provides background and other information to demonstrate the soundness of the venture.

Normally, a formal business plan contains five parts:

- (1) title page
- (2) table of contents,
- (3) executive summary,
- (4) main body divided into sections describing the various components of the business idea in considerable detail, and
- (5) supporting documentation, including the pro forma financial statements covering the first three to five years of projected operations.

## Chapter 6

# Consolidating and Evaluating Worker Co-operative Development

### **Building a worker co-operative “group,” or “complex”**

The creation of a strong, dynamic worker-owned co-operative group or complex capable of generating substantial employment is a lengthy process. It cannot be built in one month or even one year. As the old saying goes, “Rome was not built in a day.” Neither is a successful employment- and income-generating WC group or system. To achieve its full potential for job and enterprise creation, the WC development program outlined in this guide requires at least a five- and preferably ten-year commitment of time and resources. The objective of undertaking a WC development program should be the development of one or more strong, self-sustaining groups or systems of WCs, not just organising a few small, isolated WCs in a community or country.

The WC development program proposed in this guide is designed to create such groups or systems. It is intended to help establish connected groups, systems, or complexes of WCs that are healthy enough and large enough to generate the types and sizes of business enterprises needed to significantly increase employment and income in the communities, regions, and countries where it is implemented. Thus, “system building” is essential to the expansion and consolidation of the WC development program.

Because there is strength in numbers, and networking and other support relationships enhance the success of small businesses, the CETs are to encourage and facilitate the creation of mutually beneficial linkages between WCs as they increase in the communities and regions of a country. These inter-co-operative linkages could be directed at credit, purchasing, marketing, research and development, etc., to strengthen the WCs and overcome any weaknesses that limit their potential for survival and growth. Linkages also are to be fostered among WCs physically located in CET incubator facilities and those operating independently in communities.

During the expansion and consolidation process, the CETs and the CFO devote a good deal of effort and time to fostering system building and establishing synergistic and mutually supportive inter-co-operative networking among the WCs. Their goal is to develop a full-blown WC system, along the lines of the Mondragon complex in Spain, the manufacturing networks in Denmark, or the small enterprises in Emilia-Romagna in Italy, with a substantial number of primary and several second-degree co-operatives such as the CETs, the CFO, and the GETC. Only when this level of development and system building is a major, high priority objective can a

WC development program in a community or country achieve the size and strength it needs to compete on an equal footing with the other enterprises and institutions in a market economy.

## **Evaluating the WC development program**

Just as it is important to have financial projections for a WC in the business plan, it is important to have outcome projections for the WC development program. At the outset, the lead organisation (WCD Foundation, the NGO, or other agency) directing the WC development program should establish a management information system to collect baseline and subsequent data to periodically evaluate the progress of the program in the targeted areas.

As stated above, to achieve its full potential for job and enterprise creation, the WC development program outlined in this guide requires at five to ten year commitment of time and resources. For planning and evaluation purposes, it might be wise to break the five-year period into two phases. Phase One would be a three-year start-up period, and Phase Two would be a two-or three-year follow-on or consolidation period. At the end of each phase, an independent evaluation should be conducted to determine the success of the WC development program in meeting its goals and objectives. This evaluation should also include recommendations for improving the program's operations.

The five-year period for institutionalising a successful WC development program could contain several goals:

- the establishment of a lead organisation (WCD Foundation or other development agency) to actively direct and promote the incubation and development of WCs for employment and income generating purposes
- the establishment of a CFO to finance the development of WCs and monitor their financial health
- the establishment of one or more CETs to incubate new WCs
- the establishment of a GETC to provide specialised training to WC owner-members
- the establishment of  $x$  number of operational worker co-operative businesses employing  $y$  number of worker-owners and generating  $z$  amount of income and employment in their communities

The success of the WC development program could be measured by:

- the number of operational WCs and the number of jobs created by each within a three- to five-year period;
- an improved standard of living for the WC worker-owners and their families
- a decrease in the amount of sponsor assistance or financial subsidy needed to operate the development program;
- the evidence of democratic governance and practices within the WCs;
- higher skill levels of the WC worker-owners and their managers;



- the progress made in creating a WC group or system in which the individual WCs become part of a larger WC system in the community or country and the CETs, CFO and GETC evolve into second degree WCs; and
- the WC members' degree of adherence to the basic co-operative and supplementary worker-owned co-operative values discussed in Chapter 3.

## Chapter 7

# Sources of Additional Help and Information

The Co-operative Branch of the International Labour Organisation in Geneva, Switzerland and the Regional Co-operative Advisor for the ILO Asia-Pacific Region, located in Bangkok, Thailand can provide additional information and technical assistance to those groups and governments in this region who would like to implement a worker-owned co-operative (WC) development program in their community or country.

Because of the complexity and importance of this subject, this guide cannot contain all the details and information needed to answer every question or cover every situation. Consequently, the following resource lists are included to provide, first, a compilation of basic training materials which can be used by those starting a WC development program, and second, a selection of readings on the topics of group entrepreneurship and WCs. The lists are not exhaustive, but they are a representative sampling of some of the training and resource materials available in English at the present time. **(The MATCOM items on the training materials list are available from the ILO in Geneva.)** When used in conjunction with these two types of resource materials, this guide should be a useful tool for organizing a dynamic WC development program.

## Training materials for worker co-operative development

- Adams, Frank T. and Gary B. Hansen. Putting Democracy to Work: A Practical Guide for Starting Worker-Owned Businesses. San Francisco and Eugene: Barrett-Koehler, Revised Edition, 1992
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