

# Considering Cooperatives: Democratic Workplaces & Succession Planning

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A Yard & A Half Landscaping Cooperative, Inc.

Waltham, MA



# Why are you here?

- ☐ Aspiring farmer or apprentice
  - ☐ Need land
  - ☐ Need capital (money)
- ☐ Farmer or landscaper looking to retire
- ☐ Owner who wants to go back to doing what you love -- working **in** the business, rather than **on** the business
- ☐ Social entrepreneur
- ☐ Cooperative enthusiast
- ☐ Other??

# What do you want to learn?

- ☐ What are worker-owned cooperatives?
- ☐ What is the cooperative movement all about?
- ☐ When is a worker-coop an appropriate option for:
  - ☐ Joining together to raise capital and get access to land?
  - ☐ Building local economies?
  - ☐ Creating a more democratic workplace?
  - ☐ Succession planning?
- ☐ How can I start a coop or transition an existing privately-held business to a worker-owned cooperative?
- ☐ What can I learn from the experience of other coop start-ups?

# Some Disclaimers...



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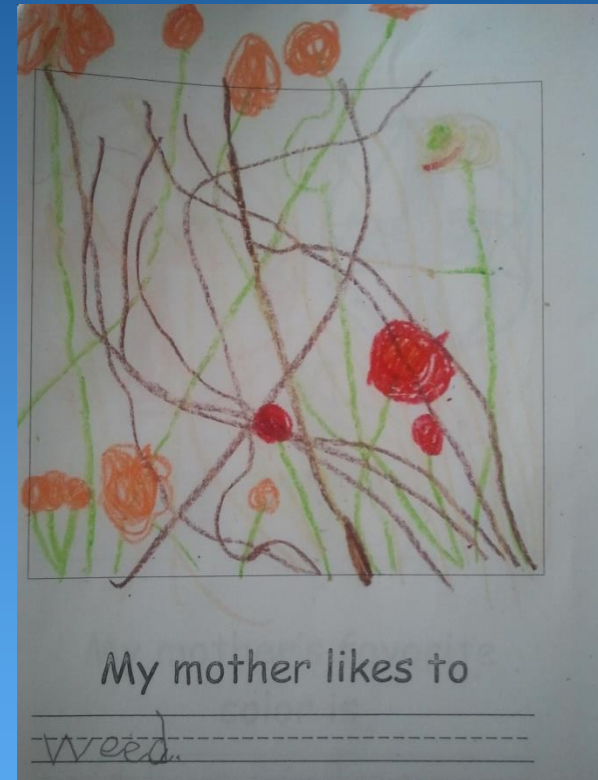
I am NOT a farmer.



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Or a Coop  
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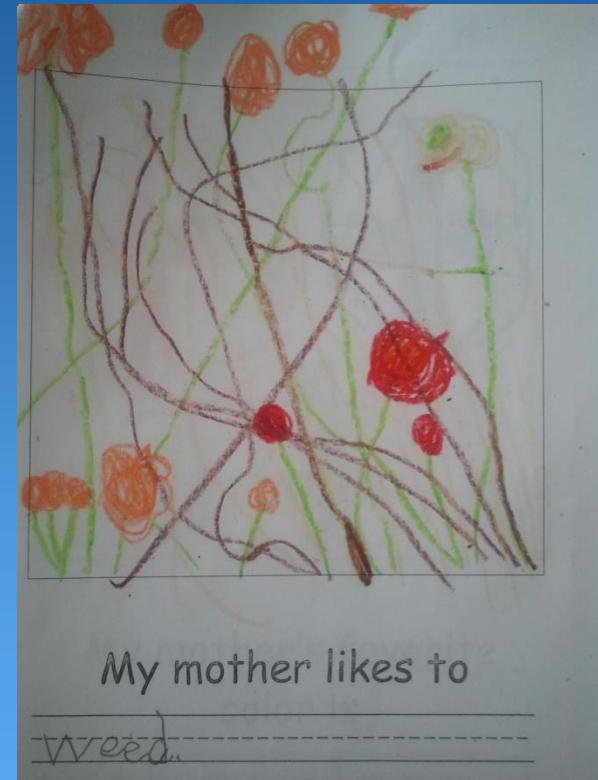


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I like to weed. →

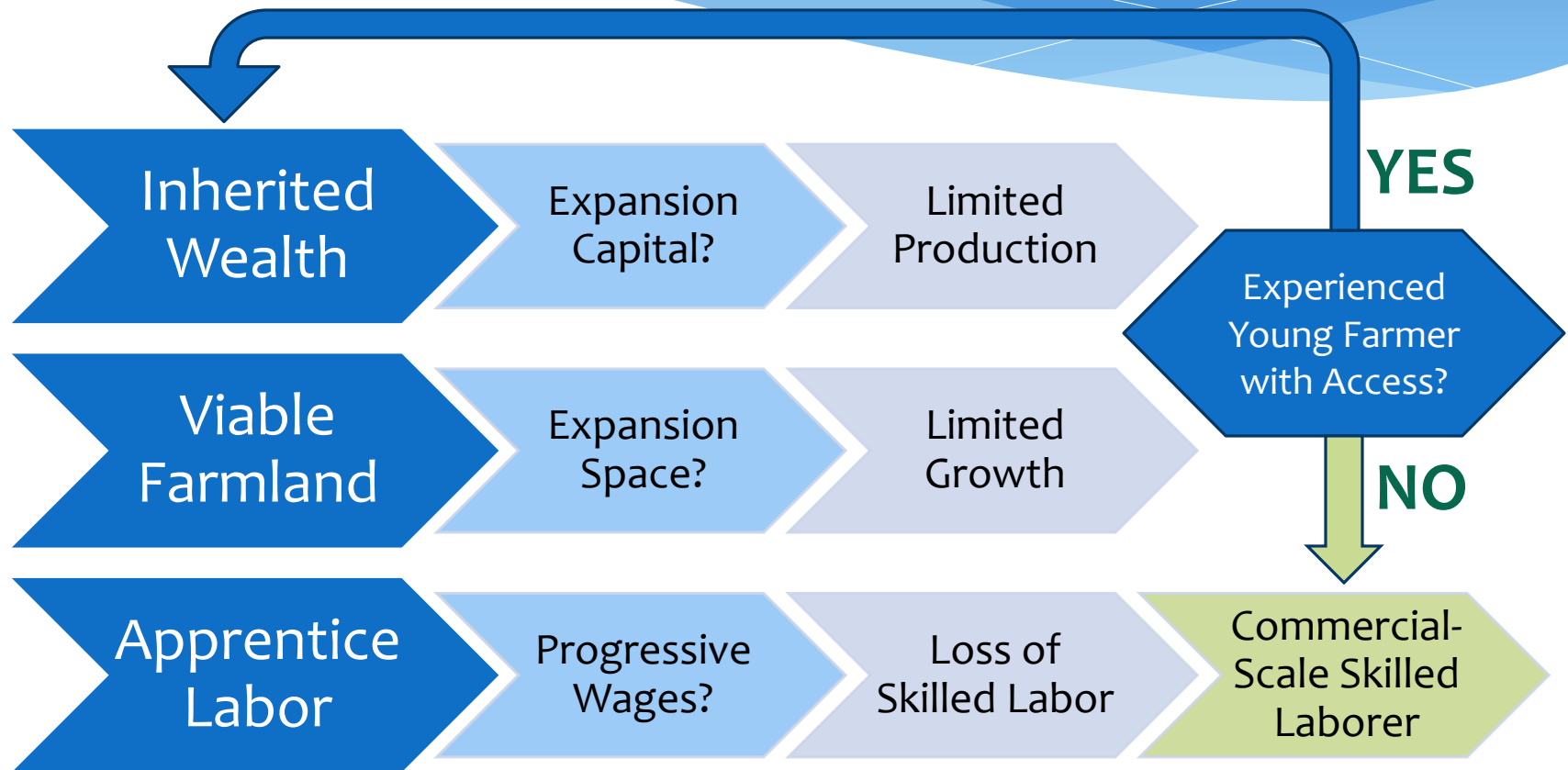


So, why am I here?





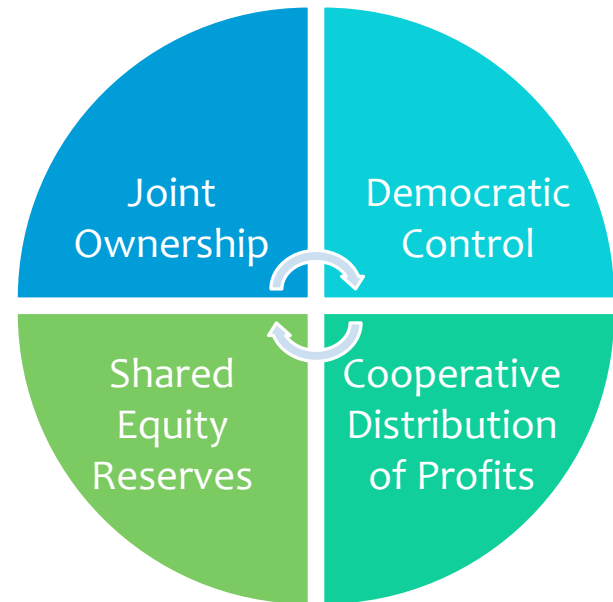
# Access to Capital & Land



Adapted from an essay at: <https://medium.com/praxis-journal/ee5fd7fa9b3c>

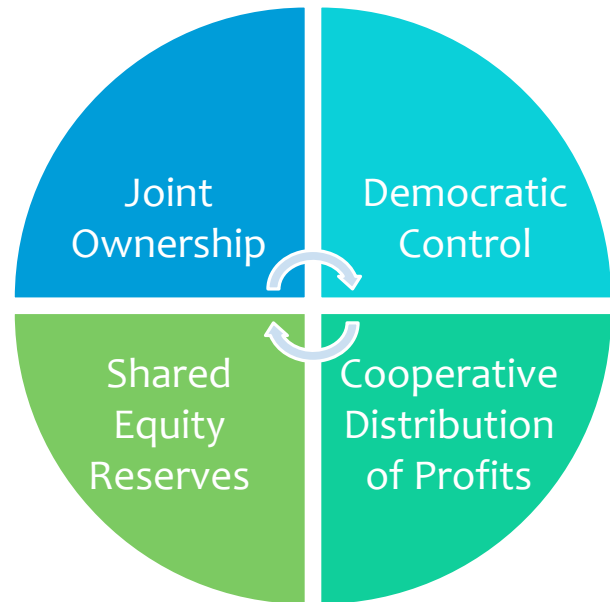
# What is a Worker-Cooperative?

“A co-operative is an **autonomous** association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a **jointly-owned** and **democratically-controlled** enterprise.”

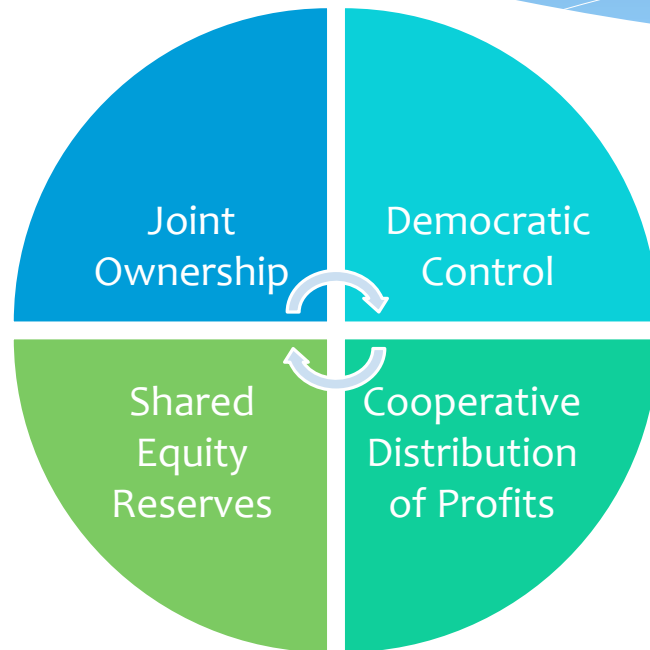


# What is a Worker-Cooperative?

- **Worker-owned** – workers finance the coop together through an initial buy-in
- **Worker-controlled** on basis of “One worker, one vote”
- **Workers share surplus**
- **Worker-owner equity** stays in the coop as working capital

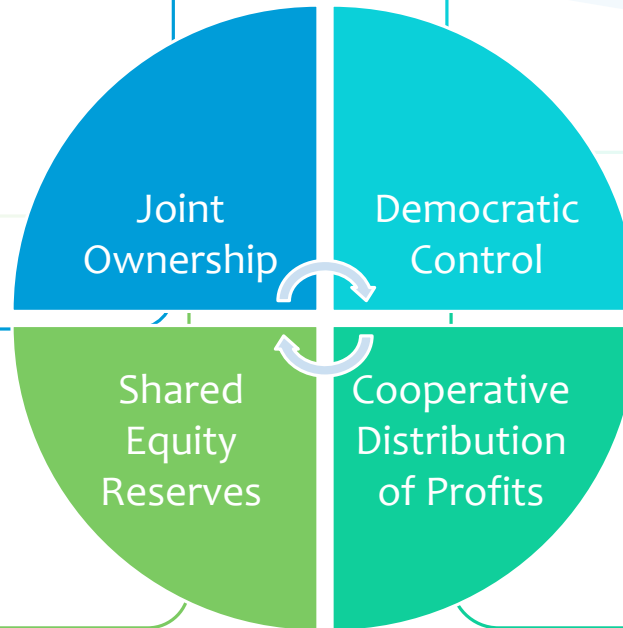


# Why Worker-Cooperatives?



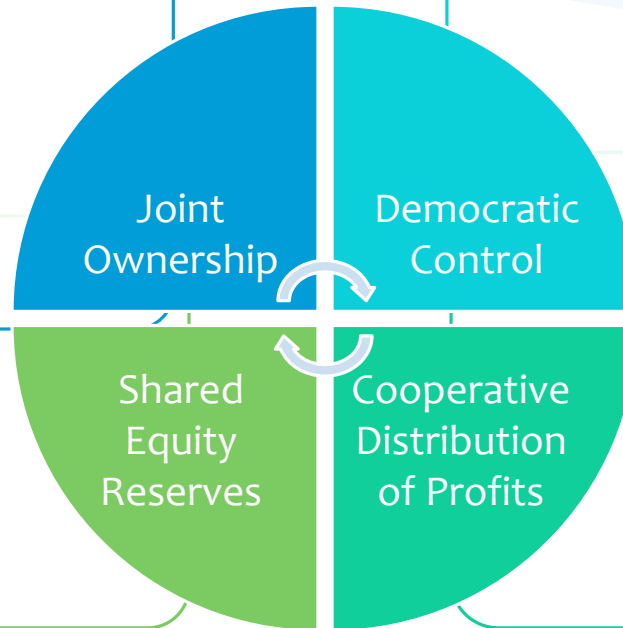
# Why Worker-Cooperatives?

- Accessible to lower income owners
- Shared start-up costs and risks
- Employee buy-in and responsibility



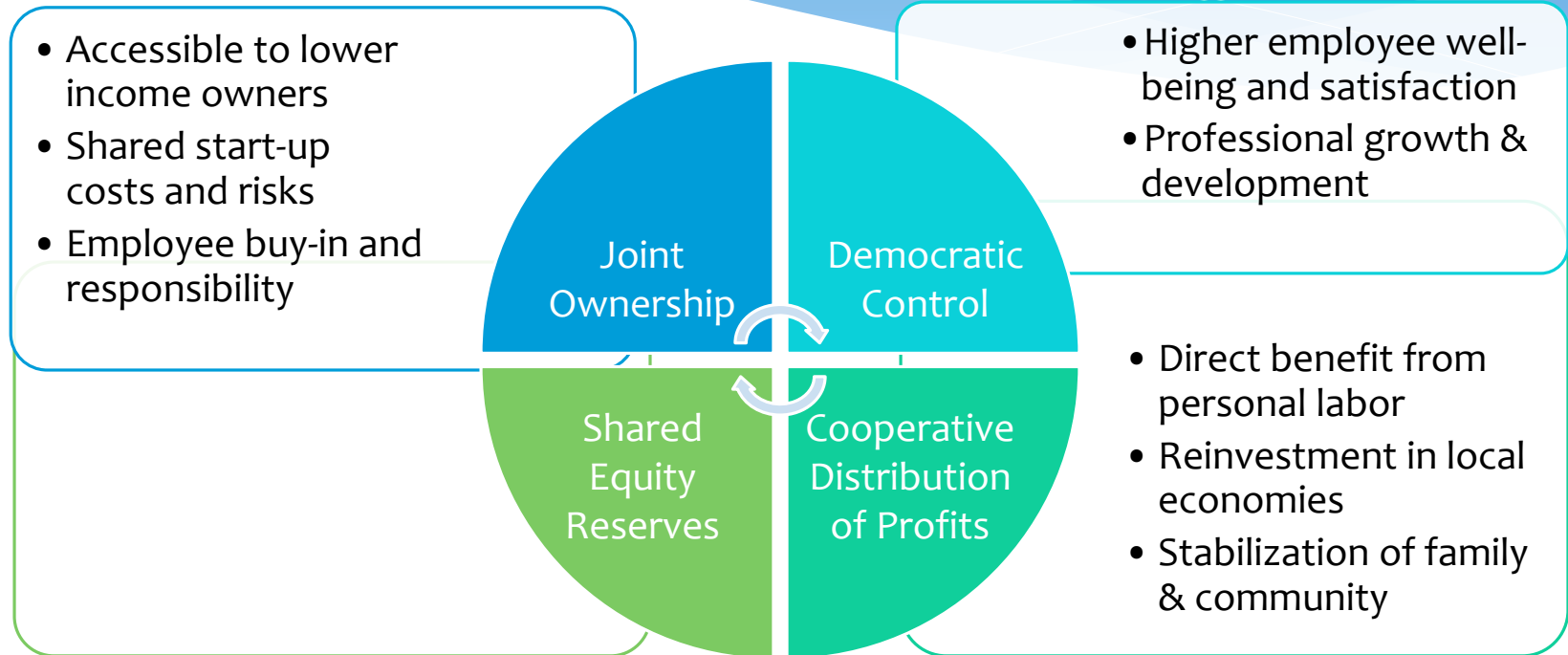
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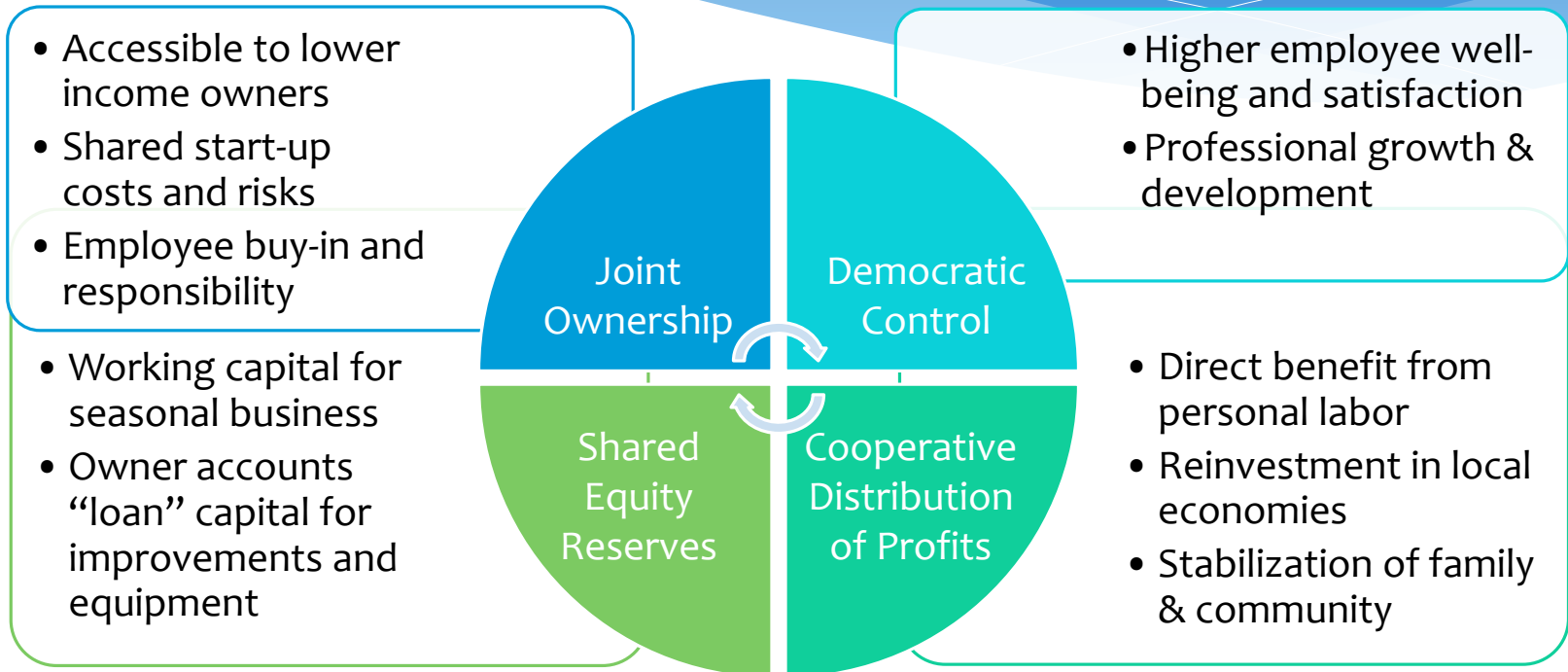


- Higher employee well-being and satisfaction
- Professional growth & development

# Why Worker-Cooperatives?



# Why Worker-Cooperatives?





# 7 Cooperative Principles



# 7 Cooperative Principles

## 1. Voluntary and open membership

A cooperatives is a voluntary organization, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.



# 7 Cooperative Principles

1. Voluntary and open membership
2. Democratic member control

Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.



# 7 Cooperative Principles

1. Voluntary and open membership
2. Democratic member control
3. Members' economic participation

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.



# 7 Cooperative Principles

1. Voluntary and open membership
2. Democratic member control
3. Members' economic participation
4. Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.



# 7 Cooperative Principles

1. Voluntary and open membership
2. Democratic member control
3. Members' economic participation
4. Autonomy and independence
5. Education, training, and information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.



# 7 Cooperative Principles

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6. Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.



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7. Concern for community

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.





# Our Story

A Yard & A Half Landscaping Cooperative, Inc.



# Who We Are



# Who We Are





# Who We Are



# Who We Are

## THE COOPERATIVE ADVANTAGE WHY WORKER CO-OPS?

Want to do business with a company whose employees really care, and who you know will be there for you in the future? In worker-owned cooperatives, employees purchase shares of the company, participate in business decision-making, and receive shares of profits based on the amount of work that they put in. Worker co-ops tend to create stable jobs with growth potential, use sustainable business practices, and invest in their local communities.

### PROFITABILITY

**25**  
PERCENT  $\uparrow$  REVENUE  
OVER A 10-YEAR PERIOD

### CONTINITY

**9 OUT OF 15**  
BUSINESSES  
ARE OWNED BY BABY-  
BOOMERS

### JOB SECURITY

**4x**  
LESS LIKELY TO  
LAY OFF  
EMPLOYEES IN  
A RECESSION

### ABOUT A YARD & A HALF CO-OP

**20** EMPLOYEES  
**25** YEARS IN BUSINESS  
**15%** ANNUAL GROWTH  
**100%** WOMEN &  
MINORITY-OWNED

### ABOUT OUR WORKER-OWNERS

**105 YEARS**  
COMBINED GREEN  
INDUSTRY  
EXPERIENCE



**500**  
BILLION DOLLARS  
ANNUAL REVENUE FROM  
30,000 U.S. CO-OPS

- ✓ The top 100 cooperatives in the United States generate more than \$150 billion in sales each year.
- ✓ Cooperatives control over \$3 trillion in assets, and provide \$25 billion in wages from roughly 2 million U.S. jobs.



### DEMOCRATIC GOVERNANCE

- ✓ Worker-owners elect the Board and provide big-picture direction
- ✓ Board holds CEOs accountable for cooperative mission and goals
- ✓ CEOs direct daily worker-owner operations to ensure profitability

In a worker cooperative, decisions are made democratically, by the people who do the work (usually following the principle of "one worker, one vote").

**a Yard & a Half LANDSCAPING COOPERATIVE**  
20 Thayer Rd., Waltham, MA 02451  
http://www.ayardandahalf.com  
info@ayardandahalf.com  
781-780-0025  
Member-owned starting January 2014

### LOCAL ECONOMY

**CO-OPS SOURCE**  
OVER 3 TIMES  
MORE OF THEIR  
PRODUCTS  
LOCALLY

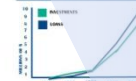
### BUILDING WEALTH

EMPLOYEES AT WORKER-OWNED  
COMPANIES  
**EARN**  
**5-12% MORE**

### ABOUT THE COOPERATIVE FUND

**7,600 JOBS**  
**4,000 UNITS OF**  
AFFORDABLE HOUSING  
**600 LOANS TO COOPERATIVES**  
**\$26 BILLION IN SOCIAL INVESTMENTS**  
**NO INVESTOR LOSSES**

### COOPERATIVE FUND GROWTH



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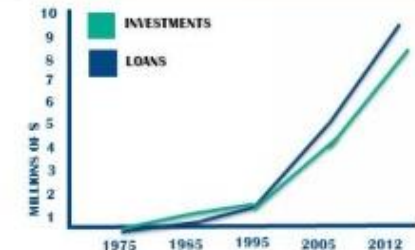


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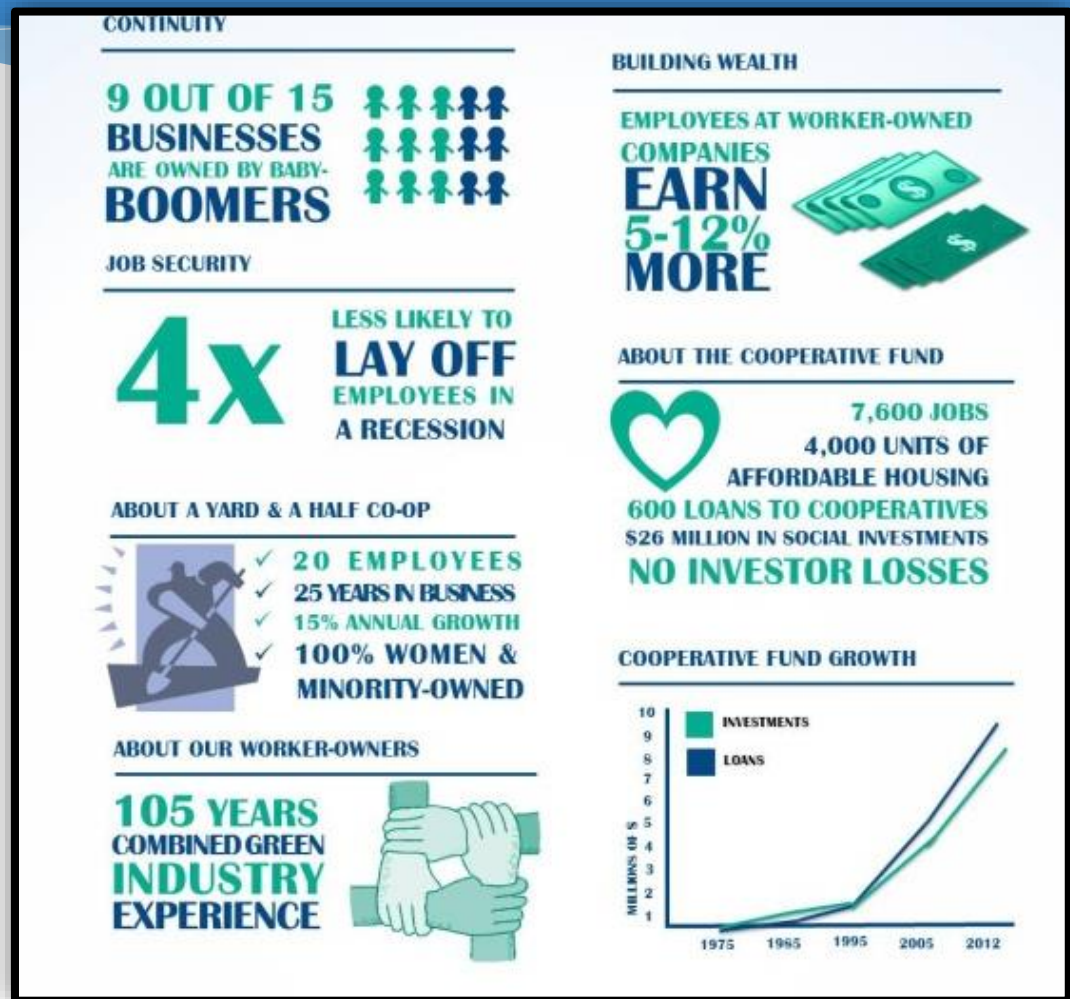
### COOPERATIVE FUND GROWTH





# Why We Went Coop

- ✓ Succession Strategy
- ✓ Leaving a Legacy
- ✓ The Workers Become the Owners



# Cooperative Structures

## Incorporation, Governance, and Management



# Incorporation & Governance

	LLC	Worker Cooperative Corporation
<b>Governance</b>	Flexible operating agreement may separate voting rights from capital investment. Investors or incubating nonprofits may have voting rights. May or may not elect Board of Directors.	Each worker owner purchases one voting share. No voting shares to non-workers. Voting shares elect Board of Directors.
<b>Distribution of Income to Worker-Owners</b>	Worker owners may receive wages and a share of earnings, or only a share of earnings, with weekly advances against projected earnings	Worker owners generally paid wages and a share of profits in proportion to hours worked or wages earned. Undistributed profit share kept in internal capital accounts.
<b>Taxes</b>	No federal tax on company earning. Each worker owner liable for tax on her share of annual earnings, whether or not distributed	Pays federal corporate income tax except on qualified patronage dividends to worker-owners. Worker-owners taxed on dividends received.

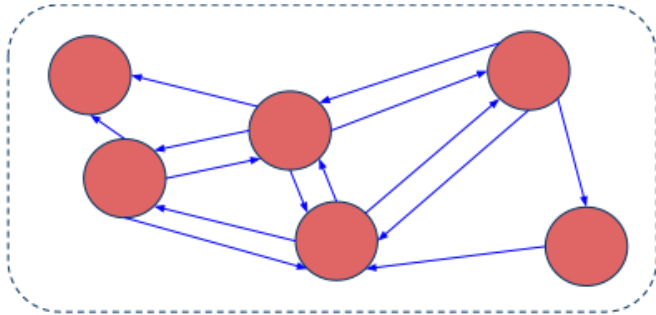


Edward W. De Barbieri and Brian Glick (2011). Legal Entity Options for Worker Cooperatives. Grassroots Economic Organizing (GEO) Newsletter, Volume 2, Issue 8. <http://geo.coop/node/628>

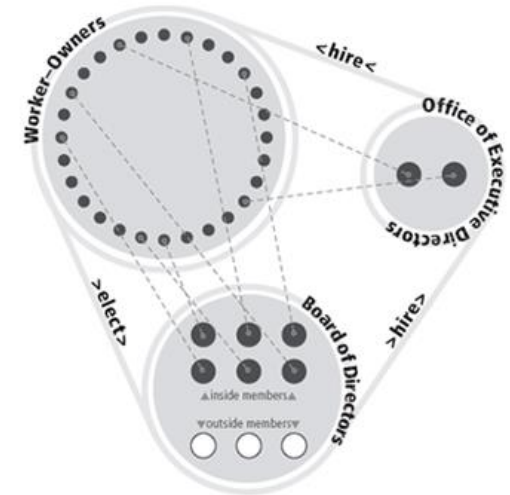


# Governance vs. Management

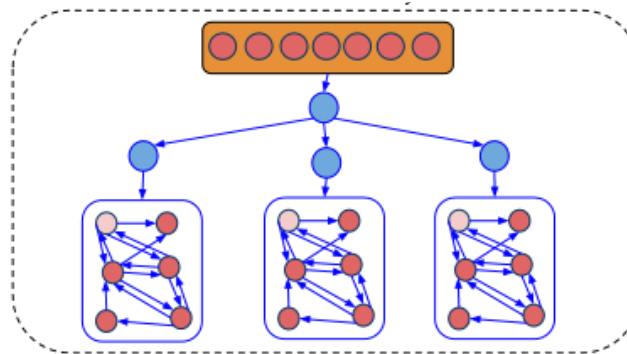
Worker Coop Collective with Direct Governance & Flat Management



Worker Coop with Representational Governance & Hired Management



Worker Coop with Representational Governance & Hired Management



# Getting Started

## Options for Launching a Worker-Cooperative



# Getting Started

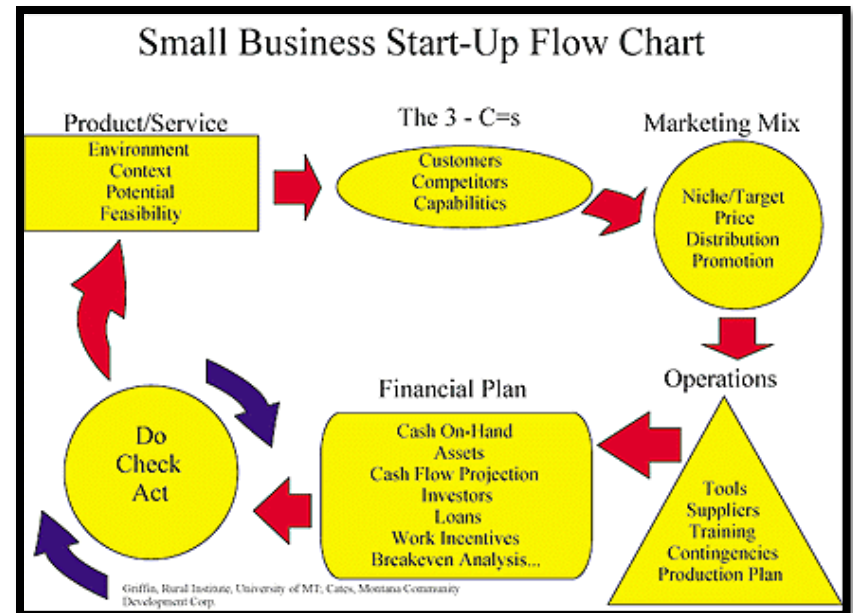
- \* From the ground up
- \* Succession/Conversion
  - Gradual buy-out
- \* Succession/Closure
  - 100% buy-out



# From the Ground Up

## Benefits

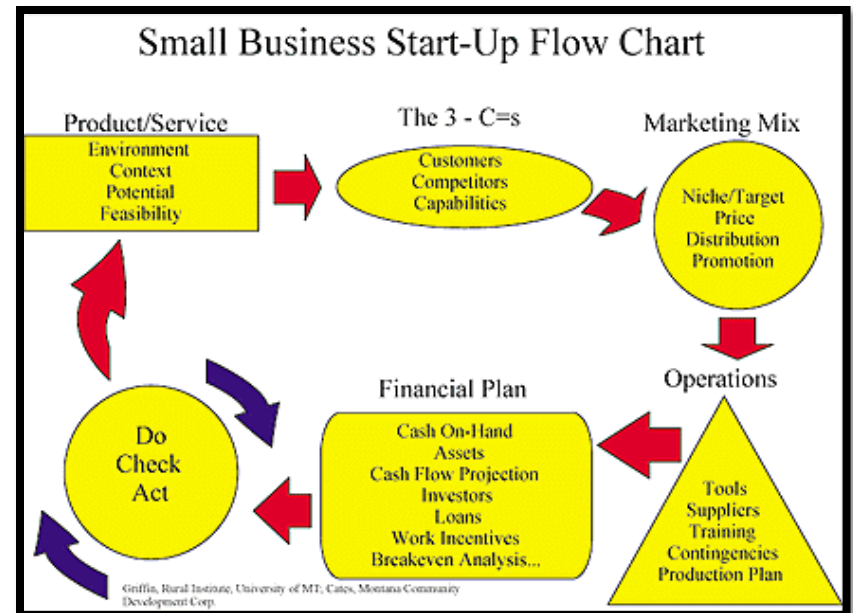
- \* Equal footing - No seniority
- \* Time for discernment
- \* Lower start-up costs
- \* Poor on paper



# From the Ground Up

## Challenges

- \* Developing culture & business simultaneously
- \* Getting everyone on the same page takes time
- \* Need strong business skills
- \* Financing w/o track record



# From the Ground Up

## What You Need

- \* Member commitment
- \* Clear decision-making structure – who/what/how
- \* Sound business plan w/ demonstrated market need
- \* Internal & external resources (skills, labor, social capital, cash)
- \* Business advisors who know coops (lawyer, accountant)
- \* Ongoing member education



# Succession – Gradual Buy-Out

## Benefits

- \* Build team from within
- \* Strategic hiring/gradual phase out of un-invested employees
- \* Access to owner/manager's expertise
- \* Former owner can stay in the business as worker-owner
- \* Can stretch out the process if needed
- \* Tax benefits to seller - maybe





# Succession – Gradual Buy-Out

## Challenges

- \* Personality conflicts if former owner is top-down
- \* Developing people, helping owner get out of the way to let others lead, while still being present as a resource
- \* Shifting habits, learning to step up & speak up with former boss





# Succession – Gradual Buy-Out

## What You Need

Everything from “From the Ground Up,” plus:

- \* Stable, committed workforce
- \* Relatively open & democratic structure under former owner
- \* Open & honest communication up and down throughout the organization
- \* Open books & transparency on part of the exiting owner
- \* Independent valuation of the business and clear P&S agreement early in the process



# Succession – 100% Buy-Out

## Benefits

- \* First-hand knowledge of the company
- \* Leadership from within - No choice but to step up
- \* Trial by fire – Teambuilding
- \* Dramatic story may help with PR & fundraising



# Succession – 100% Buy-Out

## Challenges

- \* Requires strong, healthy business
- \* Potential for adversarial atmosphere
- \* Large buy-out amount
- \* Short time to build up member equity
- \* Not all workers may be able to buy in initially



# Succession – Gradual Buy-Out

## What You Need

Everything from “Gradual Buy-Out” helps! Plus:

- \* Core leadership group with strong management and operational skills
- \* Early buy-in and trust from significant percentage of workers
- \* Agreement about what will happen to owners who don’t want to become owners
- \* Value for the cooperative purpose – ideally by both parties
- \* Entrepreneurial spirit and energy
- \* Good lawyers on both sides who are committed to help preserve the buyer/seller relationship, if that is what is desired
- \* Outside cooperative developer/ consultant especially helpful



# Lessons Learned or “Hindsight is 20/20”



# Lessons Learned

- \* Even if the owner intends to retire, structure the deal as a **gradual buy-out**.
- \* Train everyone in **democratic decision-making** early-on. Agree about how decisions will be made, and by whom, so that as you build your coop, you're building consensus, not resentments.
- \* Focus on the **soft skills**: democratic participation, assertive communication, addressing differences in race, class, gender, education level, immigration status
- \* Get **an independent valuation** of the business early, including allocation of assets vs intangibles (good will, customer lists, policies and procedures, logos, web presence, intellectual property, etc.)
- \* Seller should **pay off all vehicles and equipment**. Add these to the purchase price.
- \* Even if your business has been operating successfully for years, **do a new business plan** based on the cooperative's goals and capacity.
- \* **Do cash flow projections**, not just a budget.



# Where We Are Today

- \* **Funded** over \$600,000 for purchase and working capital
- \* **Retired owner involved** as non-voting board member & mgmt consultant
- \* **Ongoing member education** through monthly big-picture meetings and 1:1 buddies
- \* **Training** in democratic participation
- \* **Members engaged in committee work** to determine evaluation and compensation, employee wellness programs, and member development



# Next Steps

## New England Co-op Networks

[Valley Alliance of Worker Co-ops](#)

[Worker Owned and Run Co-op Network  
of Greater Boston \(WORC'N\)](#)

## Larger Co-op Networks

[International Cooperative Alliance](#)

[National Cooperative Business  
Association](#)

[US Federation of Worker Cooperatives](#)

## NE Technical Assistance Providers

[CDS Cooperative](#)

[Cooperative Development Institute](#)

[Democracy At Work Network](#)

[ICA Group](#)

## Co-op News and Information Sources

[American Worker Cooperative Blog](#)

[Grassroots Economic Organizing](#)

[Newsletter](#)

