

The co-operative alternative

Carry out a co-operative succession
to secure your future

A guide for co-operative entrepreneurs

Protecting your future

You have come together with a common goal in mind: to create a co-operative so you can buy a business. Not just any business, but a specific business that you have worked with for years. Your collective decision is probably based on a few key observations:

1. you know the business is about to be sold so its operator can retire. Even if he or she is not quite ready to sell the business, they may have no choice but to do so in the next few years because of age or a medical condition;
2. you know there is no one in the business operator's family with the ability or desire to take over;
3. you know the business is at risk of closing after its owner leaves because:
 - it could be bought on the open market by someone or another company with the sole objective of acquiring the customer base or equipment and shutting down the business or moving it elsewhere; or
 - no other buyer comes forward;
4. finally, you and your colleagues are concerned about the future sale of the business for any of the following reasons:
 - you are the business' employees, so your jobs are at stake;
 - you buy the business' goods or services, and no other business offers similar goods or services locally, so you will not be able to get what you need as easily or as readily if the business were sold;
 - you are major suppliers, so you stand to lose a significant share of your market.

The co-operative alternative

There is an appropriate form of co-operative for all businesses, regardless of the expectations of the original owners or the sector in which the business operated.

The chart below demonstrates which model of co-operative fits the various ownership structures that a business owner might choose.

By transferring ownership to its customers ▶ *Consumer co-operative*

By transferring ownership to its suppliers ▶ *Producer co-operative*

By transferring ownership to a group of workers and/or users of the business and/or persons or companies in the community ▶ *Multi-stakeholder co-operative*

By transferring ownership to its employees ▶ *The worker co-operative*

By transferring a share of ownership to its employees ▶ *The worker/shareholder cooperative*

Carrying out the successful conversion of a business to a co-operative:

The 12 steps to a successful strategy

Before transferring the business to the co-operative

1. Meet with potential members to determine interest in the co-operative option and if the commitment exists create a steering committee for the co-operative
2. Sign a joint *Commitment Letter* with the business's owner, which outlines the commitments that both parties are willing and able to make to each other during the process
3. Develop a *Succession Plan*: Analyze the business and define the mission and strategic directions of the future co-operative

During the transfer process

4. Obtain training and information from your local co-operative association or federation
5. Develop a *Preliminary Financing Plan* for buying out the business
6. Come to an agreement with the owner for determining the value of the business through a neutral expert assessment
7. Negotiate a mutually beneficial agreement with the owner for buying out his business
8. Develop a *Business Plan* for the co-operative
9. Develop a *Knowledge Acquisition Plan* jointly with the owner to address the transfer of intellectual property and other knowledge that is essential for running the business well
10. Prepare the initial documentation for the creation of the co-operative

After transfer

11. Develop a program for acquiring knowledge and expertise on co-operative management and governance
12. Ensure the proper transfer of the former owner's knowledge according to the Knowledge Acquisition Plan.

About the Project

The Business Succession in Rural Communities (BSiRC) project aims to support rural businesses in Canada by developing strategies to ensure successful business successions through stakeholder collaboration using the co-operative model.

The project also works in partnership with a parallel project in Quebec, Relais COOP, which has been developing tools and resources for employees and communities facing the loss of vital businesses and considering the co-operative model as a viable alternative.

The Business Succession in Rural Communities project has a number of activities to meet the overall aims and objectives including:

- development of case studies of successful co-op conversions
- review and pilot materials developed through Relais COOP project
- support up to 6 business undergoing the conversion process in Nova Scotia, Ontario and BC
- promote the co-op model to business support organisations and other stakeholders e.g. chambers of commerce, accountants and lawyers

Getting Advice

Carrying out an effective co-op development process is crucial for the success of new co-operatives. It requires a broad set of *skills, knowledge and experience*. For most new co-operative entrepreneurs, although they have the vision of what they want their new co-op to accomplish, they often lack some of the required knowledge and experience to move the project forward. Filling this knowledge and experience gap is how an experienced Co-op Developer can be of great assistance.

CCA works closely with its member provincial co-operative associations and we recommend that you contact them first to identify an experienced co-operative developer or use the online co-operative development resource – CoopZone (www.coopzone.coop).

Organizations providing Co-operative Development Services

The North (Yukon, NWT, & Nunavut) / Le Nord (Yukon, TNO et Nunavut)

Arctic Co-operatives Limited
1645 Inkster Boulevard
Winnipeg, Manitoba R2X 2W7

Telephone: (204) 697-2243
Fax: (204) 697-1880
E-mail: amorrison@ArcticCo-op.com
Website: www.ArcticCo-op.com

British Columbia / Colombie-Britannique

British Columbia Co-operative Association (BCCA)
Suite 212
1737 West 3rd Avenue
Vancouver, British Columbia V6J 1K7

Telephone: (604) 662-3906
Fax: (604) 662-3968
E-mail: general@bccacoop
Website: www.bccacoop

Alberta

Alberta Community and Co-operative Association
#104, 5013 – 48 Street
Stony Plain, AB T7Z 1L8

Telephone: (780) 963-3766
Fax: (780) 968-6733
Email: acaa@acca.coop
Website: www.acaa.coop

Conseil de développement économique de l'Alberta
8929, 82^e avenue
Edmonton (Alberta) T6C 0Z2

Téléphone: (780) 414-6125
Sans frais : 1-888-414-6123
Télécopieur : (780) 414-2885
Courriel : pdg.ceo@lecdea.ca
Site Internet : www.lecdea.ca

Saskatchewan

Saskatchewan Co-operative Association
301-201 21st Street East
Saskatoon, Saskatchewan S7K 0B8

Telephone: (306) 244-3702
Fax: (306) 244-2165
E-mail: sca@sask.coop
Website: www.sask.coop

Conseil de la Coopération de la Saskatchewan (CCS)
3850, rue Hillsdale
Bureau 230
Régina (Saskatchewan) S4S 7J5

Téléphone : (306) 566-6000
Sans frais : 1-800-670-0879
Télécopieur : (306) 757-4322
Courriel : dg@ccs-sk.ca
Site Internet : www.ccs-sk.ca

Manitoba

Manitoba Cooperative Council
Unit C, 3059 Portage Avenue,
Winnipeg, Manitoba R3K 0W4

Telephone: (204) 989-5930
Fax: (204) (204) 885-8519
E-mail: vera@manitoba.coop
Website: www.manitoba.coop

Conseil de développement économique des municipalités bilingues
du Manitoba (CDEM)
614, rue des Meurons
Bureau 200
Winnipeg (Manitoba) R2H 2P9

Téléphone : (204) 925-2320
Sans frais : 1-800-990-2332
Télécopieur : (204) 237-4618
Courriel : ltetrault@cdem.com
Site Internet : www.cdem.com

Ontario

Ontario Co-operative Association
101 - 450 Speedvale Avenue West
Guelph, Ontario N1H 7Y6

Telephone: (519) 763-8271
Fax: (519) 763-7239
Toll free: 1 888-745-5521
E-mail: info@ontario.coop
Website: www.ontario.coop

Conseil de la Coopération de l'Ontario (CCO)
435, boul. Saint-Laurent
Bureau 201
Ottawa (Ontario) K1K 2Z8

Téléphone : (613) 745-8619
Sans frais : 1-866-290-1168
Télécopieur : (613) 745-4649
Courriel : info@cco.coop
Site internet : www.cco.coop

Quebec / Québec

Conseil québécois de la coopération et de la mutualité (CQCM)
5955, rue St-Laurent
Bureau 204
Lévis (Québec) G6V 3P5

Téléphone : (418) 835-3710
Télécopieur : (418) 835-6322
Courriel : info@coopquebec.coop
Site Internet : www.coopquebec.coop

New Brunswick / Nouveau-Brunswick

Co-operative Enterprise Council
P.O.Box 452, Station A
Fredericton, NB
E3B 4Y2

Telephone: (506) 472-5475
Fax: (506) 453-9927
Email: info@cecnb.ca
Web: www.cecnb.ca

Conseil Acadien de la Coopération (Nouveau-Brunswick)
295, boul. St-Pierre ouest,
C.P. 5554
Caraquet (Nouveau-Brunswick) E1W 1B7

Téléphone : (506) 726-4717
Télécopieur : (506) 726-4001
Site Internet : www.acadie.com

Coopérative de développement régional - Acadie
220, boul. St-Pierre Ouest, bur. 212
Caraquet, (Nouveau-Brunswick) E1W 1A5

Téléphone: (506) 727-6377
Télécopieur: (506) 393-6999
Courriel: cdracadie@nb.aibn.com
Site Internet: www.cdra.fcdrg.coop

Prince Edward Island / Île-du-Prince-Édouard

Prince Edward Island Co-op Council
6 Alexandra Court
Stratford, PE C1B 1K8

Telephone: (902) 569-7322
Fax: (902) 569-7337
E-mail: peicc@peicc.coop

Conseil de développement coopératif de l'Île-du-Prince-Édouard
C.P. 67
48, chemin Mill
Wellington (Île-du-Prince-Édouard) C0B 2E0

Téléphone : (902) 854-3439 poste 239
Télécopieur : (902) 854-3099
Courriel : michel@ilebranchee.ca

Nova Scotia / Nouvelle-Écosse

Nova Scotia Co-operative Council
P.O. BOX 1872
Truro, Nova Scotia B2N 6C7

Telephone: (902) 893-8966
Fax: (902) 895-0109
E-mail: diannefk@tru.eastlink.ca
Website: www.nscouncil.ns.ca

Conseil Coopératif Acadien de la Nouvelle-Écosse
C.P. 667
Chéticamp (Nouvelle-Écosse) B0E 1H0

Téléphone : (902) 224-2205
Télécopieur : (902) 224-2801
Courriel : coopacadien@ns.sympatico.ca

Newfoundland-Labrador / Terre-Neuve-et-Labrador

Newfoundland & Labrador Federation of Co-operatives
P.O. Box 13369 Station A
Co-operator's Building
Crosbie Place
St. John's, NF A1B 4B7

Telephone: (709) 726-9431
Fax: (709) 726-9433
E-mail: dearles@nflc.nf.ca
Web: www.nflc.coop

Worker Co-operative Sector/ Secteur des coopératives de travail

Canadian Worker Co-operative Federation/
La Fédération canadienne des coopératives de travail
104-402 30th Avenue NE
Calgary, Alberta T2E 2E3

Tél: (403) 276-8250
Fax: (403) 338-0226.
E-mail: hazel@canadianworker.coop
Website: www.canadianworker.coop

Acknowledgements

CCA, CWCF and the project partners on the Business Succession in Rural Communities project would like to acknowledge the Fédération des coopératives de développement régional du Québec, in partnership with the Orion Co-operative, who developed the cooperative succession framework entitled “Relais Coop.” The entire process is based on steps the various stakeholders must take to ensure entrepreneurial succession using the cooperative formula tailored to the needs of businesses interested in transferring ownership and safeguarding regional employment.

This Guide was originally prepared by the Relais Coop project for communities and co-operative developers in Quebec and has been adapted by the Business Succession in Rural Communities project team for use outside of Quebec.

Both projects were made possible through funding under the Innovations and Research component of the Co-operative Development Initiative (CDI), a federally-funded program managed by the Co-operatives Secretariat at Agriculture and Agri-food Canada. The partners gratefully acknowledge the support of the Co-operatives Secretariat in supporting the project.