

Cooperative Businesses: A Training Guide for Cooperatives & Developers



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Democracy at Work
Institute
US FEDERATION OF
WORKER COOPERATIVES

Section 01



Cooperative Businesses: A Training Guide for Cooperatives and Developers

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Overview

01 Overview

Module 1:

What is a Worker Cooperative?

- **Learning Objectives:** Understand difference between worker coops and other coops using framework, and how and why worker cooperatives form.
- **Activities:** Presentation, break out groups, review tools
- [Facilitator agenda](#)
- **Slide Deck:** What is a Worker Cooperative [Slides](#) for participants
- **Homework:** Watch [Fundamentals of Cooperative Development](#) Start Up, Development and Conversion
- **Materials:** [Democratic Workplace Checklist](#), [Worker Coop Definition](#)

Figure 01.a: Facilitator Agenda

GC Virtual Training Democratic Management

Resource Documents: Democratic Management check list

Learning Objectives: Understand skills and traits needed to manage a worker cooperative

Activities: individual and group break out to complete two checklists

Time	Activity
5 minutes	<i>Materials needed for this section: Participant syllabus</i> Session purpose, outcomes, agenda, Slides 1-2
10 min	Defining Democratic Management Slides 3-7
10 min	Defining Democratic Workplace Slides 8-14
15 min	<i>Materials needed for this section: Dem. Mgt Checklist</i> What is a Worker Cooperative Activity is to ask people to fill out and discuss the check list and their top learning goals/ hiring goals based on the results. Slides 15-19
15 min	<i>Materials needed for this section: dem org check list</i> Dem Org Checklist Break out discussion about list priorities Slide 20-25

Figure 01.b: What is a Worker Cooperative?

Worker cooperatives are businesses owned and governed by the workers, characterized by:

- Investment** (Icon: Money symbol)
- Decisions** (Icon: Two hands)
- Structure** (Icon: Square frame)

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Worker cooperatives are a form of cooperative where members are owners and employees. This introductory slide deck will guide you through a basic introduction to worker owner cooperatives.

Membership: Different Types of Cooperatives

CONSUMER COOP	PRODUCER COOP	WORKER COOP

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There are many forms of cooperatives. Each of these three have slightly different models but all follow the cooperative principles and use democratic governance.

Four Corner Posts of a Worker Cooperative

- Money - Regular Financial Returns**
 - Ownership thinking has a financial incentive
 - Worker-owners choose how to reinvest profits
 - A pathway to ownership exists for the majority
- Information - Share Managerial Knowledge**
 - Business strategy in a competitive market
 - Transparency requires financial literacy
 - Open book systems teach and engage
- Power - Build Citizenship**
 - A governing board pursues member goals
 - Rights are balanced with responsibilities
 - Decision-making roles are clearly defined
- People - Develop Leaders**
 - Meaningful participation requires training
 - Supervision models cooperative principles
 - People need support with communication and conflict
- Mission, Values and Culture - The Foundation**
 - Business mission and values
 - Reinforced by culture of trust
 - Leadership style
 - Quality of relationships
 - Communication and conflict skills

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The four corner posts of a worker cooperative will help frame this training curriculum, together they build the foundation.

Figure 01.c: Democratic Workplace Check List

Democratic Workplace Check List

Building a democratic organization is like constructing a house. You need to have 4 corner posts and a foundation. You also need management skilled in democratic processes who have skills in building relationships and navigating conflict. Why? Democratic companies invite greater participation, deliberation and diverse opinions.

Place a check mark ✓ next to any of the relevant lines below, indicating what you currently have in place.

Management Assessment and Accountability:

- Management exhibits democratic traits and skills
- Manager shares job description, workplan, professional development plan, and broadens participation in their evaluation (which includes expectations about sharing information, sharing power, developing people)

Four Corner posts

1. Share Money: Financial Return
 - a. Bylaws/Operating Agreement describes member investment, return, payout schedule and what if any % is retained in business
 - b. Systems are in place to track, report and distribute patronage or bonuses
2. Share Information: Open Book Management
 - a. Financial literacy is taught (income, expense, balance sheet, cashflow)
 - b. Business literacy is taught (how business makes money, business goals and plan, strategy)
 - c. Regular financial reporting to members
 - d. Open book management systems in place
 - e. Members are engaged in/contribute to Strategic Planning
3. Share Power: Voice & Vote
 - a. Rights & Responsibilities are clearly defined
 - b. Decision-Making processes are defined: who makes what decisions, why, how, when
 - c. Board/Management/Member (circle of delegation/accountability) roles are clear

- d. Board structure, job descriptions, committees, voting, meeting schedule defined

4. Develop People:

- a. Training
 - i. Training program in place for
 1. workers (job roles & responsibilities)
 2. members (ownership roles & responsibilities)
 3. board (roles & responsibilities)
 4. management (roles & responsibilities)
 - ii. Professional development is supported (line item in annual budget)
- b. HR
 - i. Employees recruited and oriented to ownership culture
 - ii. Supervision uses coach approach
 - iii. Accountability systems in place for all roles: job description, workplan, evaluation
 - iv. Personnel/Operating Manual in place
- c. Communication
 - i. Conflict policies documented in Operations/Personnel manual
 - ii. Communication/conflict practice/protocol used

Foundation:

- Business Mission/Purpose language includes employee ownership
- Values are written, shared, implemented in the company
- Trust: shared understanding of what breaks trust and how to build trust
- Ownership Culture survey conducted, goals set and changes implemented

Where are you strong?

Where would you like to build?

Figure 01.d: Worker Cooperative Definition

Worker Cooperative Definition

BACKGROUND

Worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. In contrast to traditional companies, worker members at worker cooperatives participate in the profits, oversight, and often management of the enterprise using democratic practices. The model has proven to be an effective tool for creating and maintaining sustainable, dignified jobs; generating wealth; improving the quality of life of workers; and promoting community and local economic development, particularly for people who lack access to business ownership or sustainable work options.

WORKER COOPERATIVE DEFINITION

The term “Worker Cooperative” means any enterprise that meets all of the following criteria:

- a. The enterprise is a business entity with one or more classes of membership
- b. All workers who are willing to accept the responsibilities of membership and who meet member eligibility criteria are eligible to become worker-owners
- c. A majority of allocated earnings and losses are allocated to worker-owners on the basis of patronage
- d. The class of worker-owners has a controlling ownership interest
- e. A majority of the Board of Directors or governing body is elected by the worker-owners on the basis of one-member-one-vote
- f. Decisions about return on capital investment are made by the worker-owner class or by the Board of Directors or governing body

TERMINOLOGY

1. A “worker” regularly contributes labor or personal services to the organization in return for financial compensation
2. A “worker-owner” is a member of the enterprise who qualifies as a “worker”
3. “Member eligibility criteria” may include minimum tenure, minimum hours worked per year, payment of a buy-in amount, being voted by in by current members, or other criteria that are not intended to limit membership to a select group or groups, and not based on gender, social, racial, political or religious discrimination. The eligibility criteria is provided in the governing documents of the organization.
4. “Patronage” as it applies to worker-owners is measured with reference to the value of labor contributed, where:
 - a. Value may include labor or personal services contributed, number of hours worked, amount of wages or other compensation earned, seniority, number of jobs created, or any other measure of value of labor contributed except capital investment; and
 - b. Measurement of patronage is provided in the governing documents of the organization
5. A “controlling interest” means, in the case of a corporation, more than 50% of the total combined voting power of all classes of stock of the corporation and, in the case of an entity taxed as a partnership, more than 50% of the beneficial ownership of the partnership, where “beneficial ownership” is ownership of tangible or intangible property by a person or entity that does not have legal title to the property but has ultimate control of the property in regard to the transfer of a controlling interest between that person or entity and a separate legal entity.

	‘Worker Coop’ Definition	Notes on implications
WC (a)	the organization is a business entity with one or more classes of membership;	This provision has two meaningful parts. First, it requires the organization to be a business entity, not a nonprofit, trade association, volunteer organization, or other organizational form. Second, it requires the entity to have at least one class of membership, while permitting the organization to have more than one class. This language creates the foundation for a controlling worker-membership class, while allowing for multi-stakeholder coops to be included in the definition.
WC (b)	all workers who are willing to accept the responsibilities of membership and who meet member eligibility criteria are eligible to become worker-members;	This provision requires that all workers who meet certain minimum requirements are eligible for membership. It has two meaningful parts. First, it encompasses the principles of open membership and nondiscrimination. Second, it provides a safeguard against structures that would limit membership to a select few (e.g. founders or executives). Note that the current language requires that workers who meet the minimum requirements be eligible for membership; they are not required to become members. The language also does not set a minimum percentage of workers that must be members or eligible for membership. For example, this provision could include language that says: “If the organization has been in operation for five years or more, a majority of workers must eligible for membership,” or “At any given time, at least one-quarter of workers must be worker-members.”
WC (c)	a majority of allocated earnings and losses are allocated to worker-members on the basis of patronage.	“Allocated” earnings are the portion of net income that is designated as surplus and allocated to members. This provision is based on the language of §1042 for Eligible Worker Owned Cooperatives, except that it (1) requires that the majority of allocated earnings go to worker-members specifically, not members generally, and (2) does not permit allocated earnings to be distributed on the basis of capital contribution. The language does not require that any earnings be allocated to worker-members (i.e. all earnings could be retained in a collective capital account if the worker-members choose), but specifies how earnings that are allocated should be allocated.
WC (d)	the class of worker-members has a controlling ownership interest;	This provision requires that ownership and control of the organization be in the hands of worker-members. The implications of the language offered to define “controlling interest” are included in section (5) below.
WC (e)	a majority of the board of directors or governing body is elected by the worker-members on the basis of one-member-one-vote;	Having a controlling interest in the organization does not automatically give members the right to vote for the board. For example, in some corporations, a majority of board members are appointed by an executive. This provision specifically requires that worker-members elect a majority of the board of directors on a one-worker-one-vote basis, consistent with cooperative principles. Under this provision, cooperatives could still choose – as some currently do – to have a board that includes all members of the cooperative.
WC (f)	decisions about return on capital investment are made by the worker-member class or by the board of directors;	Worker cooperatives are currently using a variety of equity structures. Any prescriptive language about the relationship between a co-op and its investors would likely exclude authentic worker cooperatives from the definition. On the other hand, it is important to have language that prevents capital interests from extracting value from the cooperative and its members. This provision attempts to strike that balance by requiring that all decisions about return on capital are made by the worker member class, or the board, the majority of which was elected by worker members.

Figure 01.d: Worker Cooperative Definition- continued

	Terminology	Notes on implications
1	A "worker" is actively contributing labor or personal services to the organization in return for compensation	This provision provides a definition of worker that is broad enough to include non-traditional employment relationships such as independent contractors. On the other hand, it excludes certain groups by requiring (1) that the worker be paid, which excludes individuals in a volunteer relationship with the organization and (2) that the worker be actively contributing labor or personal services, which excludes former employees. There may need to be some further clarification on this definition to ensure that seasonal workers can remain members during the off-season, etc.
2	A "worker-member" is a member of the organization who qualifies as a worker under (3)	This provision simply defines worker-member as a worker who is also a member, as this term is used throughout the Definition. It does not speak to the requirements or process for membership; these are unique to each cooperative and will be in the cooperative's bylaws.
3	"Member eligibility criteria" may include minimum tenure, minimum hours worked per year, payment of a buy-in amount, or other criteria that are not intended to limit membership to a select group or groups, and not based on gender/sex, social, racial, political or religious discrimination*. Eligibility criteria is provided in the governing documents of the organization.	This provision provides a definition of "member eligibility criteria" and requires that the criteria be included in the organization's bylaws or operating agreement. The definition provides common examples of "eligibility criteria" while setting the following limits: (1) the criteria cannot have the purpose of limiting eligibility to a select few, such as founders or executives, and (2) the eligibility criteria cannot be discriminatory.
4	"Patronage" as it applies to worker-members is measured with reference to the value of labor contributed, where:	This section provides a definition for patronage, but only as it applies to the patronage of worker-members. This allows patronage for other member classes to be defined as needed, while providing guidelines for allocations to worker-members—who receive the majority of allocated earnings—that are in line with cooperative principles.
4(a)	Value may include labor or personal services contributed, number of hours worked, amount of wages or other compensation earned, number of jobs created, or any other measure of value of labor contributed except capital investment; and	This provision provides a broader definition of "value of labor contributed," than just hours worked or other typical measures used. This broader definition addresses an inflexibility in some current statutes, which do not allow worker cooperatives to build in rewards for founding members or other members whose contribution to the organization is not reflected by hours worked. It does, however, restrict the definition to exclude capital investment in the organization in order to ensure that worker-members are allocated earnings based on their labor and the results of that labor, not capital contribution.
4(b)	Measurement of patronage is provided in the governing documents of the organization	This provision requires that the definition of patronage is included in the organization's bylaws or operating agreement to ensure that it is transparent and complies with the requirements of the statute.
5	"Controlling interest" means, in the case of a corporation, more than 50% of the total combined voting power of all classes of stock of the corporation and, in the case of an entity taxed as a partnership, more than 50% of the beneficial ownership of the partnership, where "beneficial ownership" is ownership of tangible or intangible property by a person or entity that does not have legal title to the property but has ultimate control of the property in regard to the transfer of a controlling interest between that person or entity and a separate legal entity."	This provision defines "controlling interest," which sets the minimum requirements for worker-members to be deemed to own and control the business under the statute. The language used here mirrors other statutes unrelated to worker cooperatives, and applies to both corporations and partnership entities. This definition of controlling interest requires that the worker-member class, if they all vote the same way, has the voting power to control how any shareholder decision (or partner decision in the case of a partnership entity) for the organization is made. It does not, however, restrict other member classes from having veto power over certain decisions, or require that the worker-member class actually makes all of the shareholder/partner decisions.

This definition is silent on the following topics:

- Number of worker-owners at a minimum to constitute a worker cooperative
- Required ratio of worker-members to employees at a worker cooperative
- Wage ratio between highest and lowest paid workers at the cooperatives
- Limits on outside investment, beyond the member controlled specification
- How the remaining board members are selected or elected for multi-stakeholder cooperatives (majority elected by worker-members), see 1(d)
- Best practices, including Indivisible Reserves and Demutualization clauses

Module 2: Worker Coop Legal Options and By-Laws

- **Learning Objectives:** Understand distinction between different legal structures. Developers prepared to engage members in key decision discussion related to bylaws development.
- **Activities:** Presentation, break out groups
- **Facilitator agenda**
- **Slide Deck:** Worker Coop Legal Options [Slides](#) for participants
- **Materials:** [Bylaws](#) and OA, Read [Choosing a Business Entity](#)

Figure 02.a: *Facilitator Agenda*

GC Virtual Training Worker Cooperative Bylaw Considerations

Resource Documents: SYLLABUS

Learning Objectives: Developers prepared to engage members in key decision discussion related to bylaws development.

Time	Activity
5 minutes	<p><i>Materials needed for this section:</i></p> <p> - Welcome, Purpose & Outcomes</p> <p>Test the evaluation and teachbacks form link - ensure that everyone has access to the teachback document; have them chat you if they don't</p> <p>Slides # 1-2</p>
15 minutes	<p><i>Materials needed for this section: -----</i></p> <p> - What are bylaws - Review sample bylaws</p> <p>Slides # 6-10</p>
30 minutes Time	<p><i>Materials needed for this section: -----</i></p> <p> - Review and discuss options in putting together bylaws</p> <p>Ask two volunteers to each read one side of the extreme options and then have a discussion</p> <p>Slides # 11-19</p>

Figure 02.b: Worker Cooperative Bylaw Considerations

Whatever your legal entity is, you will need:

Bylaws/
Operating Agreement

Attorney

Operating
Manual

Accountant

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Cooperatives are businesses and should have governing documents and appropriate professional support including the elements listed here.

CASE STUDY: WELL-ADVISED COMPANY BYLAWS

	PEOPLE	Membership: Includes original / founding members and future members
	POWER	Decisions: 2/3 majority vote to remove managers and members of committees from position; *Majority* vote needed to merge, sell, dissolve the company.
	MONEY	Ownership: States amount of member equity contributed. Capital: Clearly stated capital distribution ratios and timing.
	INFO	Meetings: States the powers and meetings of the Board, what information will be shared, what committees exist and when they will meet.

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Bylaws outline the cooperative structure, operations, and decision making processes. This slide outlines strong bylaws as outlined by the four corner posts.

Governing Documents Describe How Decisions Circulate in a Worker Cooperative

POWER
2 What rights do members have?

MONEY
3 How will members share profits?

PEOPLE
1 Who is a member?

INFORMATION
4 How often will members meet?

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The four corner elements are foundational to a well run member owned business. These four elements help a cooperative make decisions as a democratically run business. These elements make up the governing structure of the cooperative.

LET'S TALK ABOUT YOUR COOPERATIVE

	PEOPLE	Membership:
	POWER	Decisions:
	MONEY	Ownership:
	INFO	Meetings:

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Use this blank slide to consider a cooperative to think through operations and its needs for governing bylaws.

Figure 02.b: Worker Cooperative Bylaw Considerations - continued



Membership, governance (board), and management work together to make decisions for the cooperative. It is important to have clear roles and responsibilities within each group of the cooperative.

Figure 02.c: "Bylaws and Operating Agreements"

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Bylaws and Operating Agreements

A Guide for Worker Cooperatives

After working with professionals to determine which entity type is right for your worker cooperative, the next step is to work with professionals to develop your governing documents. Bylaws and operating agreements should include high-level information about the governance of the organization. They clarify and codify the democratic governance and ownership of your cooperative, help provide a structure through which the cooperative can grow, and provide a last resort for conflict resolution if relationships break down. In general, a company's bylaws or operating agreement should cover the following issues:


<p>Corporation (bylaws)</p> <ul style="list-style-type: none"> ▪ Responsibilities of the directors and officers ▪ The number or range of numbers of directors ▪ The manner of calling meetings of the stockholders and directors (including the required notice) ▪ The maintenance of corporate records ▪ The issuance of reports to stockholders ▪ Voting and proxy procedures ▪ The regulation of the transfer of stock and other general corporate matters 	<p>LLC (operating agreement)</p> <ul style="list-style-type: none"> ▪ Percentage of members' ownership ▪ Voting rights and responsibilities ▪ Powers and duties of members and managers ▪ Distribution of profits and losses ▪ Holding meetings ▪ Buyout and buy-sell rules (procedures for transferring interest when members chose or in the event of a death)
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The governing documents for a worker cooperative are structured differently from that of a conventional company, so it is best to work both with cooperative developers and lawyers who are familiar with the form. These documents codify your organization's democratic values and practices. Some of worker cooperative specific issues addressed by governing documents include:

- **Membership:** member eligibility, admission, removal
- **Capital:** internal capital accounts, distributions, patronage definition, guidelines for amount of retained earnings
- **Board of directors:** election process, representation of members
- **Investment:** initial contributions of members, outside investment (if any)
- **Dissolution:** demutualization disincentives, asset distribution

To prepare, you should consider these and other cooperative principles and practices your governing document may address. This resource, [Questions to Consider before Talking to a Lawyer](#), lays out many of the decisions the founding members will need to make when developing their governing documents. It can help you to put your bylaws or operating agreement into plain language before meeting with professionals. The document should not include policies related to its day-to-day operation, such as dress code or

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Figure 02.c: *Bylaws and Operating Agreements- continued*


other information that would typically be in an employee handbook. However, it is also important to be comprehensive to ensure that the organization is run in accordance with the values of its founding members. At some worker cooperatives, for example, the democratic management of the company should be codified in the governance documents. At others, management can be fluid and adapt to the style and preferences of current leaders. They should explicitly allow for the creation of other policies by the board and the membership in order to more clearly govern the cooperative.

Be aware of your state's default provisions in the corporate or LLC statute. Default provisions fill in gaps where the governing documents are silent, and can have unintended consequences.

Sample Bylaws and Operating Agreements

The sample bylaws and operating agreements described below can be found at [this link](#). They are intended as a starting point for developing cooperative governing documents. However, these resources are in no way intended to be legal advice. As with any legal decision, it is important to consult with a lawyer.

Cooperative Corporation:

- For California, these sample bylaws prepared by the Green Collar Communities Clinic (GC3) of the East Bay Community Law Center (EBCLC) and by the Sustainable Economies Law Center (SELC) based on Bylaws created by Tim Huet of Arizmendi Association of Cooperatives and adapted by Jenny Kassar of Cutting Edge Counsel) can serve as a starting point. They include a provision for a modified consensus-based decision making which may or may not be relevant to your organization.
- For other states, the ICA Group Model Bylaws for either one or multiple classes of stock can be used as a starting point.

C Corporation:

- C corporations can have more than one class of stock. The ICA Group Model Bylaws for either one or multiple classes of stock can be used as a starting point.

S Corporation:

- S corporations can only have class of stock. The ICA Group Model Bylaws for one class of shares can serve as a starting point.

LLC:

- As a default, LLCs are taxed as partnerships and cannot have retained earnings that are not allocated to members' accounts, which may limit the company's growth. To maintain the benefits of this model while also allowing for retained earnings, the Democracy at Work Institute worked with David Smathers Moore of Teamworks Cooperatives, Inc. to develop an operating agreement template for an LLC with a permanent capital member. This agreement can also be modified to remove references to the permanent capital member for a straightforward LLC-taxed-as-a-partnership template.
- LLCs can also be taxed as a corporation. The Democracy at Work Institute worked with counsel to develop this sample operating agreement, which modifies the ICA Group Model Bylaws to be suitable for an LLC.

DISCLAIMER: This resource is for informational purposes only and not for the purpose of providing legal advice. You should contact your attorney to obtain advice with respect to any particular issue or problem.

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Module 3:

Worker Coop Management: Democratic Management and Workplace

- Democratic Management and Workplace
- Learning Objectives:** To define a democratic workplace, democratic management and understand the role that management plays in constructing a democratic workplace.
- Activities:** Presentation, break out groups to set learning goals, review tools
- Facilitator agenda**
- Slide Deck:** Democratic Management and Workplace Check up [Slides](#) for participants
- Homework:** Watch [Democratic Management Skills Check Up](#) and complete checklist in order to plan professional development goals.
- Materials:** Democratic Management Checklist, [Democratic Workplace Checklist](#)

Figure 03.a: Facilitator Agenda

GC Virtual Training
Democratic Management

Resource Documents: Democratic Management check list

Learning Objectives: Understand skills and traits needed to manage a worker cooperative

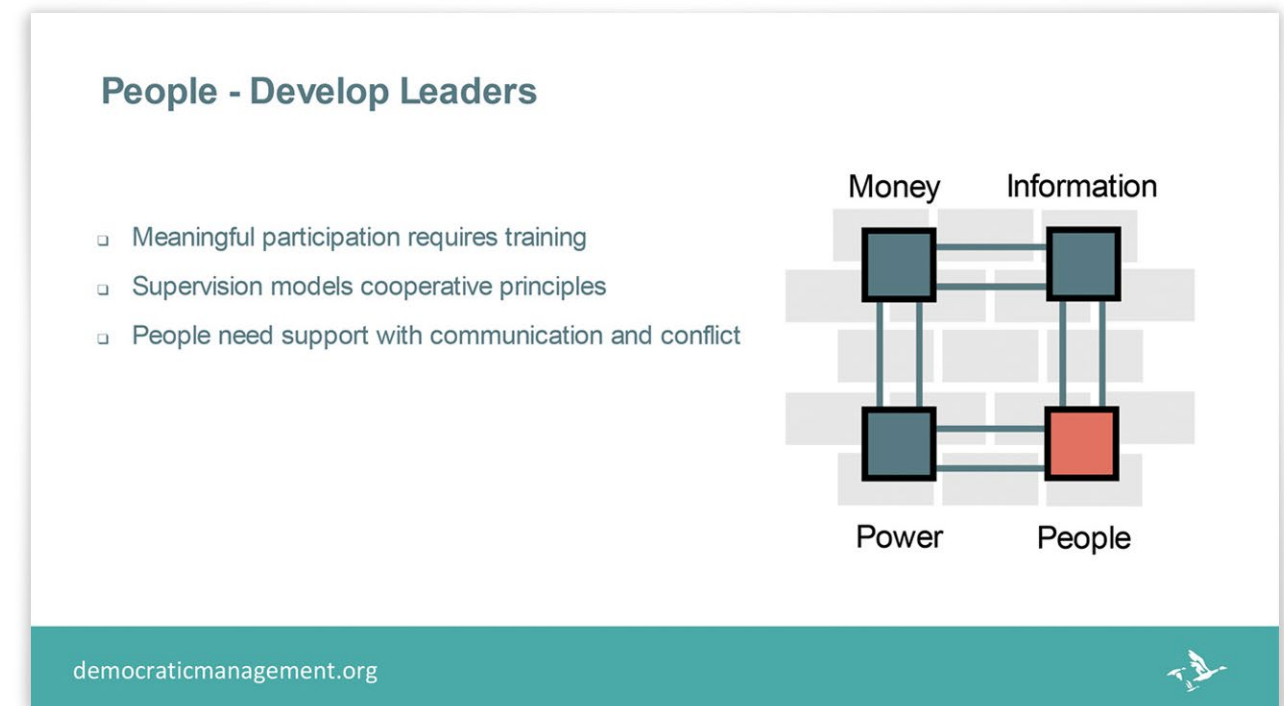
Activities: individual and group break out to complete two checklists

Time	Activity
5 minutes	Materials needed for this section: Participant syllabus Session purpose, outcomes, agenda, Slides 1-2
10 min	Defining Democratic Management Slides 3-7
10 min	Defining Democratic Workplace Slides 8-14
15 min	Materials needed for this section: Dem. Mgt Checklist What is a Worker Cooperative Activity is to ask people to fill out and discuss the check list and their top learning goals/ hiring goals based on the results. Slides 15-19
15 min	Materials needed for this section: dem org check list Dem Org Checklist Break out discussion about list priorities Slide 20-25

Figure 03.b: Democratic Management and Workplace Check Up



A cooperative, like any business, must balance needs. A cooperative differs in that the needs of its democratic membership needs with business needs. Managers are a critical step in finding balance.



Cooperatives value their members and “people” is one of the four corner posts. Members must be empowered as leaders and to participate fully.

Figure 03.b: Democratic Management and Workplace Check Up- continued



Cooperatives need accountability, balance, and construction. These three important aspects ensure a democratic and smart.

Section 02



Money

02 Money

Module 4: Member Compensation

- **Learning Objectives:** Explain worker cooperative compensation systems, including wages vs dividends. Explore how compensation is set, and how decisions about growth are made. Members understand the relationship between pricing, wages, and growth, and are prepared to support these conversations in their cooperatives.
- **Activities:** Presentation, break out groups
- **Facilitator agenda**
- **Slide Deck:** Member Compensation [Slides](#) for participants
- **Materials:** [Patronage Calculation Template](#), [Patronage Accounting Template](#), [Patronage Payout Template](#), [Notice of Patronage Dividend](#), [How Does Money Flow Through a Cooperative?](#), [Internal Capital Accounts The ICA Group](#)

Figure 04.a: *Facilitator Agenda*

GC Virtual Training Member Compensation 2 hours

Host:

Content lead:

Resource Documents: [Patronage Calculation Template](#), [Patronage Accounting Template](#), [Patronage Payout Template](#), [Notice of Patronage Dividend](#), [How Does Money Flow Through a Cooperative?](#), [Internal Capital Accounts The ICA Group](#)

Learning Objectives:

- Understand the different types of compensation for worker owners
- Learn internal policies and practices for compensation and allocation of surplus
- See systems for managing member investment and internal accounts via real world cooperative examples
- Practice setting up compensation systems.

Activities:

- Instructor presentation on 2 types of compensation and members' internal accounts, exercise to allocate surplus
- Participants present their compensation structures
- Activity to determine raises using "whiteboard" participation feature.
- Q&A throughout.

Homework: Bring your cooperative's compensation structure, be prepared to present it and your questions about it.

Advance questions: What are your questions about member compensation?

Links: [Patronage Background](#)

Time	Activity
15 minutes	<p><i>Materials needed for this section: Answers to questions, homework answers?</i></p> <p>Groundwork Homework review Main questions and issues</p> <p>Slides # 1-6</p>

Figure 04.a: Facilitator Agenda- continued

15 minutes	<p><i>Materials needed for this section: NONE</i></p> <p> MEMBER COMPENSATION BASICS</p> <p>Slides # 7-14</p>
15 minutes	<p><i>Materials needed for this section: NONE</i></p> <p> SETTING WAGES</p> <p>When can wages grow?</p> <p>Slides #15-21</p>
10 minutes	<p><i>Materials needed for this section: NONE</i></p> <p> BRINGING IN MEMBERS</p> <p>When can the coop grow?</p> <p>Slides #22-25</p>
10 mins	<p><i>BREAK</i></p> <p>Slides #26</p>
15 minutes	<p><i>Materials needed for this section: Google Sheets</i></p> <p>PRACTICE: Adding members</p> <p>Slides: 27-31</p>
5 minutes	<p>DEBRIEF: Adding members</p>
15 minutes	<p><i>Materials needed for this section: Google Sheets</i></p> <p>PRACTICE: Setting wages</p> <p>Slides: 32-34</p>
5 minutes	<p>DEBRIEF: Setting wages</p>
10 minutes	<p><i>Materials needed for this section: NONE</i></p> <p> POLICIES AND SYSTEMS</p> <p>Slides #35-40</p>
5 minutes	<p><i>Materials needed for this section: NONE</i></p> <p> NEXT STEPS AND FEEDBACK</p> <p>Slide 33</p>

Figure 04.b: Member Compensation

Money: Member Compensation

- Ownership thinking has a financial incentive
- Worker-owners choose how to reinvest profits
- A pathway to ownership exists for the majority

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As worker-owners, members must be compensated for their time and labor. Cooperatives must collectively determine compensation rates as part of their overall budget and management systems.

KEY CONCEPT: THE WORKER COOP DIFFERENCE

A worker cooperative is a member's main job.
 What does this mean for the coop?

- All members get paid.
- No inactive members.
- More is not better.

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An ideal worker cooperative will provide enough work that it is the members' full time job. This should be considered when deciding whether or not to increase membership because all members should be paid in full and there should be no inactive members.

Figure 04.b: Member Compensation - continued

HOW DO WORKER-OWNERS GET PAID?

Initial Equity

1. Wages

- As employee
- Payment for hours worked
- Fixed
- Based on hours worked or salary

2. Dividend

- As owner
- If there is profit
- Varies
- In proportion to labor contribution

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Worker-owner members are paid through wages and dividends. It is important to know the difference when managing cooperative finances.

KEY CONCEPT: WAGE VS DIVIDEND

How do we calculate wages?
What is it based on?

How do we calculate member dividend?
What is it based on?

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Wages and dividends should be calculated on financial and labor inputs and outputs. This module will help you understand how. Reminder: you can view the whole slide deck at the link in the Module Introduction.

HOW DO YOU SET WAGES: DISCUSSION

Wages are related to prices.

A. Start from price

B. Start from cost

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The price your customer is willing to pay and the cost for providing the service will determine the wage you will be able to pay worker-owners. Your wages and service price should be competitive and reasonable.

COST: What you pay members

- Salary
- Hourly wage
- Daily wage
- Per project
- Other?

How does your cooperative pay its members?

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A wage can be paid in many forms: salary, hourly, daily, or per project. Your cooperative should collectively determine the preferred wage format for your operations and membership.

Figure 04.b: Member Compensation - continued

Decision to bring on a member

What do we need to know in order to decide whether to bring on new members?

Policy: The cooperative should have a policy and goals for member compensation.
What work and wages does the cooperative commit to providing its members?

Systems:
 The coop should track all member hours worked.
Are members making the wage they need? Do current members have the work they want?

Reporting:
 Members should know sales trends, make projections, and be able to compare price to cost.
Are sales growing or expected to grow? Are services priced properly?

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There are a number of factors to consider when deciding whether to bring in on new members. Each cooperative should have a new member policy and systems in place for determining whether the cooperative's finances can afford more members.

Systems

- Pricing and costing calculator
- Financial projections/Budget
- Member roster, including equity contribution
- Hours and wage tracker
- Documented compensation policies
- Financial Statements
 - Income Statement
 - Balance Sheet
- Calculator for annual distribution
- Cash management for dividend obligations

Name	Member	Hours Worked	%	Dividend
Olga	Y	400	20%	\$200
Nasalan	Y	200	10%	\$100
Tindi	Y	600	30%	\$300
Mike		300	15%	0
Diana		500	25%	0
Total		2000		\$600

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A cooperative should use a financial management system(s) to determine and monitor budget, projections, inputs, and member compensation.

Figure 04.c: Sample Member Notice of Patronage Dividend

COOPERATIVE NAME

Member Notice of Patronage Dividend

***Suggestion to the user of this form: link it to auto-generate these fields for each member's form from a master document. You can do this using the Mailings function in MS Word and linking to your Excel patronage calculation documents. ***

Date: DATE

To: MEMBER NAME

From: COOPERATIVE NAME

Re: Annual patronage dividend

This memo serves as notification that your member patronage dividend from COOPERATIVE NAME for fiscal year YEAR is \$X,XXX.

\$XXX Paid in cash on DATE

\$XXX Retained by the cooperative, to be paid out according to the following schedule:

SCHEDULE DETAIL HERE

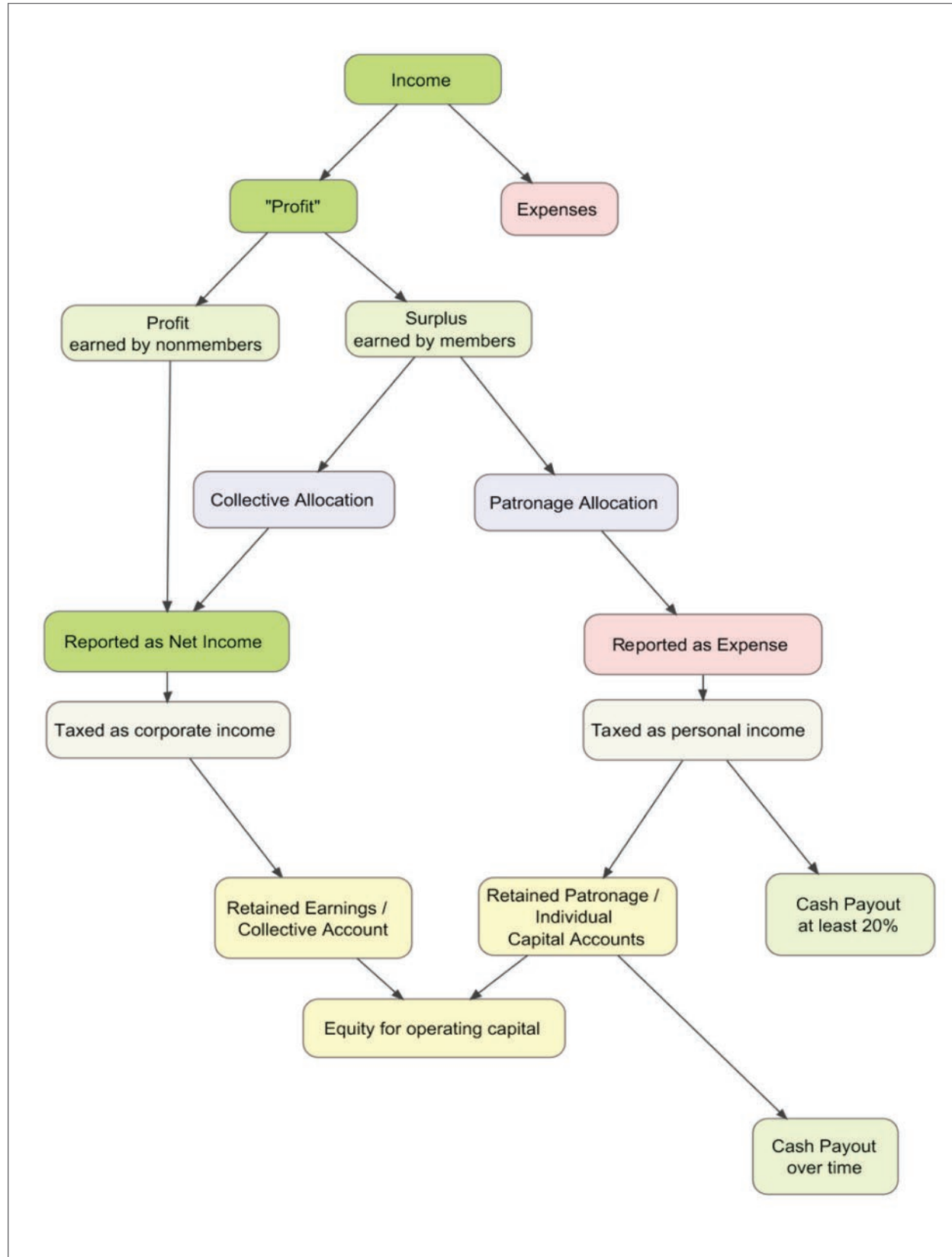
You are responsible for paying income taxes on this patronage dividend, and the cooperative will issue you a 1099-PATR form to use in tax filing.

As of DATE, the total balance in your retained patronage account, including any retained patronage from previous years, is \$X,XXX.

As a reminder, COOPERATIVE NAME'S relevant policies are: PASTE POLICY HERE

The policies can also be found in the Cooperative's Bylaws, last updated DATE.

Figure 04.d: How Does Money Flow Through a Cooperative?



Section **03**



Information

03 Information

Module 5:

Financial Statement Storytelling

- **Learning Objectives:** Make it easy for cooperative members to know the financial state of the company through the use of visuals. Participants will have a template they can immediately use to share financial information and stimulate dialogue
- **Activities:** Presentation, break out groups to set learning goals, review tools
- **Facilitator agenda**
- **Slide Deck:** Financial Statement Storytelling [Slides](#) for participants
- **Homework:** Watch [Fundamentals of Cooperative Development](#) Financials
- **Materials:** Visual Financial Statement with [practice numbers](#), Blank Visual Financial Statement [template](#)

Figure 05.a: Facilitator Agenda

GC Virtual Training Financial Statement Storytelling

Financial Statement Storytelling

- **Learning Objectives:** Make it easy for employees to know the financial state of the company through the use of visuals.
- **Activities:** Presentation on reporting financial trends, setting up a forum to understand them, and taking action
- **Homework:** Watch [Fundamentals Finance](#)
- **Advance questions:** What are your questions about financial statements?
- **Links to materials:**
 - [Presentation, dashboard tool](#)

Minutes	Activity
5	Welcome and purpose Slides 1-3
15	Telling the Story Slides 4-13
15	Dividing the Dollar Slides 14-17
15	Financial Dashboard Template Slides 18-23
15	Dialogue for Action Slides 24-29
20	Materials needed: dashboard tool Breakout sessions Slides 30-31
10	Closing and Next Steps Slides 32-33

Figure 05.b: Financial Statement Storytelling

Information - Share Managerial Knowledge

- Business strategy in a competitive market
- Transparency requires financial literacy
- Open book systems teach and engage

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Cooperatives should use information to help make informed managerial decisions. Financial information, including annual audits, should be transparent, well documented and used to make business decisions.

TELLING THE STORY

Opening questions

- 1) With 1 minute to communicate financials, what do you emphasize?
- 2) How many do you expect to be interested in the financials?
- 3) What tools do you use to communicate financial performance?

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Cooperatives must be able to communicate effectively about financials to members, financiers, and partners. These are strategies to help cooperatives communicate their finances clearly and gain trust with members and financial institutions.

Telling the story

The human drama

\$100 \$200 \$500

How about last time? How did we do? What did we aim for?

Where did we come from? Who are we? Where are we going to?

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It's helpful to communicate finances in a way people are used to thinking about situations such as "What did we do? How did we get here? and What are our goals?"

Dividing the dollar

Industry standards

Industry	COGS	LABOR	EXPENSES	NET INCOME
Grocery	60%	25%	14%	1%
Bakery	30%	40%	15%	15%
School	0%	75%	15%	10%

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A cooperative should consider how their finances are divided and how that might compare to the industry standards. For example, a school will spend more on labor costs than a grocery store. How does your cooperative compare? *COGS – Cost of Goods Sold

Figure 05.b: Financial Statement Storytelling- continued

Financial Dashboard Template

5 numbers, 5 minutes

Show Report up to		
Month	Dec	U
Year	2019	U
Company name	Joe Co.	
Actual		
Income	\$ 221,432	\$
Cost of Goods Sold	\$ 171,530	\$
Labor	\$ 33,091	\$
Expenses	\$ 14,873	\$
Other Income	\$ 251	\$

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When presenting finances, there are 5 critical numbers that cooperatives should include. Keeping your financial storytelling simple and to the point will help your audience understand. Too many numbers or challenging ratios can result in member confusion and ‘tuning out’.

Dialogue for Action

Labor cost % of Income

Month	Previous (%)	Current (%)
Oct	37%	37%
Nov	38%	38%
Dec	42%	42%
Jan	52%	64%
Feb	52%	52%
Mar	52%	52%
Apr	39%	39%
May	37%	37%
Jun	36%	36%
Jul	46%	46%
Aug	34%	34%
Sep		

Labor costs % have been running higher than the previous year.
How can we ensure that our sales growth covers labor cost growth?

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Reviewing and planning your financial process is important. Reviewing critical values over time such as labor costs will help you identify how and when to adapt.

Section 04



Power

04 Power

Module 6: Clarifying Rights & Responsibilities

- **Learning Objectives:** To define the balance of rights and responsibilities that you want to commit to at your cooperative. Develop or update your list of Rights and Responsibilities to use in orienting new members, developing systems and practices, and holding current members and company accountable.
- **Activities:** Presentation, break out groups to set learning goals, review tools
- [Facilitator agenda](#)
- **Slide Deck:** Clarifying Rights & Responsibilities [Slides](#) for participants
- **Homework:** Complete Rights & Responsibilities Template with your coop and determine what needs to be changed in the bylaws if anything
- **Materials:** Rights & Responsibilities List [Template](#)

Figure 06.a: Facilitator Agenda

GC Virtual Training Rights and Responsibilities

Resource Documents: Rights and Responsibilities template

Learning Objectives: To define the balance of rights and responsibilities that you want to commit to at your cooperative. Develop or update your list of Rights and Responsibilities to use in orienting new members, developing systems and practices, and holding current members and company accountable.

Activities: Presentation, break out groups to set learning goals, review tools

Time	Activity
-5-- minutes Time	<i>Materials needed for this section: -----</i> Purpose, Agenda, setting foundation Slides # 1-3
30 minutes Time	<i>Materials needed for this section: -----</i> RV - Defining Rights and Responsibilities Breakout: Draft rights and responsibilities (8 min) Slides # 4-10
-15-- minutes Time	<i>Materials needed for this section: -----</i> - Review other company bylaws Slides # 11-13
-5-- minutes Time	<i>Materials needed for this section: -----</i> RV - Build Your Balance List Slides # 14
-5- minutes Time	<i>Materials needed for this section: -----</i> RB - Closing and Next Steps Slides # 15-16

Figure 06.b: Clarifying Rights & Responsibilities

A Service Company	Responsibilities
Rights (to) <ul style="list-style-type: none"> • Inquire. • Contribute informed suggestions to leaders • To understand company vision and receive updates • Ability to inquire about activities of the board 	<ul style="list-style-type: none"> • We are all in this together and it is a responsibility to connect. • Be the premier service group by acting together and helping each other • Admit mistakes, fix them and get help to be the best. • Be an effective, mature, adaptive, communicative coworker. • Understand how you impact the value of the company • Consistent high quality work, positive client impact.

Members have rights and responsibilities. Member rights and responsibilities may be different depending on the type of business.


A Retail Company	Responsibilities
Rights (to) <ul style="list-style-type: none"> • Portion of company's net proceeds • Notified of, attend, and speak at all meetings • Educational opportunities to enable effective operations and governance • Access company financial information 	<ul style="list-style-type: none"> • Purchase membership stock • Bear a portion of the cooperative's net losses • Educate oneself about the business, operations, and governance of the cooperative • Participate in the governance of the cooperative, including member meetings • Mentor incoming members and employees

A retail cooperative is a particularly unique model where members have an increased financial responsibility to purchase stock, product, and perhaps bear losses in addition to more standard rights and responsibilities.

Example Bylaws	Responsibilities
Rights (to) <ol style="list-style-type: none"> 1. Portion of the Corporation's net proceeds. 2. Speak and participate at all meetings 3. Publicly raise issues and express opinion 4. Participate in all pre-vote discussions and all votes held by Worker Members, which includes at minimum the following: <ol style="list-style-type: none"> a. (1) Votes on new Worker Members b. (2) Votes for representatives to the Corporation's Board of Directors 	<ol style="list-style-type: none"> 1. To purchase one share of Worker Membership Stock. 2. To attend and participate in meetings of the Corporation. 3. To participate in votes and other Corporation activities. 4. To mentor new employees. 5. To act with civility and mutual respect. 6. To educate oneself about the governance and operations of the Corporation. 7. To treat all Corporation facilities and equipment with care and respect.

Bylaws are foundational documents that help to lay out the specific rights and responsibilities of members, governance board, and any other key players. It is important that members understand the bylaws at the time of joining the cooperative and exercise their rights.

Figure 06.c: Rights & Responsibilities Template



The School for Democratic Management at DAWI

Rights and Responsibilities Template

Your Company Name _____

Today's Date _____

Aim for a balance of rights, responsibilities and financial rewards and risks.

Rights	Responsibilities

Financial Rewards	Financial Risks

Module 7: Governance and Decision-Making

- **Learning Objectives:** Understand 3 actors in a worker cooperative (circle of delegation & authority), learn significance extensiveness tests, and simple chart for making decisions
- **Activities:** Presentation on purpose and best practices of boards, decision roles and recording, Significance/Extensive scenario, fill in the blank on decision zone chart
- [Facilitator agenda](#)
- **Slide Deck:** Governance and Decision-Making [Slides](#) for participants
- **Homework:** Watch [Fundamentals of Worker Cooperative Development](#)
- **Materials:** Decision Making Example [Worksheet](#), Decision Making [Template](#), [Scenarios Worksheet](#)

Figure 07.a: Facilitator Agenda

GC Virtual Training Governance Decision Making	
Resource Documents: Decision Making Template	
Learning Objectives: Understand different actors in coop, different decision zones and different ways to make decisions.	
Activities: Presentation, discussion	
Time	Activity
5 minutes	Materials needed for this section: Participant syllabus Session purpose, outcomes, framing Slides 1-3
10 min	Experiential exercise in who makes what decisions and why it matters to know Slides 4-10 Activity of interacting on slide
10 min	Circle of delegation and accountability and significance/extensive test Slides 11-15
20 min	How to make decisions (vote/consensus) and scenario practice Break out and Discussion Slides 16-20
10 min	Materials needed for this section: Decision chart template and sample Creating Decision Charts Slides 21- 24
10 min	Example governance and decision making from worker cooperatives Slide 25-28
10 min	Discussion and next steps Slide 29-30

Figure 07.b: Governance and Decision-Making

Why does it help to define who makes what decisions?

- For developers:** to help guide the coop through the murky areas (who decides what) that can create conflict
- For the coop members:** to understand the authority they hold as a group and that they delegate
- For the coop board:** to understand the authority they hold and their purpose

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Decision making can be complicated, but it made easier with clear delegation of roles. Pre-defined decision making plans and detailed responsibilities help cooperative developers, boards, and members to achieve outcomes and avoid common 'free rider' problems.

Accountability

Workers Board
Managers

Workers are held accountable to managers, who are held accountable to the board, which is empowered by the workers.

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Accountability in cooperatives is cyclical. Each functional group is accountable to the others which ensures continued operation.

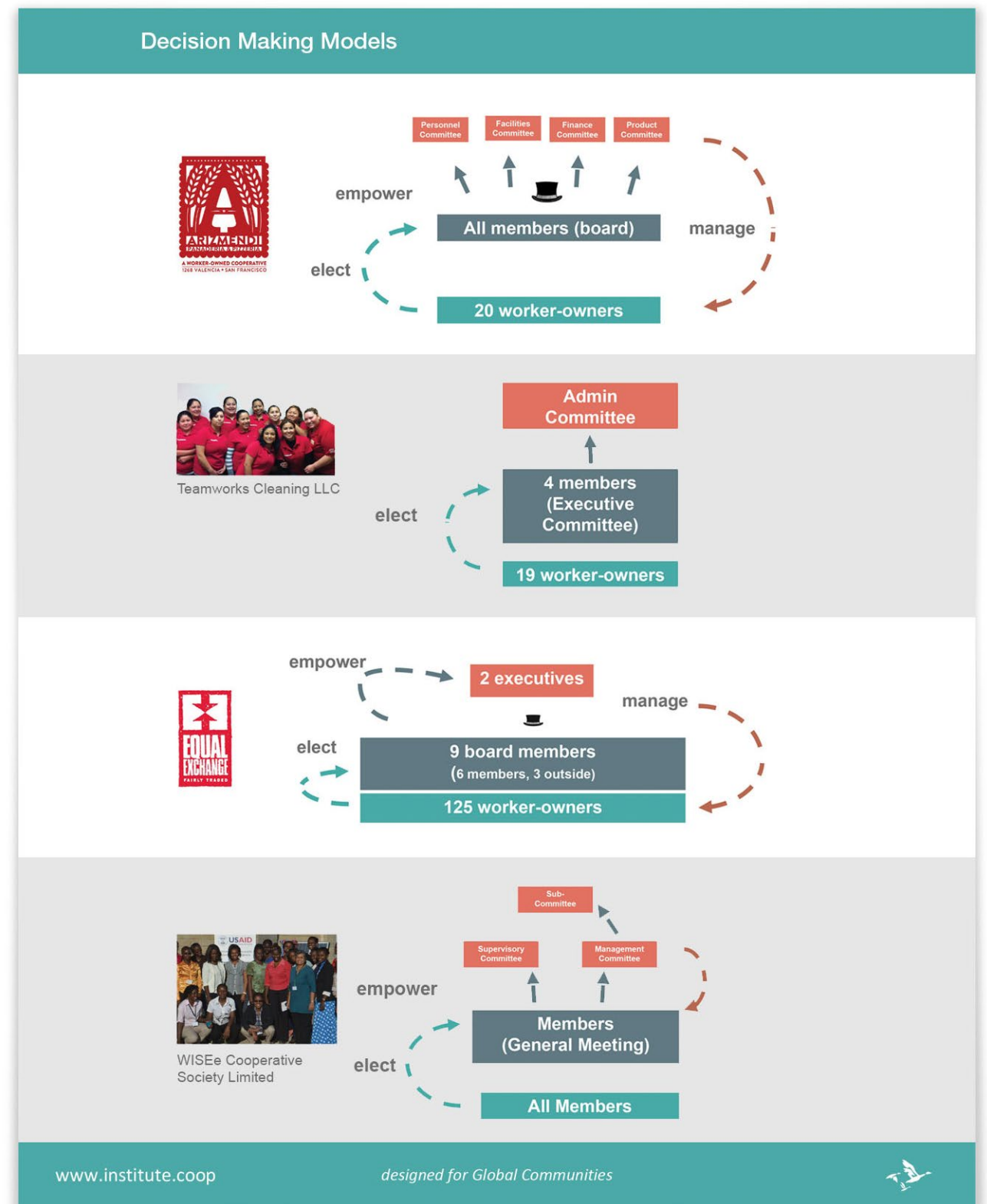
Figure 07.b: Governance and Decision-Making - continued



This chart demonstrates best practice for delegation of decision making to the members, board, and managers. Does your cooperative have a decision making map?



Boards should make broad decisions about the cooperative while managers are empowered to make decisions about the day-to-day operations. Members should be consulted on deep decisions that may impact cooperative outcomes and jobs.




Cooperatives must choose a decision making structure that best suits their members and business model. This should be outlined in the cooperative's bylaws and understood by all the members. This slide demonstrates four different cooperatives' decision making model.

Figure 07.c: Decision Making Worksheet

A “who decides” chart should be clearly written and available to all.

DECISION	MEMBERS	BOARD	MANAGEMENT
Success measures			DECIDES
Membership rights	DECIDES		
Managerial hiring		DECIDES	
New location		DECIDES	
New product line			DECIDES
Hiring policy	DECIDES		

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This chart can help a cooperative determine who makes which decision. A cooperative should have a decision making chart or ‘map’ available to members to designate responsibilities and keep people accountable.

Module 8: Making Meetings Work

- **Learning Objectives:** Affirm the importance of good meetings & facilitation in worker cooperatives. Discuss the role of facilitator and tips for making meetings work. Better meetings and communication before, during and after meetings.
- **Activities:** Presentation, break out groups to set learning goals, review tools
- **Facilitator agenda**
- **Slide Deck:** Making Meetings Work [Slides](#) for participants
- **Homework:** Watch [Fundamentals of Cooperative Development](#) Start Up, Development and Conversion
- **Materials:** [Meeting Agenda Template](#), [Facilitation Tips](#)

Figure 08.a: Facilitator Agenda

GC Virtual Training Member Meeting	
Resource Documents: Meeting Agenda Template, Facilitation Tips	
Learning Objectives: Affirm the importance of good meetings & facilitation in worker cooperatives. Discuss the role of facilitator and tips for making meetings work. Better meetings and communication before, during and after meetings.	
Activities: Presentation, break out groups to set learning goals, review tools.	
Time	Activity
-5 minutes Time	<i>Materials needed for this section: -----</i> -welcome, purpose, Slides # 1-2
-15-- minutes Time	<i>Materials needed for this section: -----</i> Why we meet. Chat in a few places Slides # 3-7
-15-- minutes Time	<i>Materials needed for this section: -----</i> 3 parts to meetings and examples Slides # 8-16
-10-- minutes Time	<i>Materials needed for this section: -----</i> -Why do we need facilitation Slides # 17-20
-10-- minutes Time	<i>Materials needed for this section: -----</i> RB Facilitation Tips Slides # 21-25
-20-- minutes Time	<i>Materials needed for this section: Template Agenda</i> Breakout (12 min) and Full Group Discussion 8 min (can go longer) Slide # 26
-5-- minutes Time	<i>Materials needed for this section: -----</i> Next steps Slides # 27

Figure 08.b: Making Meetings Work

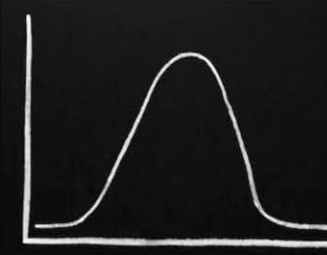
Three Parts to a Meeting

1. Preparation

- Set goals and create agenda
- Send agenda out in advance
- Send out proposals and background materials
- Gather any background information
- Prepare the space
 - In person: set up room and refreshments
 - If virtual, make sure tech works and people know how to use it


2. Meet

- Check in
- Role Reminders
- Review Tasks
- Announcements / Approvals
- Discuss/Decide
- Close

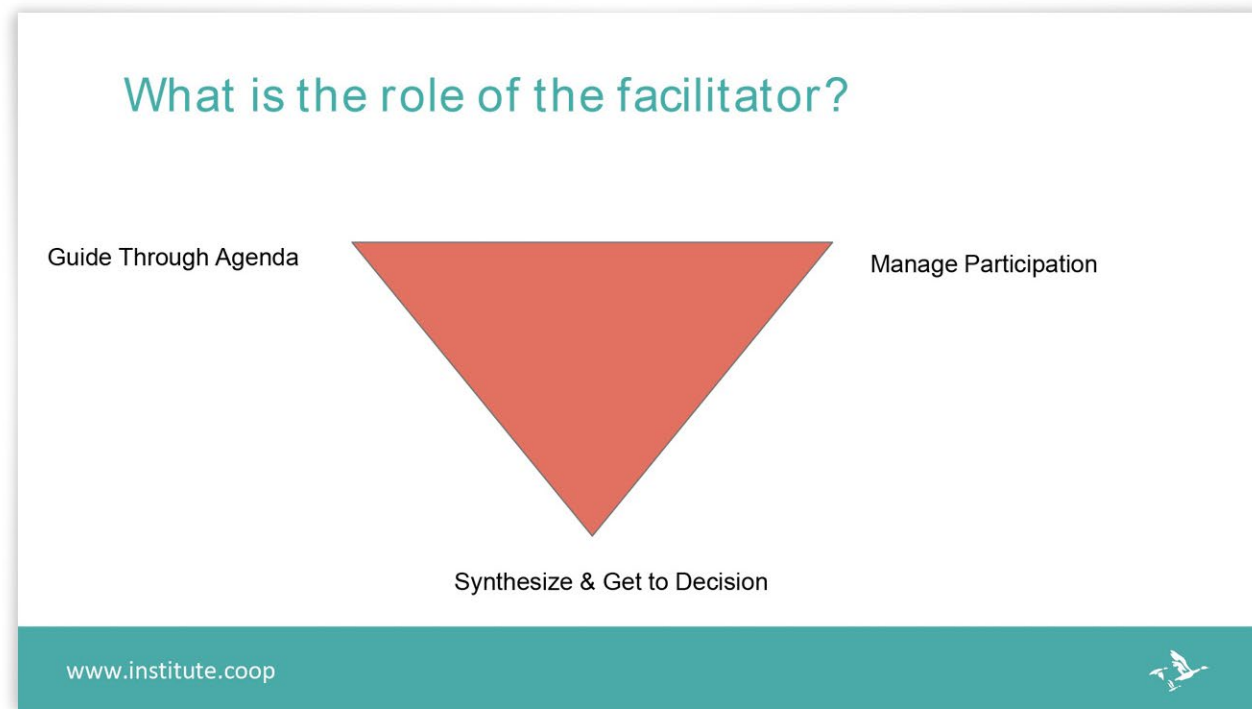


3. Follow up

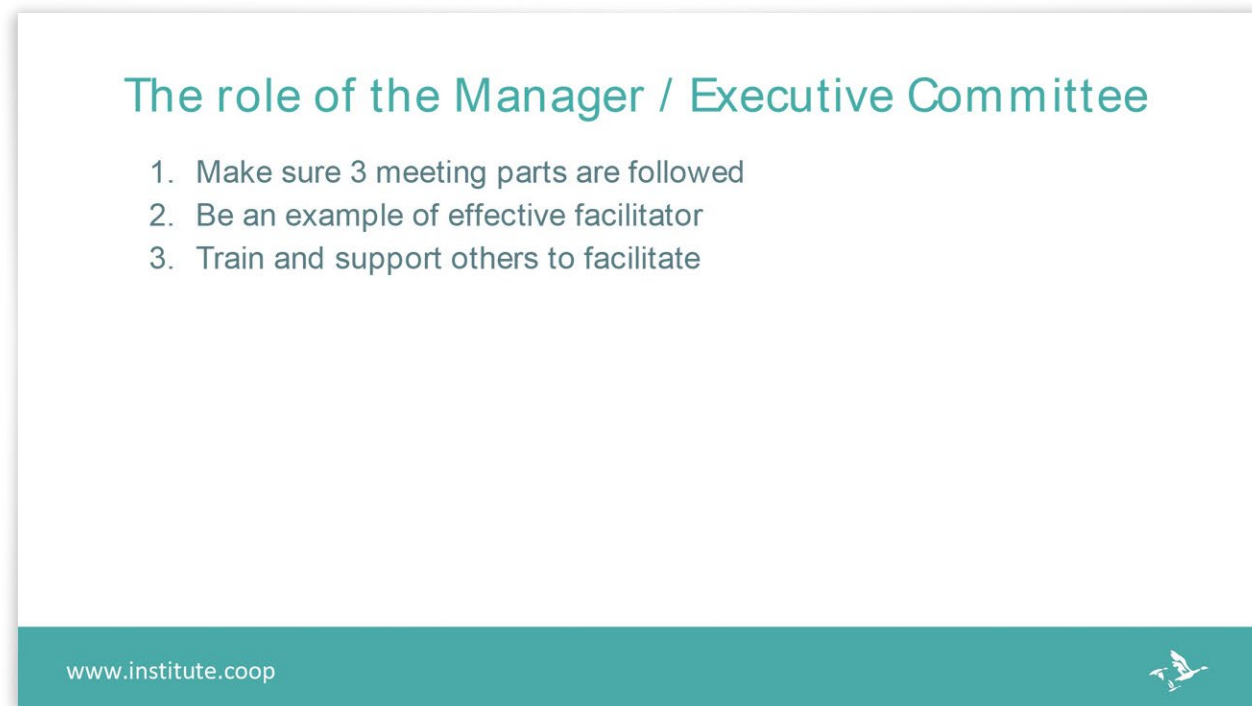
- Send out the minutes
 - List decisions made
 - Separate out action steps/tasks (in minutes and email)
 - Next meeting time, location, facilitator
- File agendas, minutes

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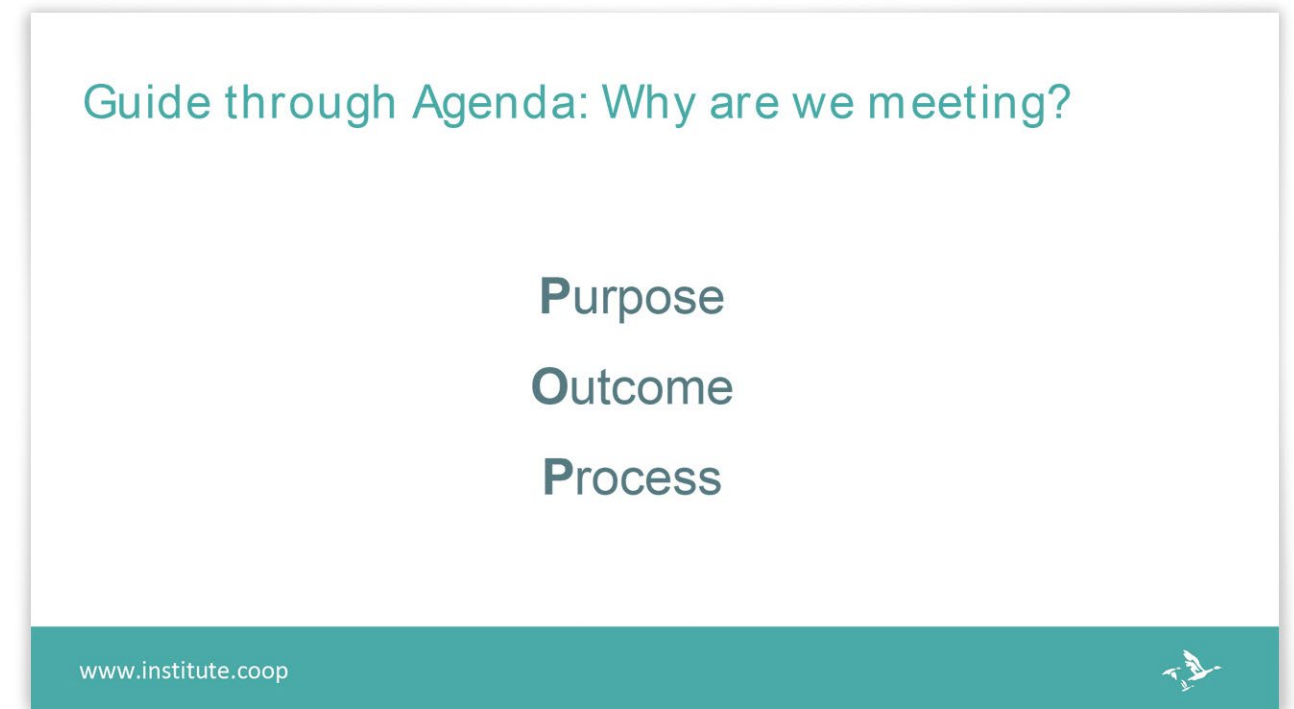
There are three parts to a successful meeting: preparation, meeting, and follow up. The person leading the meeting should ensure that all participants have the necessary information to prepare and later, to follow up on action items.

Figure 08.b: *Making Meetings Work*

The meeting facilitator is very important to a productive meeting. The facilitator should guide the participants through the agenda, ensure participation from necessary actors, synthesize main points, and lead the group to a decision.



The manager should ensure that the preparation, meeting, and follow up are completed. The manager should exemplify a strong facilitator and also empower others to facilitate when possible. In the absence of a manager, the Executive Committee should designate an individual to play this role.



Every meeting should have an agenda. The agenda should tell us why we are meeting and ensure necessary outcomes are met. An agenda should include the purpose, outcomes, and the process for the meeting.

Section **05**



People

05 People

Module 9: Personnel Systems

- **Learning Objectives:** Understand systems for bringing people in and filtering them out.
- **Activities:** Presentation, break out groups to set learning goals, review tools.
- [Facilitator agenda](#)
- **Slide Deck:** Personnel Systems [Slides](#) for participants
- **Homework:** Watch [Fundamentals of Cooperative Development Personnel](#)
- **Materials:** [Diagnosing Low Performance](#), [Performance Evaluations](#), [Who Does Personnel](#)

Figure 09.a: Facilitator Agenda

GC Virtual Training 2020 Module 9

Resource Documents: Diagnosing Low Performance, Performance Evaluations, Who Does Personnel

Learning Objectives: Understand systems for bringing people in and filtering them out.

Activities: Presentation, break out groups to set learning goals, review tools.

Time	Activity
-5 minutes Time 8:35-8:40	<i>Materials needed for this section: -----</i> -intro, tech check, etc
-10-- minutes Time 8:40 - 8:50	<i>Materials needed for this section: -----</i> Why do we avoid personnel? Slide 7 has a discussion question for 5 minutes Slides # 6-7
-7-- minutes Time 8:50-8:57	<i>Materials needed for this section: -----</i> What does personnel entail? Slide 9 has a discussion question for three minutes Slides # 8-9
-15-- minutes Time 8:57 - 9:12	<i>Materials needed for this section: -----</i> Who does this in your cooperative? Slide 12 is an activity with annotation (five minutes) Slides # 10-12
-10-- minutes Time 9:12 - 9:27	<i>Materials needed for this section: -----</i> -Performance Evaluations and Low Performance - Slide 18 discussion question if time Slides #
-5-- minutes Time 9:27 - 9:32	<i>Materials needed for this section: -----</i> -Recap - Slide # 18

Figure 09.b: Personnel Systems

Worker Cooperative Personnel

Key ideas

- A What is Personnel?
- B Performance Evaluations
- C Low performance

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Worker cooperatives are reliant on their member/owners to fulfill the daily functions of the business. Strong management of human resources and detailed functions for each role can help your cooperative get off to a strong start. These three concepts should be discussed in every cooperative.

To the worker, 'Personnel' looks like this:

How do I get from here to there?

applicant → employee → high performer → owner

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Worker owner cooperative employees are often on a 'pathway' to ownership. Many cooperatives need their employees to prove their value and commitment before they become an owner. This emphasizes the need for a transparent pathway to ownership and provides incentives for employees to be high performing and aspire to become owners.

"Low" performance needs a clear threshold

Evaluation
Did they do their job?

Unacceptable? 1 2 3 4 5 Acceptable?

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Cooperatives can experience unequal division of labor. This is exacerbated when employee or worker/owner evaluations systems are lacking. How does your cooperative provide feedback? Is this feedback system documented and used consistently?

What do we do about low performance?

First, try to understand why.

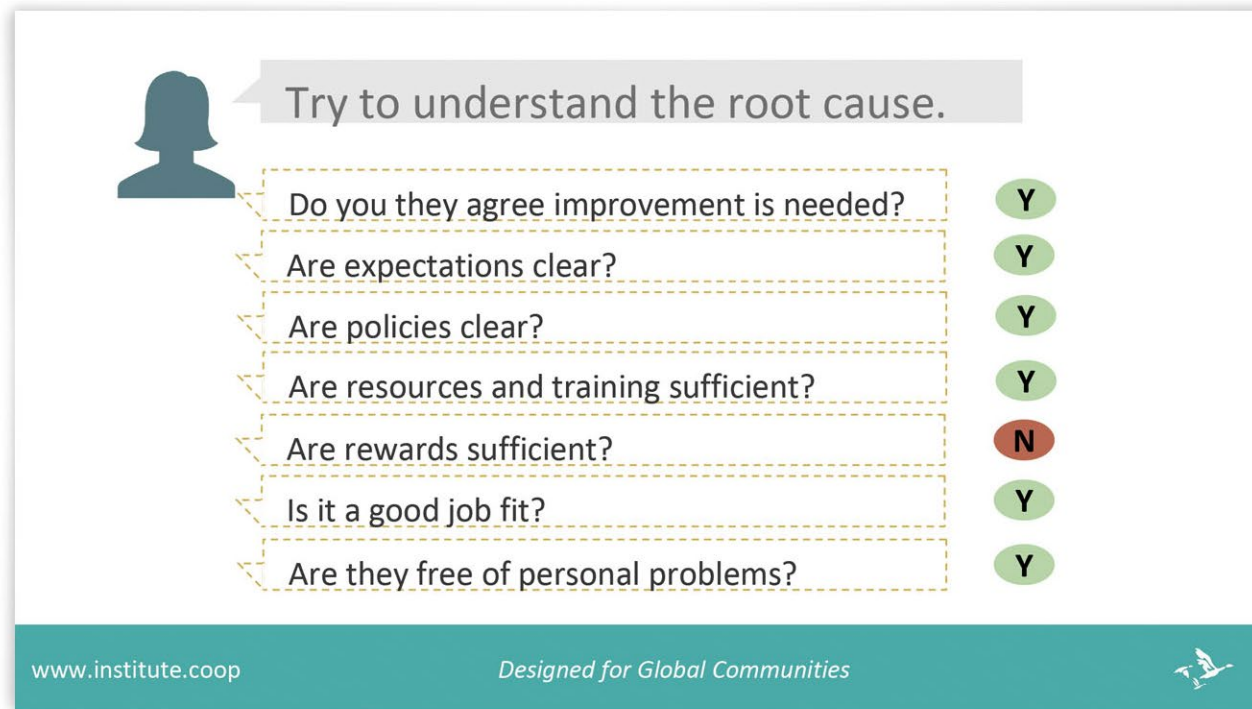
I lack ability. → We can add resources and training.

I lack motivation. → We can set goals and rewards.

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How can cooperatives diagnose issues with employees and worker/owner performance? This section provides examples of positive reinforcement for employees and owners who may need help.

Figure 09.b: Personnel Systems- continued



Getting to the root cause of employee or worker/owner challenges is not easy. These questions can help cooperatives take an equitable approach to solving employee performance issues. It can be challenging to discuss performance with worker/owners but having a robust performance management system can help set you up for success.

Figure 09.c: Diagnosing Low Performance

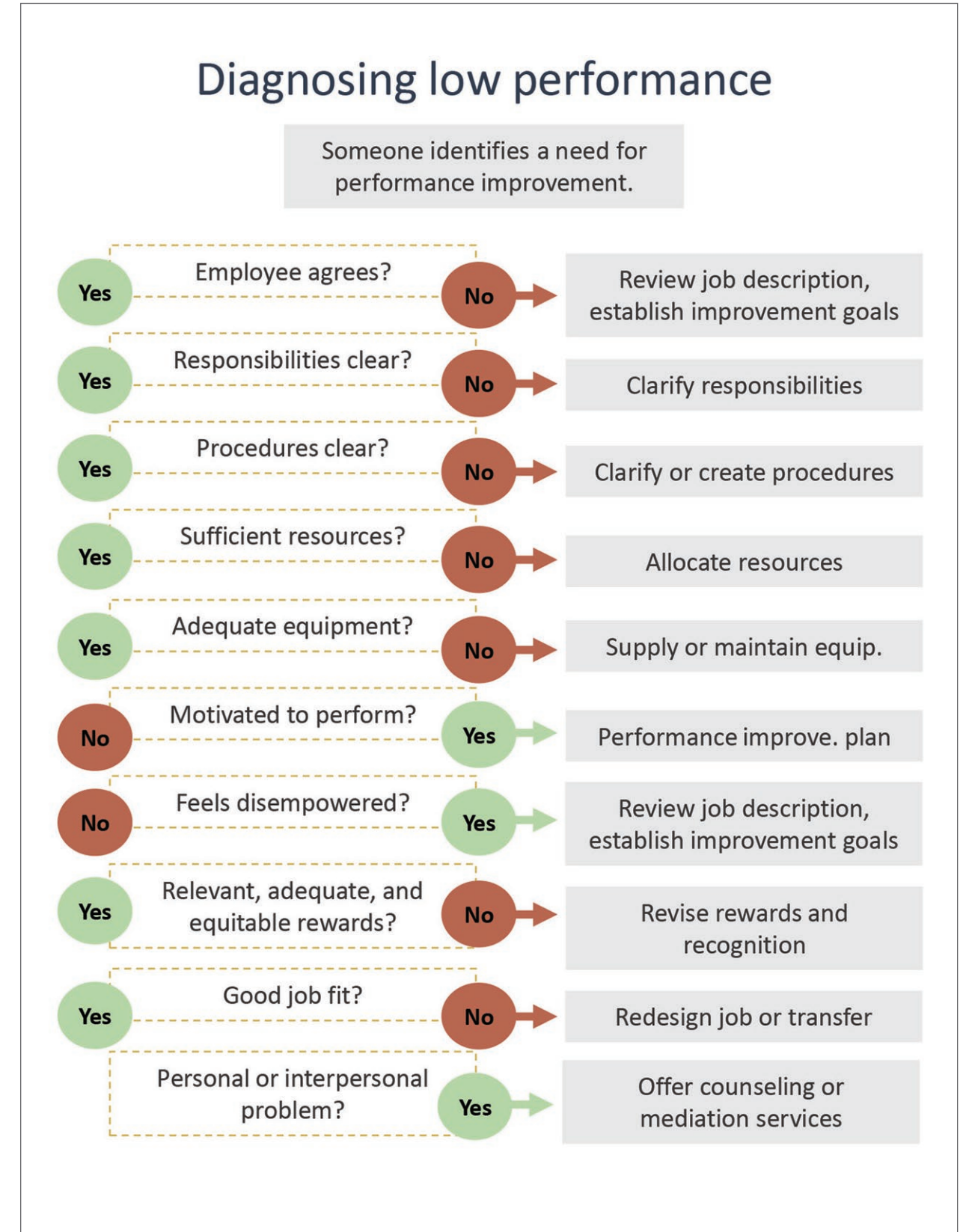


Figure 09.d: Performance Evaluations

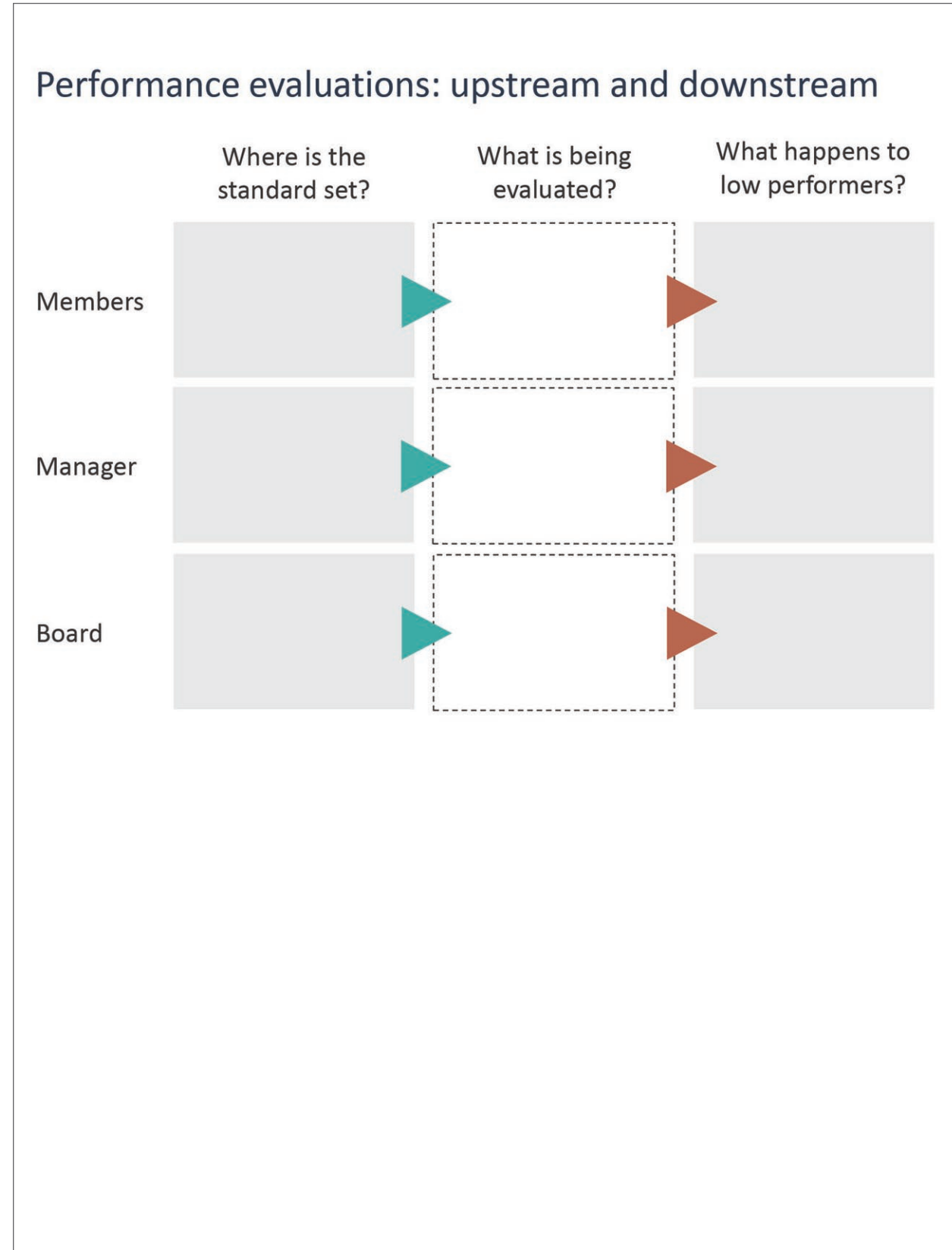
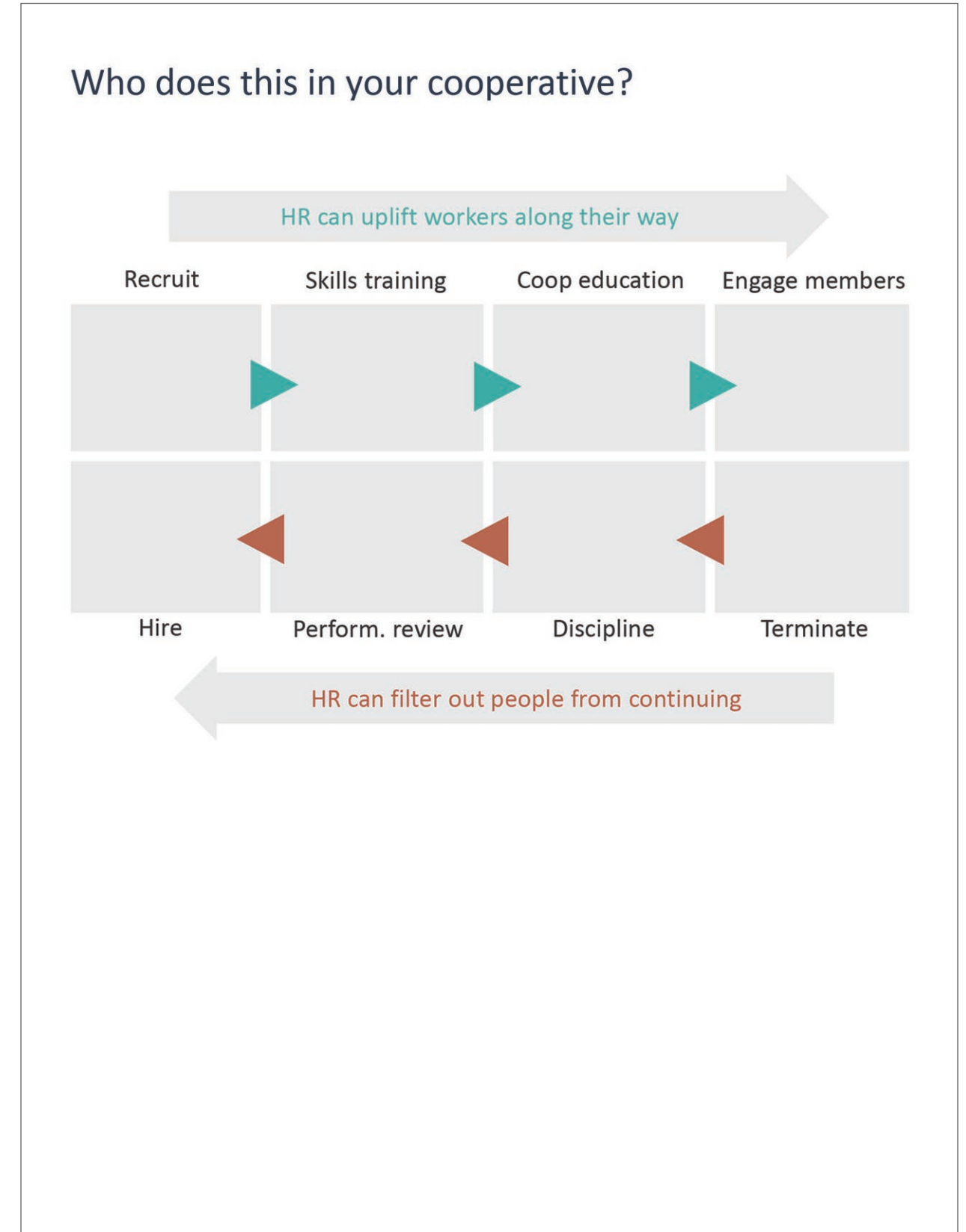


Figure 09.e: Who Does Personnel



Cooperative Businesses: A Training Guide for Cooperatives & Developers



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