Cooperative Businesses: A Training Guide for Cooperatives and Developers

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These materials were developed by Democracy at Work Institute (DAWI) for Global Communities as part of the Cooperative Leadership Engagement and Learning program.

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Module 1: What is a Worker Cooperative?

- **Learning Objectives:** Understand the difference between worker coops and other coops using a 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

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### Module 1: What is a Worker Cooperative? (Facilitator Agenda)

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<tr>
<td>5 min</td>
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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.

Figure 01.b: What is a Worker Cooperative?

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

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

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?
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 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:

1. **The enterprise is a business entity with one or more classes of membership**
2. **All workers who are willing to accept the responsibilities of membership and who meet member eligibility criteria are eligible to become worker-owners**
3. **A majority of allocated earnings and losses are allocated to worker-owners on the basis of patronage**
4. **The class of worker-owners has a controlling ownership interest**
5. **A majority of the Board of Directors or governing body is elected by the worker-owners on the basis of one-member-one-vote**
6. **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. "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**

| WC (a) | the organization is a business entity with one or more classes of membership; |
| 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; |
| WC (c) | a majority of allocated earnings and losses are allocated to worker-members on the basis of patronage. |
| WC (d) | the class of worker-members has a controlling ownership interest; |
| 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; |
| WC (f) | decisions about return on capital investment are made by the worker-member class or by the board of directors; |

**Notes on Implications**

- 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.

- 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 be eligible for membership." or "At any given time, at least one-quarter of workers must be worker-members."

- 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.

- 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.

- 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.
<table>
<thead>
<tr>
<th>Terminology</th>
<th>Notes on implications</th>
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<tbody>
<tr>
<td>1  A &quot;worker&quot; is actively contributing labor or personal services to the organization in return for compensation</td>
<td>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.</td>
</tr>
<tr>
<td>2  A &quot;worker-member&quot; is a member of the organization who qualifies as a worker under (3)</td>
<td>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.</td>
</tr>
<tr>
<td>3  &quot;Member eligibility criteria&quot; 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.</td>
<td>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 &quot;eligibility criteria&quot; 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.</td>
</tr>
<tr>
<td>4  &quot;Patronage&quot; as it applies to worker-members is measured with reference to the value of labor contributed, where:</td>
<td>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.</td>
</tr>
<tr>
<td>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</td>
<td>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.</td>
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<td>4(b) Measurement of patronage is provided in the governing documents of the organization</td>
<td>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.</td>
</tr>
<tr>
<td>5  &quot;Controlling interest&quot; 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 &quot;beneficial ownership&quot; 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.</td>
<td>This provision defines &quot;controlling interest,&quot; 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 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.</td>
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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

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<tr>
<td></td>
<td>- Welcome, Purpose &amp; Outcomes</td>
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<tr>
<td></td>
<td>Test the evaluation and teachbacks form link - ensure that everyone has access to the teachback document; have them chat you if they don't</td>
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<tr>
<td>15 minutes</td>
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<tr>
<td></td>
<td>- What are bylaws - Review sample bylaws</td>
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<td>Slides # 6-10</td>
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<td>30 minutes</td>
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<tr>
<td>Time</td>
<td>- Review and discuss options in putting together bylaws</td>
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<td>Ask two volunteers to each read one side of the extreme options and then have a discussion</td>
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<td>Slides # 11-19</td>
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Cooperatives are businesses and should have governing documents and appropriate professional support including the elements listed here.

**Figure 02.b: Worker Cooperative Bylaw Considerations**

Whatever your legal entity is, you will need:

- Bylaws/ Operating Agreement
- Attorney
- Operating Manual
- Accountant

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

**Overview of the Curriculum**

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.

**CASE STUDY: WELL-ADVISED COMPANY BYLAWS**

- **PEOPLE**
  - Membership: Includes original / founding members and future members

- **POWER**
  - Decisions: ¾ 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.

Use this blank slide to consider a cooperative to think through operations and its needs for governing bylaws.
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.b: Worker Cooperative Bylaw Considerations - continued

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:

Corporation (bylaws)
- 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

LLC (operating agreement)
- 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)

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...
Module 3:
Worker Coop Management: 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

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 Cellar Communities Clinic (GCC) 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 Kassan 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 shares. 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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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

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<td>Slides 3-7</td>
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<td>10 min</td>
<td>Defining Democratic Workplace</td>
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<td>Slides 8-14</td>
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<tr>
<td>15 min</td>
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<td>What is a Worker Cooperative</td>
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<td>Activity is to ask people to fill out and discuss the check list and their top</td>
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<td>learning goals/ hiring goals based on the results.</td>
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<td>Slides 15-19</td>
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<td>Materials needed for this section: Dem org check list</td>
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<td>Dem Org Checklist</td>
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<td>Break out discussion about list priorities</td>
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<td>Slide 20-25</td>
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Figure 03.b: Democratic Management and Workplace Check Up

**Balancing Needs**

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<tr>
<th>Needs of a business</th>
<th>Needs of a democracy</th>
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<tbody>
<tr>
<td>Managers move resources toward a goal</td>
<td>Democratic managers teach what they know and share power</td>
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</table>

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.

**People - Develop Leaders**

- Meaningful participation requires training
- Supervision models cooperative principles
- People need support with communication and conflict

Cooperatives value their members and “people” is one of the four corner posts. Members must be empowered as leaders and to participate fully.
Cooperatives need accountability, balance, and construction. These three important aspects ensure a democratic and smart.
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

- **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

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**Figure 04.a: Facilitator Agenda**

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<tr>
<td>15 minutes</td>
<td>Materials needed for this section: Answers to questions, homework answers?</td>
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<td></td>
<td>Groundwork</td>
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<td></td>
<td>Homework review</td>
</tr>
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<td></td>
<td>Main questions and issues</td>
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<td>Slides # 1-6</td>
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</tbody>
</table>
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.

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

**Figure 04.b: Member Compensation - continued**

**HOW DO WORKER-OWNERS GET PAID?**

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

**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.**

**Figure 04.b: Member Compensation - continued**

**HOW DO YOU SET WAGES: DISCUSSION**

Wages are related to prices.

A. Start from price
   - I will pay you 300 Ksh/hour for that service.

B. Start from cost
   - I need to make 400 Ksh/hour for providing that service.

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.

**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?

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.

**Figure 04.b: Member Compensation - continued**

**COST: What you pay members**

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

**How does your cooperative pay its members?**

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.
Section 2: Money

There are a number of factors to consider when deciding whether to bring in 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.

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

**Figure 04.b: Member Compensation - continued**

**Figure 04.c: Sample Member Notice of Patronage Dividend**

---

**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?

---

**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

---

**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: 

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?
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**

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

**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
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?

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.

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?”

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
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’.

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.

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

- **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

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5 minutes</td>
<td><em>Materials needed for this section: -----</em></td>
</tr>
<tr>
<td>Time</td>
<td>Purpose, Agenda, setting foundation</td>
</tr>
<tr>
<td>30 minutes</td>
<td><em>Materials needed for this section: -----</em></td>
</tr>
<tr>
<td>Time</td>
<td>RV - Defining Rights and Responsibilities</td>
</tr>
<tr>
<td></td>
<td>Breakout: Draft rights and responsibilities (8 min)</td>
</tr>
<tr>
<td></td>
<td>Slides # 4-10</td>
</tr>
<tr>
<td>-15 minutes</td>
<td><em>Materials needed for this section: -----</em></td>
</tr>
<tr>
<td>Time</td>
<td>RV - Review other company bylaws</td>
</tr>
<tr>
<td></td>
<td>Slides # 11-13</td>
</tr>
<tr>
<td>-5 minutes</td>
<td><em>Materials needed for this section: -----</em></td>
</tr>
<tr>
<td>Time</td>
<td>RV - Build Your Balance List</td>
</tr>
<tr>
<td></td>
<td>Slides # 14</td>
</tr>
<tr>
<td>-5 minutes</td>
<td><em>Materials needed for this section: -----</em></td>
</tr>
<tr>
<td>Time</td>
<td>RB - Closing and Next Steps</td>
</tr>
<tr>
<td></td>
<td>Slides # 15-16</td>
</tr>
</tbody>
</table>
Members have rights and responsibilities. Member rights and responsibilities may be different depending on the type of business.

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.

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.
Section 4: Power

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 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.

<table>
<thead>
<tr>
<th>Rights</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Rewards</th>
<th>Financial Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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</tbody>
</table>
Section 4: Power

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 in cooperatives is cyclical. Each functional group is accountable to the others which ensures continued operation.
This chart demonstrates best practice for delegation of decision making to the members, board, and managers. Does your cooperative have a decision making map?

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.

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.
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.

Figure 07c: Decision Making Worksheet

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

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.

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5 minutes</td>
<td>Materials needed for this section: ———</td>
</tr>
<tr>
<td>Time</td>
<td>-welcome, purpose, Slides # 1-2</td>
</tr>
<tr>
<td>-15—minutes</td>
<td>Materials needed for this section: ———</td>
</tr>
<tr>
<td>Time</td>
<td>- Why we meet. Chat in a few places Slides # 3-7</td>
</tr>
<tr>
<td>-15—minutes</td>
<td>Materials needed for this section: ———</td>
</tr>
<tr>
<td>Time</td>
<td>- 3 parts to meetings and examples Slides # 8-16</td>
</tr>
<tr>
<td>-10—minutes</td>
<td>Materials needed for this section: ———</td>
</tr>
<tr>
<td>Time</td>
<td>- Why do we need facilitation Slides # 17-20</td>
</tr>
<tr>
<td>-10—minutes</td>
<td>Materials needed for this section: ———</td>
</tr>
<tr>
<td>Time</td>
<td>RB</td>
</tr>
<tr>
<td>-20—minutes</td>
<td>Materials needed for this section: Template Agenda</td>
</tr>
<tr>
<td>Time</td>
<td>- Breakout (12 min) and Full Group Discussion 8 min</td>
</tr>
<tr>
<td></td>
<td>(can go longer) Slides # 26</td>
</tr>
<tr>
<td>-5—minutes</td>
<td>Materials needed for this section: ———</td>
</tr>
<tr>
<td>Time</td>
<td>- Next steps Slides # 27</td>
</tr>
</tbody>
</table>

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.
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.

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.

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.
Section 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

### Facilitator Agenda

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

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.

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?

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.
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.d: Performance Evaluations

Performance evaluations: upstream and downstream

<table>
<thead>
<tr>
<th>Members</th>
<th>What is being evaluated?</th>
<th>What happens to low performers?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Manager</th>
<th></th>
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<table>
<thead>
<tr>
<th>Board</th>
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Figure 09.e: Who Does Personnel

Who does this in your cooperative?

- HR can uplift workers along their way
- Recruit
- Skills training
- Coop education
- Engage members
- Hire
- Perform. review
- Discipline
- Terminate

HR can filter out people from continuing