

Cooperative Conversions

Converting businesses to employee ownership can be a solution for communities to save jobs, retain local wealth and businesses, and empower workers.

A COOPERATIVE APPROACH

Employee ownership has proven to be a viable option for keeping a business open after a business owner retires or sells their business. In Wisconsin alone, there are over 56,000 individual firms with paid employees whose owners are over 55-years-old, and many lack a succession plan. This trend is particularly problematic in rural communities where the ability to retain and expand existing businesses is often the best strategy for economic development. In this context, it is critical that business owners are familiar with the viable option of selling to their employees using the worker cooperative model. Becoming employee-owned can keep businesses' doors open, save jobs, and leave a legacy in a community. It is a triple-win solution for the owner, the employees, and the community.

A cooperative is organized, owned, and democratically controlled by its members. In a worker-owned cooperative, the workers are the members. Through employee ownership, workers benefit from potentially increased wages, decision-making power, and a share in business profits. In the case of a business converting into a worker cooperative, the exiting owner would sell the company to the employees. Owners may choose to remain with the cooperative business for a period of time or indefinitely.

EXAMPLES OF COOPERATIVE CONVERSIONS

Snow River Cooperative Crandon, WI

When the owner of Columbian Home Products decided to exit the business, the employees of a profitable division of the company that focused on quality wooden bowls and cutting boards connected with their union to explore the option of purchasing the division themselves and converting it into a worker-owned cooperative. Many of the eight employees had been at the company over 30 years. With the support of lenders and technical assistance providers, Snow River Cooperative officially incorporated in April 2020, saving eight union jobs and retaining this successful manufacturing business in rural Wisconsin.



Northwind Solar Amherst, WI

Northwind Solar is a solar power design and installation company organized in 2007 in Stevens Point, WI. In 2016, the company began the process of transitioning to a worker-owned cooperative. The founders saw the opportunity to solicit long term commitment from key employees and to build wealth on their behalf; to improve governance, management and decision-making; and to build strong relationships with like-minded businesses and organizations in the communities they serve. Today, Northwind Solar's 14 worker-owners provide renewable energy solutions to residential and commercial clients in Central Wisconsin. The founders remained with the business and are now fellow members of the cooperative.



Wisconsin Natural Heritage Cooperative Madison, WI

The Wisconsin Natural Heritage Cooperative (WNHC) is an environmental consulting firm that contracts with the State of Wisconsin Department of Natural Resources to collect, analyze, and manage rare species data. In 2012, a management change in their non-profit prompted employees to branch off and form a worker-owned cooperative. Today, WNHC has 10 worker-owners who run their business democratically deciding the scope and shape of their work as a team.



HOW TO START

Converting a business to employee ownership can be a practical solution for ownership succession, job stabilization, and employee retention. The process takes an investment of resources and professional assistance to ensure success and long-term benefits for the new employee-owners.

Before a cooperative conversion begins, the business owner should clarify their desires, concerns, and needs related to the business transition. The employees must also learn about the worker co-op model and decide if they are interested in pursuing business ownership. Next steps in the process include hiring a third party to assess the value of the business, working with advisors to assess feasibility and determine the best legal and financial structure for the deal, and designing the new cooperative's governance and management systems. Once the systems are designed and financing is secured, the company officially changes hands. At this time, the new employee owners ratify the bylaws and select a founding board of directors. New worker cooperatives often receive ongoing training and support from advisors to address any leadership or operational gaps and to orient worker owners to their new roles.

COOPERATIVE DEVELOPMENT RESOURCES

UW Center for Cooperatives offers many resources about the cooperative model, including the following:

- [How to Start a Co-op](#)
- [Pathways to Employee Ownership](#)

Worker co-op-focused organizations in Wisconsin:

- [Madison Cooperative Development Coalition](#)
- [Madison Worker Cooperatives](#)

Additional worker co-op resources include:

- [Becoming Employee Owned](#)
- [Democracy at Work Institute](#)
- [ICA Group](#)
- [Project Equity](#)
- [U.S. Federation of Worker Co-ops](#)

OTHER RESOURCES

Local economic and community development organizations may be able to provide information about business retention initiatives and current or past development efforts. They may know of specific resources such as financing options or grant programs that could be leveraged for cooperative development. Other local employee-owned cooperatives can be another useful resource.

- [Wisconsin Economic Development Corporation](#)
- [Wisconsin Small Business Development Centers](#)
- [Wisconsin Rural Development - U.S. Department of Agriculture](#)

Local UW Extension Educators

Extension educators can link groups to appropriate programs offered by community organizations and businesses, and local, state, federal, and tribal government offices. Educators can often also “connect the dots” between related but separate programs within different organizations, bringing together people and resources to facilitate community and group-based problem solving.