A Study of Co-op Business Development in Wisconsin and Minnesota:

Fourteen Recent Start-ups in the Food and Agriculture Sectors

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To date, little research has been published on best practices in cooperative business development. Many co-op development best practices have emerged from anecdotes, case studies, and personal experience. While these are important and relevant sources of information, a systematic exploration of the successes and failures of cooperative development efforts is needed. Building on previous research on cooperative governance and management structures, the UW Center for Cooperatives conducted a preliminary study examining cooperative start-up success factors. Our goal was to develop a deeper understanding of how to most effectively support emerging cooperative businesses. To that aim, we explored the following broad questions:

- How are groups organizing new cooperatives?
- What resources are available to start-up co-ops? Of these, which resources are start-ups using and benefitting from? Where are there gaps?
- How are start-up cooperatives financed?
- What factors during start-up lead to successful cooperative businesses?

There are several different ways to divide or describe the start-up process. For the purposes of this report, the start-up period is divided into two stages: (1) organizing and (2) feasibility and business planning. The report also includes sections on four general topic areas that span all stages of development. These topics include capitalization, management, governance, and technical assistance.

Research Methods

Our sample included fourteen Minnesota and Wisconsin cooperatives involved in food or agriculture that incorporated five to ten years ago. We conducted 26 phone or in-person interviews with stakeholders in fourteen cooperatives. In most cases, we interviewed at least two people from each co-op, for 20 – 50 minutes.

The study sample represents a diverse array of cooperative ownership types, sectors, and sizes. The list includes consumer owned co-ops, worker owned co-ops, producer owned co-ops, multi-stakeholder co-ops, and shared services co-ops owned by other business entities. Eleven are active, while the remaining three have either dissolved or no longer operate as co-ops. Three of the co-ops in the sample converted from other business types within the last five to ten years. Table 1 provides more information on our sample.

The survey instrument consisted of three main sections: basic demographics, the start-up period, and current operations. It included questions related to key characteristics of cooperative development projects and their primary stakeholders, governance and management structures, financing models, and the impact of cooperative development resources such as technical assistance and financing.

Organizing

The organizing stage is the first phase in the life of a co-op. It typically begins with one or more people who recognize a common need and have an idea for addressing it. This stage usually lasts six to twelve months or longer and includes the following activities: convening a core organizing group and developing leadership within that group; assessing common interests and needs; building a shared vision; possibly undertaking an informal, preliminary feasibility assessment; creating a member financing structure; incorporating as a legal entity; and recruiting members.

The organizing stage can be uniquely challenging in that a unified vision is not yet established and raising funds to pay for early organizing work often requires creativity and risk-taking on the part of the core group. Three important components of the organizing phase are champions, steering committees, and project management.

Champions

All of the co-ops in our study mentioned at least one person, and in some cases two to four people, who played the role of champion during their co-op's development. In some cases, the same individual was the champion throughout the entire pre-operational phase. In others, different champions emerged during various stages of development. Project champions were described by their fellow organizers as cheerleaders, coaches, co-op evangelists, go getters, strong community activists, industry leaders, and the head and heart of the co-op. In most of the cooperatives, the champion(s) was from the community and respected by the other core organizers. The champion(s) is often the catalyst for starting a project or the energy that keeps it moving, but most successful start-up efforts rely on a larger network of people working in concert to get the job done.

Steering/Organizing Committees

As mentioned above, most co-ops have champions who tap into the talents and energy of those around them. Typically the group of organizers that emerges is referred to as a steering committee, though the terms planning team and founding team are also used. Eleven of the fourteen co-ops in our study indicated they had some sort of core organizing committee during start-up. The committee size ranged from three to thirteen members with an average size of seven. The smallest committee was from a conversion and the largest committees were found in grocery co-op start-ups.

Table 1: Study Sample

	High	Low	Average	# of co-ops reporting
# of members	3,100	5	624	13
# of employees	50	0	11	13
Total assets	$1,200,000	0	$438,399	11
Total sales/revenue	$5,00,000	$1,800	$1,913,722	11
Years since incorporation	9	4	6	14
% of business done w/members	100%	40%	76%	9
# of board members	11	3	7	14

The make-up of the steering committee is very important, as these early leaders often become the co-op's first board of directors. In all of the co-ops with steering committees, at least one person from the steering committee stayed on the initial board. In five co-ops, the first board was made up *entirely* of former steering committee members. Several co-ops cited the commitment, leadership, and expertise of steering committee and interim board members as one of their success factors:

- "Another thing that was critical was that…we had someone on the board early on who was a business manager. So we had some good solid business or financial acumen and knowledge."

- "What was nice about our board is…we sat at a table of a lot of big personalities, which was fabulous. Each one of them had a piece. We had a lawyer, we had a bookkeeper, we had a big picture person."

- "I would say that the dedication, the risk that the initial group of members, founders, and members made in the organization, regardless of the return on investment…was key to its success as well."

Most co-ops put together a single steering committee during start-up. However, other models have emerged for addressing the complex task of developing and launching a new cooperative business. One of the co-ops interviewed organized a Co-op Founding Team, which led a planning workshop around the following question: "What actions will it take to get the co-op planning effort launched?" Out of that discussion emerged five or six task forces that were charged with things like planning a large community event, reaching out to other cooperatives, and researching technical assistance options. During the two and a half year development period, the number and focus of the task forces evolved, but there was always an overseeing task force made up of two volunteers plus the task force coordinators. Once the project progressed through the feasibility and planning stages, the task forces evolved to meet the new planning needs such as member services, community outreach, legal and financial issues, sources and supplies, and store operations. The project oversight team met regularly to coordinate activity, communicate across task forces, and facilitate a system for tracking the progress of each task force that mainly consisted of posting progress updates online. The oversight team ensured that every task force knew what every other task force was doing. This increased the efficiency of general meetings because they did not have to spend meeting time getting everybody up to speed.

The task force model used by this group is more complex and requires a greater level of coordination than a single steering committee, however it also has some valuable benefits. The model can increase buy-in and avoid volunteer burnout by allowing people to work on the things that interest them and be informed of how the whole process is moving forward without being responsible for every detail. One of the interviewees credited much of their success to the task force model:

> What really, really worked for us was the way our founding team was structured. Yeah we had that core but we had people that were plugging in and out and really making that available for people to connect, to be a part of the process, but on their own terms, without requiring too much, without burning people out."

Project management

Effective project management is the glue that holds the steering/organizing committee together. A project development plan is an excellent tool for elucidating a project's scope and timeline and serves several roles. It is a management tool, a communications tool, a planning tool, and an evaluation tool. It also illustrates key decision points along the development pathway. A timeline is especially critical in situations where organizers and prospective members may never have been involved in this type or scale of project.

One of the co-ops from our study created a detailed timeline and list of milestones at the very beginning of their planning efforts. Over the course of the two-year start-up process, they dedicated significant time to reviewing and revising the timeline and milestones as needed. During this time, the steering/organizing committee met twice a month to report on progress, assess where help was needed, and discuss upcoming steps. The co-op cited this early planning as well as the later business planning as two of their keys to success.

Feasibility and Business Planning

Once a steering/organizing committee is in place and has the appropriate level of internal readiness or organizational capacity, it moves into the feasibility and business planning stage. The two core products of this stage are a feasibility study and a business plan. The less tangible outcomes of this stage include a more unified and comprehensive understanding of the business concept and enhanced commitment and capacity of the organizers.

Feasibility Studies

Broadly speaking, a feasibility study is an analysis and evaluation of a proposed project to determine if it (1) is technically feasible (in terms of the product or site design), (2) is feasible within the estimated cost, and (3) will be profitable. Typically, feasibility studies focus on market and financial feasibility, however, it is recommended that start-up co-ops also evaluate their internal readiness or organizational capacity and the design of critical assets (such as a store design). Like other ventures, the feasibility of a new cooperative business also depends on the commitment of the owners. The study should outline what is required in terms of membership and business activity to sustain it and gauge whether the group's common purpose is powerful enough to support it.

Half of the co-ops included in our study performed some type of feasibility analysis. Of the seven groups that did feasibility studies, four reported that the studies were useful, two found the studies somewhat helpful, and one did not find the study helpful at all. The main complaints regarding feasibility studies were that the studies were too optimistic, the projections were wrong, and outside consultants sometimes did not understand the community well enough. Co-ops started by people with extensive industry experience were less likely to do a feasibility study. One group conducted its own feasibility study, while the other six hired outside consultants to complete their studies. These were among the reasons cited by the seven cooperatives that did not do feasibility studies:

- "We were converting an established business to a co-op, so we already knew the business was feasible."
- "We did not have the time or money to complete one."
- "There were enough statistical indicators just looking at the marketplace to justify organizing the co-op."
- "We all felt there was a need and we didn't see a big financial expenditure, so based on discussions of what the potential and pitfalls were and so on, we just kind of made it up as we went."
- "We didn't know how to do one and didn't know who to talk to."

Business Planning

If the results of the feasibility study are positive and the group decides to move forward, the next step is completing a business plan. A business plan is a document that explains a business idea and how the organizing group or individual plans to bring that idea to fruition. A business plan can range from a short set of assumptions and financial projections to a long, comprehensive report that includes a company description as well as details on target markets, sales and marketing, operations, management, and financials. The business plan is both a statement of the business case for the idea as well as a road map for how to successfully launch and operate the business.

Of the fourteen co-ops interviewed, eleven wrote business plans, which varied significantly in their length and content. Co-ops whose members were established businesses were more likely to just put together a set of financial projections rather than a full-blown business plan. Of the three co-ops that did not do plans, two were conversions that had written business plans at start-up and the third was essentially a "virtual organization with no assets."

The author of the business plan also varied greatly. In three cases, outside consultants wrote the business plan. In the remaining eight cases, an internal member of the planning team wrote the plan; three were written by the steering committee or interim board of directors, one was written by the future manager of the co-op, and four were written by the champion(s) who typically was on the interim board. All of the co-ops that received bank financing at start-up wrote a business plan and several noted that their primary reason for writing their business plan was to access financing. Only one co-op indicated that their business plan was not useful.

Given our small sample size and the diversity of cooperatives represented, it is difficult to draw any major conclusions about how a feasibility study or business plan's length, content, purpose, or author affects the plans' usefulness and ultimately a co-op's success. While the majority of the co-ops in our study indicated their business plans were useful, the notion of usefulness varied substantially between respondents. One co-op referred to their business plan as their "bible", while others acknowledged their business plan was merely a means to an end and was drafted primarily to access a grant or bank financing. There was also confusion amongst some of the interviewees about the difference between their business plan and feasibility study and who completed which document. There are several potential explanations for this confusion: the planning occurred five to ten years ago, so respondents simply do not remember; there was a significant time lag between the completion of the feasibility study and the business plan, so the interviewee may not have been involved with one or the other; or perhaps the business plan was just a later iteration of the financial projections found in the feasibility study. The confusion may also indicate a need for greater training in financial literacy or market analysis for start-up groups. Fortunately, many co-ops reported that even if their plans turned out to be wrong, the experience itself was a helpful, clarifying process.

Capitalization

All businesses need capital to launch and run their operations. Cooperatives are no different, but the arsenal of tools at their disposal differs slightly from that of traditional investor owned firms. Co-op financing tools include member stock, preferred stock, member loans, grants, and loans from banks or other lenders. The options available to each co-op, however, are influenced by tax considerations and by the state in which they incorporate, since each state has different laws governing co-ops. Co-ops meet their start-up capital needs using a variety of financing mechanisms, typically a combination of member equity and debt from lenders. Due to the diversity of the co-ops included in this study, their capitalization needs varied a great deal. Figure 1 illustrates the financing mechanisms co-ops used at start-up and their current financing.

Not surprisingly, every co-op in our study relied on member equity for a portion of their start-up capital. While most of the co-ops used more than one type of financing, four relied exclusively on member equity. All four of those were marketing or shared services co-ops with few assets and comprised of established businesses. Grocery co-ops were the only sector that used member loans. The single co-op that used non-member equity was an incubated[i] co-op that has since dissolved. The "Other" category included seller financing (in the case of a conversion), a direct transfer of assets from an LLC to the newly formed co-op, and a loan from a non-member business partner in the supply chain.

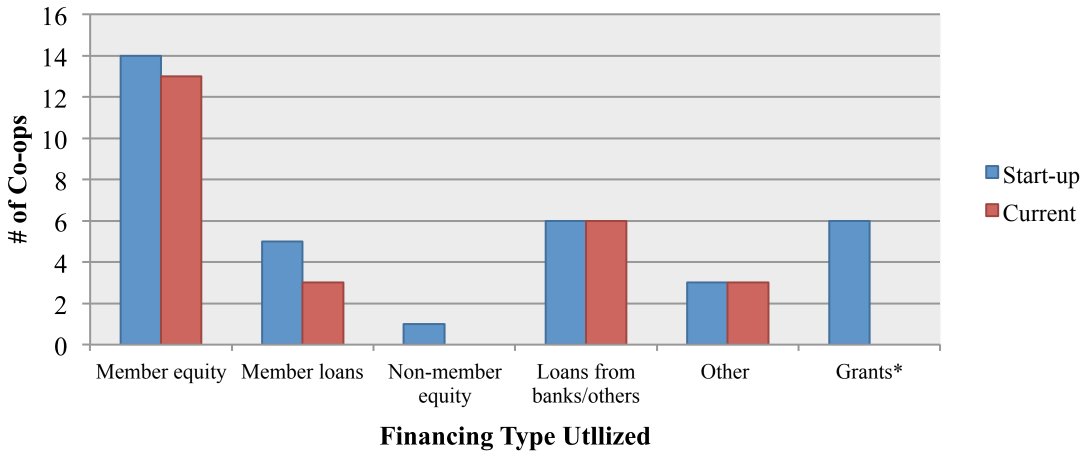
Despite the variety of tools at their disposal, co-ops still face challenges related to capitalization. Co-ops cited a lack of sufficient member equity, community fundraising, and not being taken seriously by banks as some of their key capitalization challenges. One co-op shared:

> The financing was harder than I possibly could have imagined…We had raised $1 million from members in capital before we ever even approached a bank or other financial lending institution. And we still had a hard time. That was a real eye opener.

Undercapitalization and poor financial planning are the most commonly cited reasons that new cooperatives fail. Several pieces of advice related to finances emerged from our interviews:

- Financial commitment from members is critical.
- Never underestimate working capital needs.
- Think about the future impact of debt. Don't undercapitalize, but avoid overburdening the co-op with debt.
- Do not let grants dictate the development process. Many groups apply for grants during the organizing stage, which can slow a group down.
- Thoughtfully plan for growth.
- Strong financial literacy of the board and management is key.
- Work with an accountant who understands co-ops and can set you up with a sound bookkeeping system.

Figure 1: Co-op Capitalization



** Co-ops were only asked about the use of grants during start-up. No data was collected regarding the current use of grant funds. Most of the cooperatives used more than one type of capital during start-up and continue to have more than one type of financing. There are only thirteen co-ops currently utilizing member equity because one of the co-ops from our sample dissolved.*

Management and Governance

The United Nations defines governance as "the process of decision-making and the process by which decisions are implemented" and suggests that an analysis of governance should focus on "the formal and informal actors involved in decision-making and implementing the decisions made and the formal and informal structures that have been set in place to arrive at and implement the decision."[ii] The importance of good governance is felt from the earliest stage of development through the entire life of the co-op. Establishing good governance early is critical, as it shapes the cultural norms of the organization and affects how the steering committee works as a team to develop a unified vision, establish roles, responsibilities, and expectations, and recruit other co-op members.

Our research focused predominantly on the pre-operational phase of business start-up, so it did not generate a great deal of data on management and governance, but it did reveal that the line between the board and management is often blurred during start-up. From the data we did collect, four strong themes emerged.

1) A significant amount of volunteer labor is responsible for organizational and management tasks before the first employee is hired. In nearly every co-op we interviewed, an all-volunteer steering committee or interim board was driving the planning process. Even in cases where a project coordinator was hired during the development process, volunteers still contributed many hours.

During start-up, the board is often directly involved in co-op operations. As the co-op begins to stabilize, the board transitions from a working board to a governing board. This transition can take time and education, and can sometimes be painful, but the emergence of a healthy relationship between the board and management is critical. One of the co-ops explained their transition this way:

> The board was a working board working with our consultants making the decisions that needed to be made on every front until we hired a GM and then we had to kind of go through the process of figuring out what's in his sphere and what's in the board's sphere. So that took awhile and then we actually ended up changing GMs within the first year we were open. So there was a period where he left and we had the board and a couple of the other managers on site and a consultant all sort of working together to run the place for about four months before we hired a new GM. So that confused matters, but then after we got our new GM we got serious about really cleaning up the line between operational stuff that was in his sphere and the board stuff and trying to pull the board out of the day-to-day operations…It's probably taken us a full year and there are still a few things that our board still does that will eventually be staff functions

> but we just don't have the staff for them right now.

2) *Hiring good management is critical to success.* Several co-ops cited their first hire as either the key to their success or their biggest regret:

> We've had a manager since 2006 or 2007 who has been absolutely terrific. Finding somebody who will do the work and get it done and not try to bring every issue to the board is absolutely invaluable. That's the number one success piece.

Another co-op had a less positive experience: both interviewees from that co-op listed their first general manager as their major regret and admitted it nearly cost them the business.

3) *Management needs clear direction from the board, especially at start-up.* While the steering committee and board of directors have probably spent a great deal of time building and articulating their shared vision for the co-op, it is unlikely that management was part of those early conversations. As a consequence, it is critical that directors communicate their vision to management and ensure that there is alignment between the board and management regarding how to carry out that vision.

4) *Worker cooperatives experience distinct management challenges.* Worker cooperatives are often started with the goal of creating democratic workplaces. There may be strong resistance to hierarchy from the founding members. The worker co-ops in our study emphasized that lack of structure and policies at start-up caused significant management problems later on in the life of the business.

One co-op described their experience this way:

> As a worker co-op organized as a collective with really no job descriptions…there were no systems of accountability, no idea of how tasks should get done…There are collectives that are highly structured. We were not that…You have to have that solid structure stuff in the beginning. You do it in the beginning before things get wrapped up in the personalities, before people are used to lack of structure and all the dysfunctional behavior that comes with it.

One worker-owned co-op explained one of the conflicts that may emerge when membership policies are not in place from the beginning, especially in a co-op that is capitalized entirely through member equity.

> If you are only financing yourself through equity and you have someone who says I really want to work for you and here's $1000. You go, yeah sure I don't care that you have three heads and you're from Pluto. You've got $1000, you're in. And that created issues for the organization because we were making personnel decisions based on cash flow and capital decisions.

Another co-op encountered a similar struggle:

> We always operated bringing people on who were our friends. I mean it's crazy. We gave ownership to literally anybody that would walk in off the street. And in a way, that's super cool and that's what we understood a co-op was, but after awhile it became apparent that we had people in roles who had absolutely no business being in those roles.

5) Plan for ongoing good governance. The business plan should include a thoughtful section on ongoing management and governance. The structure of the board is a critical component of establishing an efficient and effective board. The founders must consider the size of the future cooperative, the geographic scope, and the key stakeholders. Four of the cooperatives in our study elect board members using a district or delegate system, which encourages member input at a local level and ensures representation from diverse regions. Board size is another important topic. Small boards can facilitate good discussion, but some cooperatives benefit from having more members participate on the board. In our study, the largest board has eleven members and the smallest has three.

Since most boards experience turnover, directors must address the task of building sustainable board leadership. As one founder commented:

> It's surprised me how hard it's been to surface those people. To kind of cultivate the next generation of leaders or board candidates or whatever.

New board members need to be nominated, mentored, and educated on how to represent members and monitor the performance of the cooperative.

After start-up, continuing education of new members is critical to maintaining members' clear understanding of the co-op's value proposition. One co-op founder emphasized:

> We have to see to it that we spend a lot of time making sure that people know what we're doing. I'd say that's also a really, really important part of it.

Another cooperative in our study stays relevant to members by establishing member-led committees and encouraging direct communication between members and the board chair. Annual meetings are another way to get feedback from members. Of the nine co-ops that regularly have annual meetings and reported a percentage, the average attendance rate is 44 percent. Attendance tends to be quite low at co-ops with consumer members (26 percent on average) and quite high at all others (88 percent).

Technical Assistance

New co-ops generally need two types of assistance: general support on things like governance, structure, legal documents, capitalization, and advice specific to their industry. Several types of technical assistance providers are available to help start-up cooperatives. Some of them specialize in the cooperative business model, while others offer general business guidance or provide industry-specific advice.

While only nine of the fourteen co-ops reported that they worked with consultants during start-up, almost every group identified at least one professional such as an accountant or attorney who assisted them. Assistance providers ranged from private consultants and non-profits to extension agents and local economic development agencies. Half of the co-ops in our study received assistance from other co-ops and all said that the advice was useful. This type of assistance was especially prevalent in the well-developed and well-networked grocery sector. One grocery co-op reported that their "most important partnerships were with CDS Consulting Group and then also just through the other co-ops," which provided both financial and operational support.

Another co-op credited their existence to a peer grocery co-op. "We wouldn't be here without their support." Presumably, peer co-ops are an excellent source of assistance and information to start-ups because they understand the cooperative business model as well as the specific industry.

When asked what type of technical assistance they could use now, most co-ops either could not come up with an answer or were already receiving the assistance they needed from consultants or industry associations. Those who did respond were most interested in help with sales and marketing or information specific to their sector.

Sources of Assistance for Cooperatives

- Cooperative Development Services
- CDS Consulting Co-op
- National Cooperative Grocers Association—Development Cooperative
- University of Wisconsin Center for Cooperatives
- Cooperative Development Centers
- University business development centers
- Local economic development agencies
- Municipalities
- State agencies
- Non-profits
- Cooperative Extension
- Other cooperatives
- Private consultants

Lessons Learned

Despite the diversity of co-ops represented in the study, several general lessons emerged about the start-up process.

- *Lead with a strong value proposition.* Whether it is a high quality product or exemplary service, the co-op must offer its customers and/or members something special beyond just being a cooperative. One interviewee emphasized that in the case of grocery co-ops:

  > Ultimately there has to be something beyond the belief in co-ops that will sustain these businesses…So that value proposition ultimately has to be there on some level. It doesn't necessarily have to be low prices, but there has to be a value proposition.

  Several co-ops cited the quality of their product and service as a key to their success:

> Our brand and our brand messaging has been consistent with quality in the flavor, the taste, the appearance of our product…It's easy to stand behind your product and behind your co-op when you're proud of your product and when you know that it's top of the line.

- *Build alignment around a shared vision.* In addition to defining the vision, it is also critical to clearly articulate the vision to members and confirm that everyone has similar expectations from the co-op and one another. These expectations can be written out in a formal member agreement.

  One interviewee emphasized the importance of dedication from members and a commitment by them to work through the co-op the way they're supposed to. Without a clearly articulated and shared vision of what the co-op is and why it exists, it can be hard to expect this from members.

- *Treat the co-op like the business it is.* While co-ops are motivated by their members' needs rather than pure profit, they are still businesses that require accountability, formal written agreements, and sound financial management. One co-op in our study commented:

  > We did everything using our politics and using our hearts as a decision-maker instead of looking at numbers. And when we were really small it actually worked that way, but as we grew and the organization needed to become more structured and sophisticated, it was really hard for us to make that shift.

  Another co-op commented:

  > I think we rushed into it a little too much….The contract [with their business partners] was way too vague. There was too much trust involved and not enough verbiage in the contract…We trusted them too much. We were just marrying and starting this big happy family and trying to have everything work. We thought we were on the same page when in reality, they were the business people, they were looking out for their own pockets and we were naïve.

- *Invite the right people to the table.* A group should carefully consider the personalities and skill sets it wants to have on the founding team. One group made a decision early on:

  > And the strategic decision was okay, so are you going to go with people who are more mild-mannered and will easily be influenced and molded into what you think they ought to do or are you going to go with people who are aggressive and are going to have their own ideas? And we decided on that second category. Because at the end of the day, bet on the fast horse. And that has worked out wonderfully.

  Another co-op credited its success to a willingness to say that this co-op was not for everyone.

  > If all they were looking for was the ability to increase pricing position in the marketplace, then this probably wasn't a good fit. It was about building the community that was working together for everyone's success.

- *There is no such thing as too much education.* When organizing a co-op, especially when members may have little knowledge of co-ops or the industry, organizers and prospective members need as much education as possible on how cooperatives are organized, financed, and operated. This lesson extends well beyond start-up. Board members should continue to develop their skills and expertise and members need to be reminded of the value their co-op delivers them.

- *Don't rush the process.* Many groups feel pressured to open their co-op as quickly as possible. Some of these pressures are internal, fear of burnout or loss of momentum; while others are external, the start of the growing season or a rapidly approaching grant deadline. Groups should resist these pressures and make sure that clear goals, agreements, and expectations are in place before moving out of the organizing phase. In one case, some members of the initial organizing group saw the co-op as a place for socializing with like-minded people, while others viewed it primarily as a vehicle for marketing their products. The group's failure to clearly articulate a shared vision early enough in the process resulted in a fractured co-op that lost several members.

- *Allow different roles for different people and personalities along the development path*. The personality and talents of visionaries often differ from those of project planners and implementers. Successful start-ups recognize these differences and utilize different skill sets at the appropriate stages. One co-op used an interesting task force planning approach that allowed people to plug in when and how they could. One of the stakeholders from this project shared that:

  > There were several visionaries at the beginning who really carried the vision forward of what we wanted to have happen. They had been doing that for several years prior to doing any planning on this one because there had been several other attempts that were successful for a short period of time. And so they were critical too but when we got into the nitty gritty details of doing stuff, that wasn't their ball game. So some of them weren't particularly active at all in the practical part of the co-op, yet their role in getting it started was critical. And I think for me a key operating principle is use people where their interest lies and where they have the time and what they can do…You mine energy that way and then you figure out how to do the other things. I think things really work when people are doing what they love to do.

- *Tap into assistance*. From private consultants and industry associations to public universities and peer co-ops, there is an abundance of assistance available to start-ups. Many of the co-ops in this study partially credited their success to help from outside advisors and other cooperatives in their industry.

- *Every co-op is different.* The recommended planning approach differs depending on the industry, timing, and individuals involved. The ways to start a co-op are as diverse as the sector itself, so it is best to avoid the one size fits all approach. For example, in co-op conversions the planning process tends to be an ongoing dialogue focused on the cooperative structure and conversion process rather than making a business case for the concept. Whereas in consumer owned co-ops, the planning process includes a strong grassroots organizing component in order to attract and mobilize new members.

- *Last but not least, have fun.* Starting a co-op can take time and require a lot of effort. It is important to build non-work activities and relationship building into the process. One grocery co-op's steering committee turned their weekly meetings into potlucks. These shared working meals strengthened their community and kept committee members engaged for the long haul. Groups are sure to make mistakes along the way; the key is to learn from them, move on, and stay flexible.

Next Steps

This research was based on a small sample of food and agriculture related co-ops in the Upper Midwest.

There were several inherent challenges in conducting this study. The two main challenges were the diversity of the co-ops included in the study and the lack of an existing set of quantitative data on cooperative start-ups. This made it difficult to benchmark our sample or to draw any major conclusions from the data. While certain challenges are common to all co-ops, many of the issues are specific to the sector, the community, or the size of the venture.

We hope this initial study will start a broader conversation about cooperative start-up success factors and best practices in cooperative development. We hope to build on this research in the coming years using a written survey to gather more comprehensive quantitative data from a larger sample size of both successful and failed cooperatives.

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[i] The term *incubated* refers to the development model used to start a new cooperative business. As opposed to a bottom up or grassroots approach to organizing, an incubated co-op is a business initiated by an outside sponsor such as an existing co-op, a co-op development agency, a non-profit, or a lending institution in order to fulfill a social mission or business need. WAGES and the Evergreen Cooperative are examples of incubated co-ops.

[ii] United Nations ESCAP. "What is Good Governance?" Accessed November 12, 2012. http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp