

Conversions to Worker Cooperatives

A Toolkit for Cooperative Developers



Developed by the Ohio Employee Ownership Center at Kent State University
Through Funding from the National Cooperative Bank

April 2016

OEOC

Ohio Employee Ownership Center
at Kent State University



Worker Cooperative Conversion Toolkit

Tools for Cooperative Developers & Lenders

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Introduction

The Conversion to Worker Cooperative Toolkit was developed to provide cooperative developers with the tools to successfully work with small business owners – and their employees -- in converting small businesses to worker-owned cooperative business enterprises. The toolkit will guide the developer in assembling the information to do the business and financial analysis required to judge if the business is a good candidate for conversion.

- If it's clear that the business is a good fit for a transfer to worker ownership (agreed to by both sides and the necessary supporting groups, such as funders), the information gathered through use of the toolkit will enable the co-op developer and the client(s) to move forward to the next steps in developing a business plan for the newly-organized business. They also will have the information necessary to apply for a business loan (if necessary) and complete other critical functions necessary to facilitate the actual ownership transfer. The format of the toolkit also makes it easy to update the information as part of the developer's ongoing technical assistance and guidance to the newly-converted cooperative business enterprise
- The toolkit also provides stages where one can assess, with a fair amount of certainty, the likelihood of an unsuccessful conversion. Careful analysis of the information requested in the forms will allow the users of the toolkit (i.e., business owners, cooperative developers, workers and lenders) to spot the circumstances in which the likelihood of a successful conversion is doubtful. If there are lingering questions that need to be resolved, these specific items will need to be addressed prior to moving forward towards an ownership conversion. If it's clear that a successful conversion is very unlikely, the process should be stopped and the company (owner and workers) should be engaged to reassess their desire to make the conversion to a worker-owned cooperative.

Worker cooperatives are less well known than another model of employee ownership, the Employee Stock Ownership Plan (ESOP). As a form of employee ownership that's best suited for larger (more than 100 employee) small businesses, there currently are more than 6,000 ESOP's in existence and are supported by an experienced and well-developed community of professionals. Worker cooperatives can be a good fit for smaller businesses but people are less aware of this option and far fewer resources support their development. This Toolkit is one of many resources now being developed to promote worker cooperative development and provide cooperative developers with tools to use in assessing the potential for small business conversions to worker-owned cooperatives.

Who Should Use the Toolkit

- **Cooperative developers** who are working with small business clients interested in converting a business to a worker-owned cooperative. The toolkit will provide them with a systematic way to gather important financial information and a step-by-step approach to feasibility analysis and business planning for the conversion initiative.
- **Co-op lenders, including certified CDFI's**, who are already doing their own analysis of candidates for lending activities. It is hoped that this toolkit will be widely used by the community of co-op lenders to achieve more uniformity in both financial data collection and feasibility analysis and business planning. It's also hoped that widespread use of this toolkit will contribute to increasing the capacity of both co-op lenders and TA providers to spot recurring gaps or financial barriers and identify ways to address them for the benefit of all conversion candidates.
- **Lenders from outside the cooperative community** who are evaluating candidates for loans that are small businesses converting to worker-owned cooperatives. The data generated by this tool kit will give the user a great deal of information about the cooperative and the purposes for which the loaned funds will be used. If the prospective co-op works with a developer to complete all the steps of this toolkit, there should be a solid body of information that can be used by the lender to make a decision on the request for a loan.

Getting to a “Go/No Go” Decision on a Co-op Conversion How the Toolkit will help make it happen

This toolkit is organized to provide its users with financial and analytic tools in each of the three critical stages of review. Based on the information assembled, each of these stages of review should prompt the user to recommend a decision to either terminate the project or proceed to the next level of review or implementation.

Section #1: Initial review/screening of conversion initiatives

A basic review of the initial information in the intake forms (an overview of the business operation, its financial performance and the general proposal for the transition) should allow the cooperative developer/lender to determine if there is a reasonable likelihood for a successful conversion. Think of it as a review at the 20,000-foot level. The forms contained in this online toolkit are interactive, which means they can be used directly by the small business

owner(s) and the co-op developer in collecting basic financial and operational information. Based on the information gathered through these initial intake forms, the co-op developer will be able to make some initial judgments on the viability of the proposed conversion. If this initial review goes well, then work should proceed to the next step. On the other hand, if there are major gaps or serious deficiencies in the proposed cooperative, as determined by the information gathered in this initial intake form, the co-op developer will want to have a conversation with the client about either (1) assessing what additional work needs to be done to make a conversion viable or (2) making a decision to terminate plans to move forward.

Section #2: Feasibility analysis

The feasibility study will provide a more in depth view of the viability of the project. Consider it a 5,000 foot level of review of the conversion proposal. The outline in this section of the Toolkit will provide co-op developers with a guide for completing the analysis of the business' prospects for success. Since it's an established small business that will be making the conversion, there's an assumption that much is already known about the business's markets and sustainability. It will be important to consider that information in the context of a transition to a new business model that involves worker ownership. The review process would include testing of assumptions, as well as the information provided, to determine if surrounding market circumstances have been taken into account. This review will undoubtedly identify areas that need to be analyzed in more detail. The study will address business viability based on the stated planned conversion of the operational plan, financial forecasts, market analysis and proposed organizational structure. Completion of the feasibility study will generate another decision point. If the outcome of the feasibility analysis is positive, the next step will be to proceed to developing a business plan for the conversion. However, if the transition is not deemed feasible, a decision will need to be made about either termination of the project or the need for additional outside work to improve the chances of a feasible conversion.

Section #3: Business planning

The business planning process will complete the vetting of the project viability and lay out the framework for all aspects of business operations for the converted business. Consider this the "on the ground" view of the new business enterprise. When the business planning is completed, a clear path to converting the business to a worker cooperative should be identified. If the structure and the focus of the business still is not clear, the cooperative developer and the client will need to have a serious discussion about next steps. Either the business must adjust its direction/performance or a decision will need to be made to not pursue becoming a worker cooperative.

Section #1

Information Gathering – Initial Review & Screening

Overview

No two businesses are identical -- even in the same industry -- and there will be real operational reasons why a conversion to worker cooperative may be a viable option for one business and not in another. This is why it's important to collect as much company-specific information as possible in working with small businesses that are interested in exploring the conversion option. It's also important for cooperative developers to do their own research and develop an understanding of the client's industry and the forces -- both internal and external -- that can impact business operations and sustainability.

A good place to start is with the Intake Form that should be completed by potential conversion clients. The Intake Form asks for basic information about the business and the client's interest in converting to a cooperative. Much more extensive information about the business will be requested at later stages of the feasibility analysis and business planning process, but the information captured in this initial document will provide a cursory review of the potential conversion opportunity and a starting point for a realistic conversation between the client and the co-op developer about the idea of a conversion. While the cooperative developer is expected to help guide the client through the process, the client should complete the form and provide any additional information that would enable the developer to complete an initial analysis of a proposed conversion. The Intake Form is accessible in this section of the Toolkit.

Steps in the Initial Cooperative Technical Assistance Review Process

1. Review application (Intake Form) for completeness
2. Return for completion of segments (as appropriate)
3. Complete a basic review of proposal for viability
4. Make determination on project viability
 - A. If the project appears viable, report findings, company information and recommendation to client. Proceed with feasibility study and outline scope of project necessary.
 - B. If the project does not appear to be viable, report findings, company information and recommendations to the client (selling owner, workers or others on the project) for review. Also provide guidance as to potential ways to strengthen the project application.
5. If the cooperative developer's conversion technical assistance effort is supported by outside funding (foundations, community or government programs), the outcome of this initial review should be included in any reports (monthly or quarterly) required by the funder:
 - A. New applications received during the period
 - B. Status of applications in process
 - C. Applications recommended for further action (to Feasibility Study)
 - D. Applications declined for further action

Initial Cooperative Conversion Technical Assistance Intake Form

Project Name: _____

Status of Project/Proposed Direction or Activity:

Conversion of a Private Business _____ Expansion of Operations _____

Cooperative Business Model

Please outline why you are pursuing the cooperative model for your operation:

Please outline any your existing experience and/or training in the cooperative business model:

Business Summary

Provide a brief description of your business today and your plans going forward:

Market Information

Describe the marketplace you serve (or expect to serve):

Provide a brief description of the business' existing and/or proposed products and services:

Note the existing competitors for your product and services:

Note the competitive advantages of your product and services as compared to the competition:

Note the major risk factors that your business faces and how you are or intend to address them:

Financial Information

Please provide the past three years actual and the next three years of projected information on an attached spreadsheet:

Revenues

Cost of goods sold

Operating expense

Depreciation & amortization

Interest expense

Debt payments

Outline significant capital requirements of your business (describe uses/anticipated costs):

Outline your operational plans and any significant changes that you are intending to make:

For operating projections, please provide a brief explanation to support your assumptions that impact the financials (increases or decreases) for the following:

Revenues:

Cost of goods sold:

Operating expense:

Staffing considerations

Please outline key staff positions. Note any special experience, training or background needed for these positions. Also highlight any cooperative training or experience of any existing or proposed members. Attach resumes and/or job descriptions if appropriate.

Other significant information

Highlight any technical assistance or training that you may have already received, including cooperative education, financial and/or strategic planning, and any industry specific advice.

Please note any other significant items that could impact the completion of the project:

Section #2

Technical Assistance Application & Feasibility Study

Overview

Once basic viability is determined, the Feasibility Study phase can be initiated. The goal of this phase is to determine feasibility not to complete the business planning process. Consider this phase to involve review at the 5000 foot level, providing a more in-depth assessment of operations without diving into the minute details of the business. The feasibility analysis will use information provided by the client on operational, financial, marketing and organizational structure aspects of the enterprise. Much of the base information has already been provided by the client in the Initial Intake Form. However, the project outlined in the initial intake document will need to be supported by much more detailed information and assumptions that will be the client's responsibility to provide through the Technical Assistance Application that can be found in this section of the Toolkit. To the extent it's possible, information that was provided as part of the Initial Intake Form can be reused and imported for use in the Technical Assistance Application as well.

Each Conversion Candidate will be Different

These forms were designed to be a useful guide and a basic tool, but they are no substitute for developers' judgments with respect to additional and specific information that would contribute to a good analysis of the conversion opportunity. As stated earlier, no two businesses are identical. Cooperative developers will have to use their training and work experience to determine what information is necessary and the level of analysis appropriate in this phase to complete the feasibility study for each client undertaken. The feasibility determination for some applicants will be relatively easy, while others may be much more difficult based on the individual circumstances of each business enterprise. Hopefully this Toolkit helps to streamline many aspects of the information gathering and frees developers to focus more on the analysis of what the information tells them about feasibility if the business transitions to a new ownership structure.

Potential Partners in Feasibility Review

This is also a good time to involve other partners who would likely to be involved in the actual conversion of the business to a worker cooperative. Prime candidates as partners are potential

lenders and cooperative attorneys. Other potential partners, depending on the scale of the initiative, could include the Democracy at Work Institute (DAWI), other cooperative development organizations, and even other TA providers who may have specific expertise on worker cooperative conversions. A more in-depth description/conversation could take place about such matters as the likely proposed structure, financing required, and terms offered. The sooner they are aware and/or involved, the greater the potential that one or more of them could collaborate with the developer in addressing potential issues that the company may face and/or suggesting alternative approaches that may improve the chances for a successful transition to a worker cooperative.

If the conversion project appears feasible... then the process should move forward to the business planning phase. The information gathered, reviewed, and analyzed in this phase will provide the basis for the completion of the business planning process.

If the conversion project does not appear to be feasible... the client should be informed of these findings and the results should be discussed. The developer can suggest ways for the client to strengthen the application – i.e., improve feasibility – if the client continues to be interested in a conversion scenario.

Cooperative Conversion Technical Assistance Feasibility Study Process

Steps to Follow

The business should have already cleared the initial review process and a decision to move forward with a feasibility study is warranted.

1. Review the information obtained in the initial screening process to develop the following:
 - a. List of additional questions and information that needs to be obtained
 - b. Generate a brief outline of the work to be completed in the feasibility study
 - c. Estimate the amount of work/time required to complete the feasibility study
2. Contact applicant to discuss proceeding with the Feasibility Study process
 - a. Outline the type of information that will be requested and note the responsibilities of the applicant and consultant
 - b. Agree to the proposed work to be completed, timeframe and parameters of the study
 - c. Follow up with applicant and outside sources of information as necessary to gather the appropriate information
3. Initiate the feasibility study for the project
4. Note specific points of feasibility in the following sections (or others as appropriate)
 - a. Product and/or service are viable in the marketplace and meets (or could) needs of the consumer or targeted market
 - b. The business has a reasonable chance for success against existing or potential competition
 - c. Provide an overview of the industry in regards to its direction (growth, stable, stagnant etc.), issues and opportunities, any significant developments, barriers to entry, and other appropriate items
 - d. Review the existing or proposed business model for soundness or limitations
 - e. Note management and personnel requirements and proposed employee ownership /cooperative component
 - f. Outline any environmental, regulatory or intellectual property issues

Proposed Outline for Co-op Conversion Feasibility Study

- 1) **Introduction**
- 2) **Product/Service** - Outline the product and/or services offered (or to be offered). Note significant benefits and the needs they fulfill
- 3) **Technology** - Note significant technologies and what advantages are provided by that technology to the customer and compare to those offered by the competitors.
- 4) **Market & Environmental Issues** - What are any over-riding issues and concerns in the business' primary market? Are there any environmental issues that can impact the industry in which the business currently or expects to operate? What is the size and scope of the industry in the region (or geographic space served)? What other factors could have potential industry impact in the region?
- 5) **Competition** - Identify the major industry competitors in the region? What are their strengths and weaknesses? Who services the types of clients that are (or intend) to be serve? What opportunities (perceived) exist within the market place?
- 6) **Industry** - What is the status of the industry in general and specifically in the region (or scope of the business)?
- 7) **Business Model** - Define how the business will operate and the advantages the business has or will bring as compared to the competitors.
- 8) **Marketing & Sales Strategy** - Outline strategy to successfully market and sell these services to the region (market)
- 9) **Production and Operating Requirements** - What are the overriding requirements to operate the facility as is or proposed?
- 10) **Management and Personnel Requirements** - What skills sets and level of personnel will be needed to complete the various tasks association with completing all required items to make the operation be successful? Is an adequate staff in place? If not, how will the individuals be recruited and what training will be required?
- 11) **Employee Ownership Component** - How does the employee ownership component play into this model? When are they invited into the cooperative membership? When do they gain a voting stake in the operation? What seats do they have at the board? Define the roles/responsibilities of the union, management and workers. If a union is involved, what benefits does the union drive to the workers? How will the union handle negotiations with management, when ultimately both parties represent the workers in this business model (union represents them as workers, and management represent them as worker-owners)? What cooperative ownership training is to be provided?
- 12) **Intellectual Property** - Note any intellectual property issues within the company or at a competitor.
- 13) **Regulations/Environmental Issue** - What local, state and national regulations come into play within this industry? What hurdles need to be overcome (or have already been covered)?

14) Critical Risk Factors - What are the critical risk factors that have to be addressed to sustain the operation? How are these addressed within this operation? What contingency plans are or will be developed to provide support should the operational plan should fail?

15) Financial Projections -

Balance Sheet

Income Statement

Cash Flow

Break-even Analysis

Capital Requirements & Strategy

16) Findings & Recommendations

17) Conclusion

PRIVATE BUSINESS CONVERSION TECHNICAL ASSISTANCE APPLICATION

Please fill out this form as completely as possible. Questions apply to both businesses and development projects. For information that does not apply to your organization, enter "N/A" for Not Applicable. If you have questions, please contact _____, at _____. Return the application to Technical Assistance Application, c/o XXXXXXXXXXXXX. You may also deliver the application via email to _____@_____.

I. BACKGROUND INFORMATION

Full Legal Name of Applicant _____

Mailing Address _____

City _____ State _____ Zip _____

Legal Address (if different) _____

City _____ State _____ Zip _____

Phone _____ Ext _____

Primary Contact Person _____

Title _____

Phone _____ Ext _____

Type of Business or Project (retail, manufacturing, service, construction, etc.) _____

Product Line(s) _____

Discuss proposed changes in your organization; Conversion _____

AND, Expansion if applicable _____

Geographic Market or Target Area _____

Primary Consumer Group or Neighborhood Focus _____

Other Company/Organization Affiliation or Sponsorship _____

Referral source _____

II. **LEGAL STRUCTURE**

Current Legal Structure

_____ Partnership _____ Sole Proprietorship _____ Other _____

_____ Corporation/ LLC -- If a corporation or LLC:

State of Organization (filing) _____ Date of Organization (filing) _____

For Profit _____ Non-Profit _____ C Corp _____ S Corp _____ LLC _____

Ownership Structure (specify persons or entities having 10% or more ownership):

Current	%	After Transaction	%
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total of All Owners with <10% _____		Total of All Owners with <10% _____	

- A. PLEASE INCLUDE A COPY OF THE ARTICLES OF INCORPORATION/ORGANIZATION AND BY LAWS WITH YOUR APPLICATION.
- B. PLEASE INCLUDE RESUMES OF KEY EMPLOYEES WITH YOUR APPLICATION.

III. BUSINESS OR PROJECT INFORMATION

A. Give a **brief description and history** of the business or project up to the current time. Include major changes in growth, cutbacks, funding, ownership, product, service, etc., that the organization has experienced up to now. Also highlight any additional cooperative training, guidance or support that you have received since the initial intake document was submitted. Please summarize how this has improved your understanding of the cooperative model and how this has impacted your decision (positively or negatively) to pursue operating under this business model.

B. Identify **major suppliers** by name, location, phone and what they supply to the organization.

Name _____

City _____ State _____ Phone _____

Items Supplied _____

Name _____

City _____ State _____ Phone _____

Items Supplied _____

Name _____

City _____ State _____ Phone _____

Items Supplied _____

C. Identify major customers by name and location. Estimate their % of your total annual Revenue.

Name _____ % of Revenue _____

City _____ State _____ Phone _____

Name _____ % of Revenue _____

City _____ State _____ Phone _____

Name _____ % of Revenue _____

City _____ State _____ Phone _____

C. Identify **major competitors** by name and location, and indicate their size (larger/smaller/same size).

Name _____ Lg/Sm _____

City _____ State _____ Phone _____

Name _____ Lg/Sm _____

City _____ State _____ Phone _____

Name _____ Lg/Sm _____

City _____ State _____ Phone _____

D. Identify any legal action(s) currently pending against or involving the company or project. Explain the present standing of any such legal action or litigation. Identify the companies = or projects = legal counsel in that action.

E. List any trade association, community coalition, or other community organization in which your organization is an active participant.

F. Outline the primary areas of risks that your organization faces.

G. Outline what are doing, or intend to do that will negate such risks.

IV. TECHNICAL ASSISTANCE (TA)

a. Have you received any organizing, operational or management assistance, including training, from outside consultants in the past three years?

_____ Yes _____ No

If yes, please explain the purpose of the TA, approximately when it took place, and its effectiveness in addressing the problem or need.

b. Please identify any current or on-going needs the organization has that could benefit from TA now.

V. WORKFORCE

	<u>Current Number</u>	<u>Projected in 12 Months Number</u>
Men	_____	_____
Women	_____	_____
Caucasian	_____	_____
African American	_____	_____
Hispanic	_____	_____
Asian	_____	_____
Native American	_____	_____
Other	_____	_____
Total	_____	_____
Manager/Admin.	_____	_____
Professional/Technical	_____	_____
Operator	_____	_____
Clerical	_____	_____
Service	_____	_____
Skilled Crafts	_____	_____
Transportation	_____	_____
Warehouse	_____	_____
Maintenance	_____	_____
Other (Specify)	_____	_____
TOTAL	_____	_____

(Annualize part-time earnings to full-time equivalent)

	<u>Current Number</u>	<u>Projected in 12 Months Number</u>
Under 10,000	_____	_____
\$ 10 - 15,000	_____	_____
\$ 15 - 20,000	_____	_____
\$ 20 - 30,000	_____	_____
\$ 30 - 40,000	_____	_____
Over \$40,000	_____	_____

Provide in the space below any other significant changes or information concerning your workforce, and/or personnel practices. If a union or unions represent any of the workforce, list the union(s) along with the current contract's expiration date.

Questions pertain to both present and/or proposed legal structure

_____ Check if this page DOES NOT APPLY to our organization.

- a. Number of members _____
- b. Size of Board of Directors/Trustees _____
- c. How are Directors/Trustees selected? _____
- d. Number of outside members on Board, if any _____
- e. How are outside members elected/selected? _____

f. Are employees represented on the Board? Yes No

If yes, how so? _____

g. Do employees participate in organizational decisions? Yes No

If yes, briefly describe the participation process _____

h. Will all permanent employees (be) members of the cooperative? Yes No

If no, explain: _____

i. Will all permanent employees have one share of the cooperative's stock? Yes No ___

j. Will all permanent employees have one vote in electing Board of Trustees? Yes ___ No ___

k. How will profits be distributed? (On the basis of patronage, i.e. the amount of work performed, as measured by salaries or hours worked, or another formula?) Explain.

l. Will the By-Laws contain a system of internal capital accounts? _____

m. Length of probation for new employees prior to opportunity for membership _____

n. Proposed membership share (amount): _____

o. Any explanations or exceptions to the above: _____

VI. SUMMARY OF FINANCIAL SITUATION

(Where appropriate refer to project proposal if provided.)

a. Projected a listing of existing debts (if different from latest statement) and anticipated additional cost of capital items (equipment, buildings, etc.) under your proposed plan:

b. Potential collateral availability (indicate mortgage deed and/or property, existing liens; for equipment or vehicles and the like indicate description, manufacturer or brand name, model and serial number, date of acquisition, original cost, present condition, depreciated book value, estimated current market value, and any existing liens). *Attach a separate sheet if necessary.*

c. List all current LENDERS (including name, contact person, phone number, amount outstanding, interest rate, maturity date, and collateral held):

d. Please provide an **income statement, balance sheet and cash flow statement** for the **past three fiscal years** in addition to **interim statements for the current year**. Also, please include a report showing the aging of accounts receivables and accounts payable.

e. Please provide three years of proforma income statement, balance sheet and cash flow statement, which identifies and incorporates all anticipated new debt and sources. Please list the assumptions used in preparing the proforma report.

f. If any independent prepared financial statements for the past three years are available, please provide them.

g. If a prior business plan is available please provide it.

h. Please describe any special circumstances surrounding your proposal (i.e. construction timeline, bankruptcy proceedings, buy-out commitment deadline, drawdown constraints on committed funds, etc.)

VII. REFERENCE INFORMATION

Provide the name, address, and phone number for the company or organization:

- a. ATTORNEY:

- b. ACCOUNTANT:

- b. BANKER:

- c. OTHER CONSULTANTS:

VIII. TECHNICAL ASSISTANCE CHARGES

I/we understand that the Cooperative Developer (CD) will conduct an initial screening of this application and will make a determination in regards to proceeding with completing work on the underlying project. If technical assistance is provided, I acknowledge that CD will charge the applicant(s) \$X,X00.00 to complete a feasibility analysis/study on the project. The applicant(s) agree to pay 50% of the cost of the feasibility study prior to the initiation of the work and 50% at the completion/delivery of the study. If the feasibility analysis/study indicates that the underlying company has a good chance to be successful, then CD will proceed (with applicant(s) concurrence) with the completion of a business plan. I/we understand that the applicant(s) will be charged (\$X,X00.00) for the completion of the business plan. The applicant(s) agrees to pay 50% of this cost at the initiation on the work and 50% at the completion/delivery of the plan. Any additional technical assistance provided be CD may result in additional charges to the applicant and would be agreed to by both CD and the applicant prior to any such work being undertaken.

The applicant(s) understand(s) and accepts the above outlined charges and terms (please initial) _____/_____

The applicant(s) understand(s) the above charges and terms, however, suffers from an economic hardship and would like to apply for a waiver or deferral of the above referenced charges (please initial) _____/_____

Name of person(s) submitting Application _____

Signature of person(s) submitting Application _____

Date _____

CHECKLIST

[Indicate N/A where Not Applicable]

Included with Application

- Articles of Incorporation _____
- By-Laws _____
- Past Three Years Financial Statements _____
- Current Year Financial Statements _____
- Proforma Operating Budget _____
- Independent Financial Statements _____
- Key Employee Resumes _____

Section #3 Business Planning Process

Overview

As noted after the two previous work phases, the business planning process will be different for each enterprise based on the complexity and circumstances of the underlying operation. For example, the business planning process for a relatively small commercial bakery operating in an affluent urban area will likely be less complicated than the business planning for a high-end engineering company operating in a highly competitive worldwide market. This Toolkit provides an outline for a Business Plan, but it's assumed that experienced cooperative developers will have to draw on their own career experience and knowledge base to determine the depth and scope required in each individual business planning process.

Once the business planning phase is successfully completed, the company should be ready to proceed with the conversion of the entity's ownership structure to a worker cooperative. Assuming that the developer has already involved other partners (i.e., lenders and cooperative lawyers suggested in the feasibility analysis stage) it would be an appropriate time to focus on discussions with these and other players who should be involved in the final phase of the conversion process...the actual transfer of ownership to the worker cooperative structure. There may still be a "punch list" of items to be addressed, but it should be relatively short and would likely not contain items that would be critical to the final conversion.

Key Steps in the Business Planning Process

The business should already have a completed feasibility study (Section #2) that outlines the business planning process.

- 1) Review the information obtained in the feasibility study process to develop the following:
 - i) List of additional questions and information that needs to be obtained
 - ii) Develop a brief outline of the work to be completed in the business planning phase
 - iii) Estimate the amount of work/time required to complete the feasibility study
- 2) Contact applicant to discuss proceeding with the business planning process
 - i) Outline the type of information that will be requested and note the responsibilities of the applicant and consultant
 - ii) Agree to the proposed work to be completed, timeframe and parameters of the study
 - iii) Follow up with applicant and outside sources of information as necessary to gather the appropriate information

- iv) Initiate the business planning process for the project
 - v) Complete a thorough review of all aspects of the business planning as appropriate and work with client to begin to make the organizational changes that will be necessary to successfully complete the conversion of the business to a worker cooperative.
- 3) Complete a thorough review of all aspects of the business planning as appropriate and work with client to successfully complete the conversion of the business to a worker cooperative.
- i) Outline the findings and recommendations to be presented to the applicant
 - ii) If the project does not appear to be feasible during this process, report findings, company information and recommendations to the Applicant for review. At this point, the developer can provide guidance to Applicant as to potential ways to strengthen the project application if the Applicant wants to continue to work on a conversion to worker ownership.

Suggested Outline for a Business Plan

1) Executive Summary

- a) Objectives
- b) Mission
- c) Keys to Success/Recommendations

2) Company Summary

- a) Company Ownership
- b) Company Mission
- c) Company Outlook/Expectations
- d) Company Location and Facility Requirements
- e) Perspective Locations

3) Products and Services

- a) Product and Service Description
- b) Competitive Comparison
- c) Fulfillment
- d) Technology and Process

4) Market Analysis Summary

- a) Market Segmentation
- b) Target Market Segment Strategy
- c) Service Business Analysis
- d) Competition and Buying Patterns
- e) Market Commitment Requirements

5) Strategy and Implementation Summary

- a) SWOT Analysis
- b) Strengths
- c) Weaknesses
- d) Opportunities
- e) Threats
- f) Competitive Advantages and Special Relationships
- g) Marketing Strategy
- h) Sales Strategy
- i) Sales Forecast
- j) Milestones

6) Management/Board Summary

- a) Personnel Plan
- b) Employee Ownership Outline and Plan
- c) Outline Board of Director Procedures/Interaction with Company

7) Financial Plan

- a) Business Assumptions
- b) Break-even Analysis
- c) Projected Profit and Loss
- d) Projected Cash Flow
- e) Projected Balance Sheet
- f) Projected Financing Plan

8) Financing Plan

- a) Financing Requirements
- b) Financing Alternatives
- c) Financing Priorities
- d) Financing Timing

9) Overall Summary

- a) Outline Challenges and Opportunities
- b) Provide Detailed Recommendations to Address the Same
- c) Provide Timeline and Milestones
- d) Detail Implementation Summary