

TO BUILD UP A NEW LOCAL/REGIONAL CO-OPERATIVE DEVELOPMENT AGENCY

**Jan Forslund, managing director at Coompanion
Co-operative Development Agency in Stockholm**

INTRODUCTION

These guidelines on how to create effective and sustainable support structures for co-operative business activities are based on experiences primarily from Sweden but also from some other European countries. Since the eighties there exists in Sweden a support structure "Local Co-operative Development Agency's" (CDA) which is evaluated, recognized and legally regulated by the Swedish government and parliament and partially financed by the state. The following instructions are based on experiences from this structure.

Co-operative Development Agencies (CDA) which were created in Great Britain have been a source of inspiration for the co-operative movement in Sweden and thereafter in collaboration with the public sector been further developed.

The bases for local economic and co-operative development

The task of a CDA is to work for the creation of new co-operative business activities or companies with similar organisation and objectives. Such a work has to be accomplished simultaneously on different levels in order to support the development in a most efficient way. Below you will find a short discussion about general pre-conditions for local co-operative development

The will for co-operation and solidarity when it comes to business activities are to be seen in the perspective of society. Co-operatives cannot be created from the top level. The base has to be the individual needs, interests and initiatives. This universal awareness is to be valid in every country and every context. Thus a support structure for co-operative development is to be based on a bottom-up perspective as well as on requirement and market perspectives.

Prerequisites for local/regional co-operative development in a country – (CDA)

Prerequisites on different levels

Methods used by CDA

Requirements of individuals and guidance - the market

Mobilization, information,

Collective entrepreneurs, enthusiasts

Creation of networks and different kinds of support

Collective preparedness to take action

Collective method of working, promotion of co-operation

Liberal culture and encouragement

Show and promotion of good examples

Legal prerequisites, rules and regulations

Amendments of laws/regulations, political influence

The picture above: A CDA always is to have the requirements as the starting point, to encourage individuals and groups and in these groups to promote and further develop the collective entrepreneurs. Processes in the official and civil society that promote a habit or preparedness to “come together” in order to satisfy individual or common requirements should be promoted by a CDA

TO BUILD UP A CO-OPERATIVE DEVELOPMENT AGENCY

To develop support structures for co-operative business activities

How can the support preferably be organized, and how to build it up in practice? There's a lot to be learnt from the Swedish example with the local co-operative development centres (CDA). In Sweden all 25 existing local CDAs are organized in the national organization “Coompanion”. The distinctive character and the strengths of the system can be traced back to a number of interacting elements. According to Yohanan Stryjan, a member of the board of Coompanion Stockholm, these elements are:

- National public financing, which guaranties a minimum of stability and continuity, (and by that credibility towards other parties).
- Demand for co-financing from local and regional operators that forces every CDA to strengthen its local acceptance and consequently counterbalance a unilateral dependency on authorities which is often the result of central grants.
- A flexible federative structure that gives every CDA the scope needed to meet local demands at the same time as relations with governmental institutions. are handled in a co-ordinated way.

The professional fellowship that unites the staff of a co-operative society in a professional organization of co-operative advisers, and develops, maintains and transfers their joint knowledge and competence.

“The success of this model shouldn’t be given credit to a single factor. Instead its strength is the good balance between all the elements.(This will be further discussed below in chapters 3 and 5). The complex balance has emerged gradually, to a great extent spontaneously, and as a result of amendments and adjustments when the different elements were collected and checked against each other.

(Note: Professor Y Stryjan’s entire publication about CDA is available in various languages)

The CDA model should be developed through a broad national and regional co-operation.

Start as a project

It’s suitable to start up the CDA development as a project on national and/or regional level during a period of at least 3, or rather 5 years. Try to get a broad political mutual understanding about the project in order to minimize irregularities and uncertainties regarding the project objectives, direction and funding. If the project is national it should also be bound to local/regional ties.

One way of getting started is that the national level announces a project bidding procedure and that the region offers certain resources (see below). Financers and principals could be the Ministry of Industry, Employment and Communications, the Ministry of Health and Social Affairs or the Ministry of Labour In certain cases international funds within the EU, US and UN are appropriate.

The model should be evaluated in the middle of the project period, preferably by somebody with university degree to ensure a high quality and legitimacy; thereafter relevant corrections can be made. By use of the method “Social accountancy” the values and objectives of the project can be secured and developed and “Socio-economic balancing of accounts” can be used for analysis of financial effects on national level. Both methods are used in the social economy in Sweden and in Europe.

Think big!

Local/regional partners that develop CDAs will have much to benefit from learning from each other’s experiences. It’s therefore suitable to start minimum three CDAs at the same time. In that way the development resources will come to best use.

Get the most important partners together

The development of a CDA must have a base built on genuine interest from both the national and regional partners. It is a common way to develop a CDA in close collaboration with or even as a part of the national and regional co-operative movement and also with other organizations which promote different types of business activities.

The co-operative companies are often organized in alliances or federations. However, if the project is primarily initiated by central authorities, they have to make an effort to find staff and partners with forceful personalities and a genuine interest and who are embracing the co-operative values. The member group of a CDA can consist of many different partners and the legal form can vary.

- Existing co-operative companies
- Local/regional authorities
- NGO's (associations and foundations)
- Education institutions - for instance universities
- Interested individuals

Concentrate on active boards of directors and competent advisers.

The members of the boards should pay study visits and inform themselves about other people's experiences, in their own country as well as in other countries. Beside study visits, films and development seminars are important means for learning. Each CDA should have two educated advisers. It is better with two advisers who work half-time – than one who works full-time.

The advisers, and also some board members, should be trained to get basic competence within minimum the following areas:

- Objectives and contents of the different types of companies
- Co-operation – values, principles, variations and examples
- How to create a co-operative from idea to start
- Group processes, teaching methods and mobilization techniques
- Business plan, price-fixing and business economics
- Organization and leadership
- To create, manage and further develop a project

There are course concepts and training programmes developed for co-operative advisers in several countries, among others Sweden and Great Britain. From these countries you can engage course leaders and get material for translation into your own language. In the final chapter of this manual there is a short description of the areas of counselling concerned. Beside knowledge of the relevant subjects the advisers shall have social competence.

Develop own tools – based on experiences

Beside an experienced board of directors and competent advisers a CDA requires some other practical tools, such as printed material and a network of competent persons.

Important resources are:

- A document in which it is described how to create a co-operative from idea to start.
- Templates for a business plan, an initial budget, a liquidity budget and a budget of result.
- Documents describing legislation, rules and regulation, and relevant forms
- Descriptions of successful examples from a number of different sectors and lines of business
- International experiences and examples
- A document and a web page describing the CDA and what services it offers
- Forms for reports, group contracts and basic information for the social accountancy.

The undersigned who in 1987 took part in the establishment of a CDA in Stockholm and during the first four years' period was a member of the board and since then has worked as adviser and manager of Coompanion – co-operative development in the administrative province of Stockholm, do hope that these experiences and recommendations can be used in order to spread the CDC model to other countries, adjusted to the respective national and local conditions.

Do not hesitate to contact Coompanion to get offers for common projects, training activities, material production and study visits.

This manual has been developed and reviewed by a group of experienced consultants in Sweden – please find their names on the last page of the manual.

Find and develop the collective entrepreneurs

There are interacting terms between the collective entrepreneur (the enthusiast), the group (the co-operative) and the local social arena. The social playground is functioning as the forcing-bed of the co-operative where collective or social entrepreneurs can play leading roles for a new co-operative development. It is impossible to train oneself to become an enthusiast or entrepreneur. However, in the right environment many people can develop to become one.

Creative environment and good meeting-places are important elements for the foster of co-operative development.

Organizations of farmers, young women, different occupational groups or similar groups can be partners in this work.

The CDA shall strive for identification of the entrepreneurs and create preconditions for their activities. During the counselling process those individuals who have the ability to inspire other people to take an active part in the work and who can combine democracy/commitment with co-operative efficiency shall be encouraged to become leaders. Women's competence, pattern of behaviour and experiences are often undervalued in this process.

There is a risk that the enthusiast becomes a fixer and burns out. Most entrepreneurs do not belong to the collectivist type. Both unions and small companies have been created by individual entrepreneurs who as soon as they leave the project, leave behind a group without organization and without knowledge or ability to take action. That's no way to create a sustainable co-operative.

Teamwork - of course we shall co-operate !

In addition to the entrepreneur, who can be one person or several persons in a group, "the Group" has to have a collective ability to take action. This is a matter of fact both before, during and after the start of the co-operation. The social network and the practice of community which are created through local society activities constitute preconditions for the development of trade and industry and local political democracy. Good circles arise in communities with a high degree of co-operation,

confidence, mutuality, civil concern, collective comfort and well-being. The obstacles to the development of new co-operatives consequently are:

- Lack of local and regional arenas/ social rooms
- Lack of collective entrepreneurs
- Lack of experience and practise of joint troubleshooting/ collective preparedness for actions/organizing

How to overcome these obstacles?

The principal basis is an active local community with many meeting places, networks and associations (NGO) built on peoples' needs. If these activities of a society also include financial activities and is a part of the social economy the prerequisites are good.

Authorities, companies and organizations which strive to remove obstacles should invest in the establishment of meeting places where people can come together in larger groups and in an environment where long term contacts both informal and formal can be created. Financial support to non profit and cultural associations, development seminars and public meeting places are important factors.

There are big differences between organizations in different countries. In the Scandinavian countries there are popular movements/ non-governmental organizations, for example the sports movement. In other countries the sports movement is almost completely converted into business companies. In some countries the work and activities of the society have a limited role and limited freedom of action. In these countries a CDA can contribute to stability, a peaceful and democratic development process.

Some countries lack or have a limited number of free associations. Here it's of great importance that the new collective idea is promoted and spread amongst people. In the CDA strategy shall be included the promotion of NGOs, to create opportunities to meet and discuss in premises that do not cost a fortune to rent and that authorities have positive attitude to the development activities.

The adviser can persuade "the prospective entrepreneurs" to take the initiative

If the collective strategy is at a too low level, the group poorly united or if the enthusiast can't get the rest involved in the work, a skilled external consultant can be crucial for the success of a project. He/ she can provide the right tools required - among other things an internal investment of resources and a process analysis - to create the co-operative and find the right solution for organization and leadership suitable for that particular group.

It's important that "the prospective entrepreneurs" get access to the free of charge co-operative counselling and that the co-operative advisers can assist the group to carry out resource analyses and promote co-operative processes

Co-operatives are popular.

When media, important moulders of public opinion and successful co-operators appear and speak in a positive way about co-operative prospects and the good co-operative examples, mental and practical prerequisites for co-operative development are created.

A CDA must therefore actively contribute , preferably together with other partners, to:

- Document and spread good and successful examples through books, films, brochures and at conferences, study trips and via web pages.
- Try to influence media to do the same
- Involve the creators of public opinion such as politicians, culture personalities and civil servants in the work.

In this way the CDA supports peoples´ ambition to cover their individual needs through a collective operation. Still some formal obstacles remain that can slow down the process, which is discussed in the next chapter.

Preventive laws and rules that can be removed or reduced

On an overall level of society there are often several obstacles to the development of new co-operatives. First and foremost this prevents the creation of new co-operatives, but also renders difficulties in the start up process. Some of the obstacles relates to laws and regulations, decisions made by politicians and civil servants. Other hindrance can be found in the culture , in the minds of the co-operators and in the world around.

Common hindrance with authorities, banks and trainers

- Inadequate knowledge about co-operatives and the juridical form of co-operatives
- Prejudices against co-operatives
- Discriminative rules or rules that's not adapted for co-operation
- Slow process concerning changes in rules and attitudes

Examples from Sweden are unclear conditions for unemployment compensation, suspicious or negative attitude at certain banks and enterprises when co-operatives want to borrow, lease or get small credits. Other examples are lack of information about co-operative solutions from the authorities and the absence of information about co-operatives in study material.

In some other countries laws adapted for co-operatives may be missing and there may exist a suspicion about the co-operative ideology and principles. In countries where strong political parties or the state have a dominant role it can be difficult to uphold the co-operatives´ autonomy and independent action on the market.

Representatives of the state, sometimes with the best intentions, try to control the co-operative which unfortunately may hamper the initiatives and the will of the members to do their utmost.

How can these obstacles be removed?

Obstacles on a structural/social level have to be removed through long-term work. A co-operative group which encounters legal obstacles often has to live with them. The regulations of the insurance systems cannot always be evaded without causing new problems. For example in Sweden the responsible leaders of a small workers' co-operative are not allowed to belong to the trade union unemployment benefit fund. However, this can be solved but not without big problems for the parties concerned.

In the long run attitudes, laws and regulations can be change by means of information and lobbying such as:

- Co-operative influence of public opinion via own and other media (papers, TV, web etc.)
- Co-operative information and education within authorities and the educational system
- Co-operative lobbying towards decision-makers on local/regional/national and EU levels.
- Co-operative organizing on local, regional and national level.
- Co-operative financing through own banking and other co-operative credit institutes.
-

The CDA should have very good relations with political decision-makers.

The requirements – eight important preconditions to start a co-operative *(This section could be produced as a separate instruction)*

Requirements and will
Market
Business idea
Knowledge

Social competence
Co-operative attitude
Everybody's commitments
Money

There must be a clear demand for the co-operative membership. The individuals are to be convinced that it is favourable to be a member. If they are forced to be members it will usually lead to failure. There must also be a demand on the market with customers who are prepared to pay enough for the products or the services offered and a business idea which is clearly worded to the customers.

In order to meet the demand the CDA has to provide free of charge (or at a very low cost) information and guidance from idea to start. Those who intend to start their own firm, and this is also valid for co-operatives, often do not know how to organize the business and the production of the company. They often also have little knowledge about financial and accounting systems, marketing and insurance matters. They need more information about laws and regulations concerning taxation, employment, consideration for environment and the preconditions of the specific business sector .

The advice process – from idea to start

Each CDA makes its own adjustments of the advice process to fit the demands of a specific group. The most important thing is that the adviser always supports the group – especially when other actors in fact are paying for the advice. The adviser shall thus be competent enough to support the group during the work process described below which requires knowledge in group processes, management and co-operation.

The adviser uses the principle “help to self-help” and works all the time with the method to activate the participants themselves to do what has to be done. In this way the group’s ability to take actions and independence will grow. The adviser is a consultant who is absolutely prevented from making the group dependent of himself/herself. Those who are dependent cannot run a company. In the following you will find an example of the process:

The first contact

The first step is to get in touch with the local CDA to agree about a meeting for advice (free of charge) This is of course based on the fact that the activities of the CDA already are well-known to many people, authorities, co-operatives and other organizations in the region in question. This initiative is taken by an individual or a group with the ambition to discuss an idea with the adviser, to find out whether the idea is good or not and if it is possible to realize it within a co-operative company. In order to save time and force the group to a more precisely formulation it is better that the group presents a written description of the idea, the enthusiast, the group and its resources.

At the first meeting the adviser makes an agreement with the group in which the respective roles are clearly settled, what kind of support the group may obtain from the CDC – or what kind of support they cannot obtain from the CDA. Everything has to be based on a defined adviser technique, be based on the co-operative values and the existing agreement between the CDA and its partners, among others the financiers.

From idea about field of activities to a business concept

At this stage the idea about field of activities may be more or less close to reality. However, during the initial meetings with the CDA-adviser the business idea shall be thoroughly discussed and further developed to constitute a meaningful base for the establishment of a co-operative. It is important to analyse whether a market exists at all. If yes, who are the future customers of the co-operative and what requirements do they have that can be met by the co-operative. The market analysis shall include an identification of the most important competitors of the co-operative. Why is the new co-operative expected to be more successful than the competitors? What is notable with the business concept of the co-operative – what makes it unique – why is it expected to be more successful than that of the competitors? Finally, it should also be discussed which possibilities there are for long-term and short-term development.

The adviser assists the group with the analysis and recommends study material and external resources from authorities and different organizations.

From business concept to business plan

There is a lot of ways to describe a company's business plan. Below please find some headlines of an ordinary structure. The models used by traditional business consultants do not usually comprise the unique mix of the entrepreneurship and the democratic group process of a co-operative. A CDA should therefore offer adjusted documents and manuals for co-operatives.

- Business concept
- What does the company offer?

- Market prerequisites
 - Customers
 - Market
 - Market variation, changes in the surrounding world
 - Competition
 - Market survey

- Market strategy
 - Product/service
 - Marketing
 - Business process – customer contacts
 - Supporting activities
 - Price policy
 - Premises, location
 - Image
 - Intangible protection. Special permits?
 - Competence and circle of contacts
 - Strong competition advantages

- Production
 - Business – Main activity
 - Resource requirements
 - Inner and outer environment. Permits
 -

- Financial development
 - Budget
 - Start up strategy
 - Business ratio

- Strong and weak points

Advisers provide the group with a guide on how to develop a business plan. It is important that the form doesn't "direct the work" but that the energy in the group is focused on the contents of the company and expected future business. Entrepreneurs are often practical minded and want to go ahead soonest possible.

From project group to co-operative entrepreneurs

At the initial stage the prospective co-operative consists of a number of initiators. It is not sure that everybody is of the same opinion when the idea becomes more evident and it might happen that some members of the project group take the decision not to

join. It may also already now be evident that due to some missing competence it will be necessary to enlarge the member group in the future.

From the beginning it is important to settle questions concerning the members' knowledge, competence, time and engagement at disposal.

The adviser helps the group, in the way that only an outsider can do, i.e. to put the important and difficult questions – which sometimes are delicate, to raise.

Project planning - the concern of everybody

The process up to the start of the co-operative has to be carefully planned. All steps from idea to start should be written in a plan, in which shall be included information about the responsible person for each step. A realistic time plan is necessary. In the time plan should be stated which contacts to be taken, how the work shall be documented and which practical questions to be solved. It is not unusual that more training and support are required.

Training can be implemented in the form of a study circle (a Swedish group-study method) with the CDC-adviser as participating expert during important meetings.

Resources of the surrounding world

The CDC is the first external resource of the prospective co-operative. However, there might be other forms of financial advice, information and other support from the society for the company establishment. It is advisable to map out the organisations and enterprises in the community and if some of them could be of any assistance.

There are also books, written directions, courses / training and sources of information on the internet.

The adviser should lead the group members to find the right contacts by assisting them to organize their own active work to find these contacts.

Contacts with other co-operatives and other enterprises

Contact with local / regional co-operative alliances and with the trade organization of the co-operative are important as well as contacts with other co-operatives and with the CDA. If the co-operative has employees it is necessary to have contact with an employers' association, an insurance company and other resources where they have experience and competence concerning co-operative enterprises. These contacts are an important part of the future network of the co-operative.

A CDA is closely connected with the co-operative environment and its contacts.

Financing

The group needs financing of the project phase, the establishment of the enterprise / registration, payment of certain achievements, the initial investments in premises / inventories and possibly stock and some marketing activities. The adviser

assists the group in the preparation of their first business plan, among other things how to make a cost calculation and pricing. At the start of the business a base for the first budget must be settled including result- and liquidity budgets. Before the start of the business it is necessary to calculate the own investments required and to decide the size of the investment. This may influence who are capable and willing to become members. It has to be considered if there is a long- or short-term credit requirement, the size of the credit and where to apply for credit.

The adviser safeguards that all members of the group understand business economics to a certain extent and that a couple of persons, the economy responsible person and some other representative get a deeper knowledge. When it comes to contacts with banks and authorities it is useful to train some representatives in role plays.

Company start –formal steps

The group has to discuss and decide the name and the type of company which is most suitable for the business concept. In Sweden the most common company form for a co-operative is an economic society. It is important to make clear to oneself the real meaning of an economic society and a co-operative.

A co-operative shall have by-laws (alternatively articles of association (if a limited company) and the company shall be registered at a proper authority – in Sweden it is “Bolagsverket”.

Registration fees and contact with the taxation authorities differ between different countries. A co-operative shall have a board of directors, auditors and other bodies.

The essence of the co-operative is the members / the part owners. At this stage the representatives of the project group have to decide whether they will become members or not. Some representatives will leave the group and others will join.

The adviser shall totally avoid to perform any own formal mission in the co-operative and shall absolutely not force the group to make decisions about any particular company form, membership, body or by-laws that they do not prefer.

The CDA shall provide instructions, examples, templates and other material that simplify the registration. See further information on the last page of this document.

Management and organisation

How shall the company be managed and does the group agree on the principles to be valid. This concerns for example the balance between democracy and participation versus efficiency and economy. It is important to maximize the different components in order to optimize the capacity of the co-operative. The roles and power of the board of directors, the general assembly and other bodies and the situation of the employees should be discussed.

The adviser takes the group's ideas as his starting point and assists them to put the co-operative values and experiences in relation to other organisations.

Work organization, leadership and roles

It should be considered how the daily work shall be organized, how the division of tasks shall take place, how to run the co-operative and how to share the responsibility. Important questions are the organization of the work, routines and responsibility for the accounting, financial planning and follow-up and how the co-operative shall handle the marketing.

The adviser supports the process and recommends the group to visit and make interviews at other co-operatives.

Guarantee of quality

The operations of the cooperative have to keep a certain standard. There are in most cases national and international standards that the co-operative has to or should follow.

The adviser provides current information

Marketing, information and social accountability

Before the establishment the company has to find its sales channels and via them introduce itself on the market in a suitable way. How do competitors and other companies in other places act? The company should also, especially if it is a big company, find internal and external information systems. A method is now developed how to evaluate the own activities and how the result of this evaluation is channelled to the partners of the co-operative; Social accountability.

The adviser can give advice and support during the first simple market analysis and assist with a first social accounting.

Sustainable finances

It is required that the business idea of the co-operative is trustworthy and in order to be so it must be financially sustainable. It is important that the business generates incomes which cover the costs and at the same time give the co-operative a reasonable compensation. The financial planning of the company start can be summed up in three budgets:

- Budget of result – Will the co-operative be long-term sustainable?
- Budget of establishment – How big initial capital is required to finance the start up?
- Liquidity budget – How much money is required for each monthly payment?

When the group makes up a budget they should prepare several alternatives as different conditions give different results.

Budget of result

It is often difficult to estimate the incomes. In order to get the best possible picture of the estimated result it is important that the budget is as realistic as possible. The group shall take advantage of the piece of information they have about customers and competitors. The costs shall not be underestimated.

They shall ask themselves the following questions:

- What is the maximum number of customers that they can they serve?
- What is the number of customers required in order to cover the costs of the co-operative?
- What is the size of sales per year in order to cover the costs? What price level is required to cover the costs and what price is possible?
- What are the costs of the co-operative during the first year?

Start-up budget

At the company establishment it is necessary that the co-operative make non-recurrent investments in order to be able to start the activities. In the start-up budget these necessary investments and the initial costs are to be specified.

Liquidity budget

It is primarily at the initial stage favourable to have a careful control of the incomes and payments. A liquidity budget shows the liquidity status of each month, i.e. which payments can be paid by the co-operatives own means.

If the size of taxes and fees are know to the co-operative they should be included in the liquidity budget. If not, it is possible to calculate the approximate size of taxes and fees based on the budget of results.

The adviser assists the group with the financial analysis and supports the group with contacts primarily with banks, other financers, possible financers of the project start and taxation authorities.

Jan Forslund

jan.forslund@coompanion.se

+46 8 447 48 03

+46 70 726 48 03

COMPANION
KOOPERATIV UTVECKLING STOCKHOLMS LÄN

Coompanion - kooperativ Utveckling Stockholms län
Selmedalsringen 19
SE-129 36 HÄGERSTEN

www.coompanion.se
E-post stockholm@coompanion.se

Tel +46-8 – 447 48 00
Fax +46-8 – 447 48 09

Pg 435 36 53 - 1
Bg 5489 - 4217
Org. nr. 802013 - 9740

Transl. 2007 07