



Democracy at Work Institute Development Fundamentals

Worker Cooperative Conversion





Worker cooperative conversions

Key ideas

- A** Who leads?
- B** 5 phases
- C** Baby boomer retirement





What are conversions?

Existing cooperatives

Our business wasn't always a cooperative.



Prospective cooperatives

I'm thinking about making my business democratic.



A developer strategy

Supporting conversion will be more impactful than startup.





Who leads a conversion?

Owner-led



I'm retiring; want to buy the business?

I'm staying; want to join me in ownership?

Worker-led



We want buy the business; will you sell?

We're all leaving you together.

Developer-led



There is a great opportunity here.





Sellers and buyers have different interests, and different concerns.

Owner



Can I sell at good value and reduce income taxes?

Will be employees be ok if I sell to a competitor?

Can my employees *think* like owners?

Workers



Do I want to co-own with this group of people?

What will it mean day-to-day?

Can we afford it?



Owner



We want buy the business; will you sell?

No.

Workers



A developer strategy

Supporting conversion will be more impactful than startup.



The most important element is to help **selling owners** know this can work for them.

I'll invest in supporting **owner-led** conversions





What are the typical phases of a conversion?

Explore



Learn
Motivate key decision-makers

Assess



Check feasibility
Gauge financial and operational needs

Prepare



Design structures:
legal, financing, management, governance

Transact



Legally transition

Support



Build ownership culture
Engage support networks





What are the typical phases of a conversion?

Explore



Varies

Assess



6 months to 1 year

Prepare



6 months

Transact



3 months

Support



Ongoing



Explore

Learn / Motivate key decision-makers



Key issues

- ? What type of transaction is it?
- ? What are the basic legal and financial realities?



Processes

- ✓ Articulate desires, vision, and concerns
- ✓ Learn about other democratic companies
- ✓ Discuss the idea with key stakeholders



Recommendations

- 💡 Stories from other owners can be the most educative



Assess

Check feasibility / Gauge needs



Key issues

- ? Is the client able to invest in the transition?
- ? When is the best time to engage non-key stakeholders?



Processes

- ☒ Valuation, financial feasibility, and capital need analysis
- ☒ Legal entity and equity structure analysis
- ☒ Leadership succession plan analysis



Recommendations

- 💡 A valuation makes dialogue much more tangible



Prepare

Design structures: legal, financial, governance



Key issues

- ? Who will make conversion related decisions and how?
- ? What is the timeline for each party?



Processes

- ☑ Assemble a team to help execute the deal.
- ☑ Draft documents reflect the vision of seller and buyers.
- ☑ Begin leadership succession plan and trainings.



Recommendations

- 💡 Get commitment letters from owner and employees



Transact

Legally transition



Key issues

- ? Are legal, financial, and operational changes ready?



Processes

- ✓ Sign documents to transfer ownership
- ✓ Draw financing
- ✓ Enact new democratic bylaws
- ✓ Enact any transaction-based leadership or policy changes



Recommendations

- 💡 Shepherd the agreement on the agreed upon timeline.



Support

Build ownership culture / Engage support networks



Key issues

- ? What is needed for democratic ownership culture?
- ? How will professional support be available when needed?



Processes

- ✓ Follow leadership and governance succession plans
- ✓ Engage in ongoing training and education
- ✓ Ensure periodic assessment of systems



Recommendations

- 💡 Plan and budget for long term support





Why is a focus on conversions seen as strategic by some developers?

Opportunity

The “silver tsunami” of baby boomer retirements is putting a wave of businesses up for sale.



Viability

The business model is more tested than startups, and the workers already trained.



Demographics

Cooperative conversions can offer ownership to workers who have few entrepreneurial resources.





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- B** 5 phases
- C** Baby boomer retirement

