

EMPLOYEE OWNERSHIP CONCEPT WORKSHEET

Summarize the idea:

Restructure the Co-op to be worker-owned. There are multiple structures, but most likely to use a worker cooperative model where only those who work in a business are eligible to become members. Workers who are members are equal owners, elect the board and vote on major decisions. Members receive share of any annual net income.

Why propose this idea:

The Co-op has struggled for many years to use a typical staff, board, member structure. In the past, the board has been both operational and policy/oversight, delegated authority from the membership. In both models, board-staff relations have been challenging. The vast majority of current member-owners engage on an ad hoc basis. Significant resources are needed to engage and organize member-owners, and not all staff support or prioritize member-owner involvement. Employee ownership honors staff dedication, commitment and expertise in operating the store.

Pros (top 5):

- Structure allows for more participatory decision-making (fits our organizational culture well).
- Allows staff to build equity.
- Allows for a grocery store that doesn't require community engagement (still could allow/support)
- Allows staff to make major business decisions without the involvement of a board or member-owners.

Cons (top 5):

- It may feel like a "loss" of our legacy to some.
- The member-owner model is one of our strengths and may be the reason that we are still open at all.
- Staff may not be able to or want to purchase the co-op, be involved in governance, etc. Why purchase a store that is struggling financially?
- This model relies on strong internal communication and decision-making to be functional. That has not been a strength of staff and management in recent years.

What do members think?

Did not ask this question in the survey. At the June community meeting, the idea was floated. It interested some, but no small group choose this path in their discussion. This may feel "high risk" to our member-owners because they will be letting go of decision-making. In reality, staff already make most operational decisions and are accountable for the well-being of the business. Other member-owners may find it difficult to let go of the traditional cooperative model (note the difficult change to member-owner equity), but some may feel positive about a worker cooperative as an alternative. Bolstering member-owner confidence in staff expertise and experience will be helpful, as well as education about the new structure. A worker-owned cooperative grocery still may have a role for shoppers as "members", those members may receive benefits (discounts, etc) without being owners or decision-makers.

What do staff think?

Many staff expressed interest in wanting to explore this idea and being worker-owners. There is some concern about the cost of purchase. There was also a question about how to find and cultivate the management skills/expertise needed for the Co-op. This has been an ongoing challenge for the Co-op (and for many small businesses) that does not change with worker-ownership, but will continue to need to be considered.

What are the pitfalls? That is, the biggest risks?

- This concept only moves forward if staff can purchase the Co-op from member-owners. There is financing available, but debt can be challenging for many. The purchase cost is yet to be determined, and there may be ways to offset the cost for staff as well.
- The transition involves major engagement of staff, board and member-owners.
- Once transitioned, former member-owners could decrease shopping without a major marketing investment by worker owners. A major risk is that worker owners are not able to make the store financially viable – the store closes abruptly or slowly.

Who will be responsible for making it happen?

A transition team and/or consultant that works with the Board and Staff. The Vermont Employee Ownership Center is a major resource. There are lots of Vermont examples of businesses that transition to worker-owned.

Back-of-the-envelope Cost-Revenue Analysis – what will it cost? What will it save? What revenue will it bring in? That is, how much of the gap does it close?

Closing the financial gap becomes a challenge for the worker-owners. Resources can probably be found to support a consultant to support transition. Worker ownership would mean that worker-members need to purchase the Co-op from current member-owners. They would likely need to settle the outstanding debt (term-loan of ~\$37,000?). Repayment of member-owner equity would be approximately ~\$80,000. Some of this repayment could come from current fund, and some may need to be paid by worker-owners.

How long to make this idea come to fruition?

Probably a year.

What is the interim plan to remain solvent?

Hire an interim part-time Co-op director who would not be transitioning to the worker-owned model. Maintain current break even strategies.