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# **The Valley Alliance of Worker Co-operatives: Exploring the Potential of Co-op Led Development**

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## **Preface, 2013**

A lot can happen in just a few years. This report, "The Valley Alliance of Worker Co-ops: Exploring the Potential of Co-op Led Development," was published as part of Erbin Crowell's final project for Since it was completed, Erbin Crowell left the role of staff developer for the Valley Alliance of Worker Co-ops (VAWC) to take the position of Executive Director for the Neighboring Food Co-op Association (NFCA), a network of food co-ops and start-up initiatives in New England. Adam Trott, who served as staff liaison for VAWC and a close collaborator in the development of this report, stepped up to take on the role of Staff Developer. Since then, VAWC and the NFCA have been partners in expanding the vision and impact of co-ops in the region.

Reports such as this often exist in isolation from their subjects and are allowed to languish separate from their intended goals. Rarely do we stop to look back and consider them in the light of later events. Were our assumptions correct? Was the vision laid out compelling and relevant? Have we been able to accomplish any of what we hoped? With its particular closeness to VAWC – this report is part of the VAWC Owners' Manual given to every member Co-op - we thought it would be useful to provide a preface to as an update and reflection on VAWC's progress over the last few years.

This report serves as a strategic reminder to the Member Co-ops of VAWC of what it was and why we set out to accomplish together. For those interested in our model it serves as an introduction to the context of our work and the basis of our approach to collaboration and business development. From the outside, it may appear that VAWC's progress is a fluke or happenstance. This report communicates the analysis undertaken, the planning and collaboration that went into establishing a different path for co-operative development in our region. It describes the international and regional context VAWC co-ops are working in regarding research and structures. At the time co-ops leading an organizing effort to formulate a development staff directed by co-ops was a foreign concept. For most it was something that few understood or valued. For VAWC Member Co-ops it contextualizes the effort worker co-ops are making in western Massachusetts and southern Vermont to participate in education, development, financing and marketing to create a rich, diverse co-operative economy.

Among the questions we were attempting to address: How can worker co-ops pool resources to meet their own goals for the long and short term? What was the process of co-ops coming together to form a secondary co-op? Did we have the critical mass to ensure staff and organizational capacity to reach our shared goals? Why did this cluster of co-ops feel they had to step up into development and mutual support for business success? What were the key ingredients required for us to have the capacity to mobilize efforts for education, development, and self-directed co-op activity?

It is worth mentioning the feedback we received when we first started reaching out to co-ops in our region to begin formalizing a meso-level co-op. Those visited during the 'VAWC Road Show' were near unanimous in supporting the effort to have co-ops lead and fund such an organization as a venue for co-operators to communicate needs and goals. Members wanted to form an equally inhabited place to chart a vision for the future. Feedback from our closest partners – the United States Federation of Worker Co-ops, the Co-operative Fund of New England and Grassroots Economic Organizing – was positive. Yet outside of these collaborators responses were more pessimistic: "Co-ops are busy enough running their own businesses, they want others to take care of education and development"; "Co-ops don't have the time or money for dues and another meeting"; "The differences in ages and industries of the co-ops make responding to larger questions untenable"; "Did you know they tried that 25 years ago?" "And again 15 years ago?"; "Provision of technical assistance is best left to the experts. How could you be better than they are?"

This critical feedback was useful as it articulated challenges that did in fact exist and provided a format to respond. Was it true co-operators were too busy? Or was it necessary to re-organize models of development so that co-ops could channel their interest and constructively share their expertise? Was it a lack of time to dedicate to issues larger than one business at a time? One could also say a lack of a co-op directed venue for members work together for long term strategy prevented possibilities of cross co-op collaboration. Were the differences among worker co-ops obstructing pooling resources? As in any movement the question guided us towards having the task of finding shared advantages to work from. Did we consider co-operators experts? This question deserves more time. In short a response is: Co-operators run their own businesses, why can't they run their own support and development? We weren't sure our movement is dreaming big enough.

Reviewing this document after some of its goals have been achieved it is clear how we are benefitting from its contributions. In re-publishing we wanted to provide an updated list of activities. So many ideas were first described here: Staff roles and responsibilities, respecting the tradition of collective management of many VAWC Member Co-ops, legislative engagement, interco-operative purchasing, a VAWC Owners' Manual and more. In most basic terms, the report outlined the opportunity for worker co-ops to make their presence known through **shared marketing**, including:

...Tools and materials for communicating shared identity; Cross marketing opportunities; Advertising and press initiatives; Public events and outreach

In 2009 VAWC launched our 'Working for a Co-operative Economy' marketing campaign, with rotating ads featuring all VAWC Member Co-ops under one recognizable slogan emphasizing their shared co-op identity. The campaign focuses on advertising in area food co-op newsletters and other receptive outlets, directly reaching over 11,000 co-op members in our region.

The report also pointed to the opportunity of building on some of the unique characteristics of local institutions of higher learning to increase the attention paid to co-operative enterprise in the curriculum:

### **Engaging Educational Institutions**

- a. Offer support and promotion to existing programs providing content on the co-operative movement and enterprise development
- b. Proposing or providing content for institutions in the region

With support from Michael Johnson of Ganas Community and the NFCA, we worked with the Economics Department at the University of Massachusetts, Amherst, to co-found the Co-operative Enterprise Collaborative ([www.umasscec.org](http://www.umasscec.org)). The Economics Department now offers a Certificate in Co-operative Enterprise, including an upper level class and an internship program. In our fourth year offering this certificate over 200 students in 6 classes have learned the major dialog points and shared advantages of co-operatives. The certificate is fortunate to find support in a unique department founded on collective and radical principles and the presence of several student run businesses ([www.centerforstudentbusinesses.org](http://www.centerforstudentbusinesses.org)). In 2013, Crowell taught a senior seminar on the co-operative movement as part of the University's Social Thought & Political Economy (STPEC) program, and will teach a 100-level "Introduction to Co-operative Movement" in 2014. Co-operators and the support staff have visited several other classes within the university to augment existing curriculum through related co-operative history, identity and case studies.

A central conclusion of Crowell's report is that successful co-operative complexes are characterized by economic development that is guided and largely funded by co-ops themselves. Just as a core strength of the co-op business model is the development and articulation of member ownership, governance and accountability, development is more efficient, effective and sustainable when embedded in the movement itself, as opposed to focused on the priorities of the state or non-profit entities:

**Engagement in Co-operative Development.** Key to the success of Mondragón and Italian co-ops is direct, strategic engagement in co-operative development, and the dedication of financial resources to these purposes.

Since VAWC formalized its co-op led development model in 2009, it has doubled in membership. In the space of two years, VAWC has supported the conversion of 4 existing businesses into worker co-ops as well as a start-up worker co-op. This has brought our system up to 11 Member Co-ops with 65+ worker/members, 10 apprentices, \$7.2 million in annual revenue and \$35,000 in annual charitable donations. This is an achievement for co-ops running an organization of our scale and speaks to the impact of our model. Recently our work was recognized by the Eastern Conference for Workplace Democracy when VAWC received 'Co-operative Advocacy and Development Award' for 2013.

In addition to integrated development, self-financing has been key to the success of co-operative complexes like Mondragón and northern Italy, and the report recommended that VAWC consider establishing a similar funding mechanism:

**External Financing Mechanisms:** VAWC could consider (using surplus from member co-ops from Italy's Emilia Romagna as a source for) policy for members that would contribute to a fund that could either operate independently or, rather than duplicating effort, in collaboration with an existing

fund.

In January of 2013, the Alliance established the "VAWC Interco-operative Development Fund." An asset held and directed by VAWC, the VIDF is housed in long-time partner the Co-operative Fund of New England. Through serving as a social investment in our region's co-operative community it is ready to be implemented as a micro loan or as an additional collateral pool for larger loans. From one of our articles in the Co-operative Business Journal:

"The fund is made up of yearly contributions of a percentage of surplus from VAWC's Member Co-operatives, a financing mechanism learned from a system of co-ops in the Emilia Romagna region of Italy. In a law written by co-ops themselves, *every co-op* is required to contribute 3% of surplus to a development fund of their choice and the result is one of the largest and most integrated co-ops complexes in the world. VAWC Member Co-ops contribute 5%."

Finally, it is important to note that cross sector collaboration is a cornerstone of the success of co-operative complexes around the world and the report emphasized the potential of similar activities in the Valley:

### **An Emphasis on Interco-operation**

The vision of the co-operative identity as a coherent economic alternative provides the core rationale for interco-operation, both within the worker co-operative sector and across sectors. If one believes in the core principles and values of co-operation, and ascribes certain benefits to the model, one can easily understand the role of co-operation among co-operatives as having both ethical and pragmatic characteristics.

From its beginnings, VAWC was supported by the United States Federation of Worker Co-operatives (USFWC) and benefited from the experience of the Network of Bay Area Worker Co-operatives. The parallel development of the NFCA, which includes 35 food co-ops and start-up initiatives across New England, has also offered opportunities for dialog and collaboration in a regional level that did not exist before. Both of our associations work closely with partners including the Cooperative Fund of New England, and were co-founders along with Franklin Community Co-op, NFCA and the UMASS Five College Federal Credit Union of the Valley Co-operative Business Association (VCBA). This organization, incorporated as a second-level co-op of co-ops, has led a new wave of similar efforts across the country.

As shown in other regions of the world, cross sector collaboration is key to expanding the impact and potential of co-operative enterprise. The United Nations declaration of 2012 as "The International Year of Co-operatives" offered an opportunity to deepen partnerships within and across sectors, and look forward to opportunities to contribute to the International Co-operative Alliance's vision for a "Co-operative Decade."

In the context of a continuing global recession there is a hunger for economic alternatives which represent democracy, community and sustainability. This is what co-ops do best. We believe that the momentum of the co-operative movement in our region is the result of learning from the experience and success of others, applying these lessons to our own context, and then collaborating in a deliberate and strategic manner to carry our work forward. We hope to share our experience with co-op led economic development and support the efforts of others to advance similar work in their communities. We welcome your feedback on this report and look forward to collaborating with likeminded organizations as we continue to articulate our vision for an expansive co-operative economy rooted in our history, values and principles.

In Co-operation,



Adam Trott  
Staff Developer  
Valley Alliance of Worker Co-ops



Erbin Crowell  
Executive Director  
Neighboring Food Co-op Association

## A Preface & Introduction

This report is somewhat personal in that, while I know many of the people involved in the Valley Alliance of Worker Co-operatives,<sup>1</sup> I feel that more of an introduction is appropriate so that members have more of a sense of my background and perspective. During the process of developing our pilot project, Adam Trott (Collective Copies' representative to the Alliance) and I were able to visit almost all of the co-ops involved in the Alliance. Members were not only very welcoming, but also equally free with their enthusiasm for what we were presenting as they were in sharing their concerns. As someone who worked for many years within the community of a worker co-op, I am deeply appreciative of this openness.

This report is also the final project for my Master of Management: Co-operatives and Credit Unions (MMCCU) from St. Mary's University and is highly personal in another sense. This program has spanned three years when many aspects of my life shifted dramatically. Perhaps most notable, my wife and I had a son. This may be profound enough a change, and perhaps it is not all that uncommon that such an experience would also push one toward a new level of thinking. For me, it added some urgency to some larger questions about what I was doing and what I wanted the focus of my work to be in the future.

So a little more than a year ago, I moved on from the worker co-operative where I had been a member for about a decade. The co-op, Equal Exchange, first attracted me with its mission of Fair Trade — building more equitable trade relationships between consumers in the North and marginalized farmers in the Global South. Over time, however, I came to see that it was the co-operative model that was at the heart of our partnerships and our way of working together.

I sought out as much information on the worker co-op movement as I could. The story of Mondragón, a co-operative complex in the Basque region of Spain that started modestly but had systematically created a network of great economic impact, was particularly inspiring to me. It

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<sup>1</sup> Throughout this report I will use the hyphenated version of the word “co-operative” to refer to a specific form of democratic enterprise associated with the Co-operative Identity as defined by the International Co-operative Alliance (<http://www.ica.coop/coop/principles.html>), and to distinguish this from more vague definitions such as “compliant” or “agreeable”. It should also be noted that the word “operative” may be defined as a “skilled worker,” with the prefix “co-” adding the meaning of “one that is associated in an action with another” — which relates more closely to the ideals and origins of the co-operative movement.

was this example that originally sparked my thinking on how my own co-op could be part of a larger whole that could transform economic relationships and empower more people to have greater say in their own lives and communities.

During my time with the co-op, we grew rapidly in revenue and membership. When I was first hired, I was one of about 10 employees and we had not yet reached \$1 million in annual sales. By the time I left, we had reached over 100 employees and more than \$25 million. This process of growth necessitated a cultural transition from the focused influence of the original founders to a more broadly held co-operative community that could effectively preserve our democratic character and engage the next generation of members. This challenge is one that has been explored by many observers of worker co-operation such as Gamson & Levin, who noted that

Democratically managed firms must not only survive economically in the marketplace but they must also survive as democratic organizations. This means that there must be effective mechanisms for promoting democratic decision making and participation as well as appropriate behaviors by co-workers that contribute to this end... Regardless of the intrinsic viability of the enterprise as an economic entity, it will not survive as a democratically operated entity unless it is able to reproduce the conditions required for sustaining its organizational form (1984: 222).

As a new, enthusiastic member of the co-op, I played a leading role in the development of processes for member education and orientation, working with a committee that created a curriculum and orientation process for new employees. With others, I advocated for the development of a clear mission and guiding principles that became a central tool for unifying our purpose and activities over time. I proposed meeting guidelines that supported participatory decision-making among members while diminishing destructive conflict. We increased the number of member meetings to build stronger unity and voice of the membership and set aside what came to be called "10% time," a portion of a member's paid time that reserved for activities related to our mission and participation in the educational and governance aspects of our co-op. Over time, it became clear that these democratic, participatory and educational structures and processes that we developed were crucial to the ongoing life of our co-operative as a community and an enterprise. They enabled stronger communication, consensus and member buy-in, while supporting more effective and sustainable decision-making, both of which contributed to our success.

I took on governance roles within the co-op early on, including service as worker-owner coordinator (a position that I had co-developed and proposed to the membership as a mechanism for strengthening member engagement) and two terms on the board of directors. As our co-operative grew, I attempted to bring some of the lessons of the Mondragón experience into our work proposing for example the establishment of a “management council” to strengthen communication and strategic coordination among membership, board and management. As a member of the board of directors, I worked with colleagues to develop economic measures that considered our impact beyond the bottom line — not just in terms of Fair Trade but also in our identity as a worker co-operative and participant in a wider movement. These measures became a regular feature of my co-op’s annual report; a set of supplemental measures that communicated our progress toward the fulfilment of our mission (for example, see Equal Exchange, 2008: 14).

I also served many roles in the operational side of the organization, contributing strongly in the areas of management, strategic planning and revenue generation. I started out as a sales representative before moving into the marketing department and in all of my roles I attempted to weave our co-op identity into the every day aspects of our organization. One example is the design of a seal that for the first time promoted our identity as a “worker-owned co-operative” on our products and materials (this seal is now used on all of Equal Exchange’s products and many of its promotional materials). Eventually I adopted an entrepreneurial – or perhaps a “co-opreneurial”<sup>2</sup> – role within the co-op, initiating various efforts to expand our products, services and relationships. The most successful of these was the launch and development of an initiative of outreach to communities of faith<sup>3</sup> that became our fastest growing department and eventually the largest single revenue-generating sector. During my five years as director of the program, my staff grew from one member to a department of thirteen. Along the way, I was responsible for product development, marketing, press, and

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<sup>2</sup> The Encarta World English Dictionary defines *entrepreneur* as “somebody who sets up and finances new commercial enterprises to make a profit.” I would assert that this term does not accurately describe the act of enterprise development within a co-operative context, which does not have the profit motive as its core purpose but rather seeks to build democratically owned and controlled economic entities that help individuals and their communities enact collective solutions to shared goals or challenges.

<sup>3</sup> For more information on Equal Exchange’s Interfaith Program, visit [www.equalexchange.coop/interfaith-program](http://www.equalexchange.coop/interfaith-program).

coordination of organizational partnerships with nine national faith-based relief, development and human rights organizations. I also co-led two of Equal Exchange's four-year strategic planning processes, working to develop strong participation, collaboration and buy-in among staff, management and governance bodies.

As part of this work, I attempted to constantly develop the next layer of collaborative leaders and after five years stepped aside for one of these people to take on the role. I then began the process again by launching a new initiative within my co-op, this time working to develop a model for "Domestic Fair Trade" and partnership with farmer co-ops in our own country.<sup>4</sup> As this program entailed a significant change in our operations that had to be approved by the board of directors, it involved dialogue with the community as a whole about how the program supported and reinforced our mission and competitive position. The proposal was approved and we set about establishing the program as well as engaging a wider group of stakeholders in the development of a cross-sector organization that came to be known as Domestic Fair Trade Association.<sup>5</sup>

In these processes I was able to experience firsthand both the challenges and advantages of worker co-operation. Despite the daily issues that come with any kind of business as well as those that are unique to a participatory workplace, what remained inspiring to me was the ability of this model to encourage people's potential, to engage their creativity and to develop their sense of control and responsibility for themselves, their co-workers and their shared enterprise. I believe these characteristics are simply more humanistic and represent a better way to spend your work-life. But on a more pragmatic level the co-operative model also offers unique competitive advantages if they are viewed as assets to be maximized as opposed to liabilities.

Working with this co-op also gave me a unique opportunity to experience co-operation from the perspective of different sectors. As a Fair Trade Organization, our co-op had as its core mission the development of fair and equitable trading partnerships with small farmers across Latin America, Africa and Asia. Farmer co-ops being one of the most powerful

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<sup>4</sup> See [www.equalexchange.coop/dfi](http://www.equalexchange.coop/dfi).

<sup>5</sup> See [www.dftassociation.com](http://www.dftassociation.com).

mechanisms for empowerment of small producers, co-operative associations were dominant among our suppliers and it later became core to our mission to shift all of core our purchases to co-ops. Not surprisingly, food co-ops in the US were among our first customers, and remained among the most committed over time. While I believed firmly in the power of worker co-operation, I also developed a sense of the value and impact of other co-op forms and could see the potential for a “co-operative economy” that linked people across enterprises and sectors bound together by a shared identity. This interest eventually led to my service on the boards of the Cooperative Fund of New England,<sup>6</sup> a regional revolving loan fund for co-operatives and community-based non-profits, and the National Cooperative Business Association.<sup>7</sup>

More than anything, my experience led me to a desire to contribute to the co-operative movement in a broader sense, to use my background and skills to help existing co-ops grow and to help new ones get off the ground. It was very frustrating to me that the experience that we had as worker co-operators was such a rarity in our region and an option unavailable to the vast majority of people. When we sought outside support, we often received services that were not appropriate to our co-operative model and culture, or were guided by other priorities. And as we grew, we were often tempted to adopt management strategies from the mainstream business world because we weren't aware of alternatives.

It was this challenge that originally led me to St. Mary's University's Masters in Management: Co-operatives & Credit Unions (MMCCU) program.<sup>8</sup> I wanted to better understand the movement that we were part of and the potential for its development, as well as its implications for how we engaged in the management of our business. As an activist with undergraduate degrees in anthropology and the visual arts, I sometimes questioned my career path. How did I become a department director of a successful coffee company? But it was the character of working in a co-operative that made it make sense. Worker co-ops give life to the co-operative ideals of self-help, self-responsibility, democracy, equality and solidarity with others. While Equal Exchange had a fairly conventional management structure, with executive

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<sup>6</sup> [www.coopfund.coop](http://www.coopfund.coop)

<sup>7</sup> [www.ncba.coop](http://www.ncba.coop)

<sup>8</sup> [www.mmccu.coop](http://www.mmccu.coop)

directors, department directors, managers and so on, it was clear to me that supervisory roles were very different in a worker co-operative setting. Within my department we explored alternative models for organizing our work and attempted to create a structure that combined strong participation with accountability. This way of working together, I believe, was central to our economic success and ability to produce the rapid growth of the program. Within the space of five years, my department grew from one part-time employee to 13 full-time staff.

The MMCCU program enabled me to reflect on my experience and the unique character of co-operative management:

As the director of a rapidly growing department and [with] all of the stress and strain that entailed, I found that my primary responsibility was very different from the traditional concept of the manager as being responsible for motivating and monitoring supervisees to ensure that they were doing their jobs. Rather, the influence of ownership, dialogue and shared accountability was a powerful motivator for my staff, and... my role was transformed into one of facilitation, coordination and development of staff. Rather than concentrating control in my hands, a central aspect of my responsibilities as a department director was the creation of shared vision and the training of members of my staff to ensure continuity in the event of my departure from the role (2005: 10).

In many ways, Equal Exchange has been a leader in demonstrating the potential role of co-ops as innovators in the modern economy, and particularly in questions of fairness and the globalization. But in the earlier part of our history, many employees were unfamiliar with the history and complexity of the co-operative movement of which were part, let alone how to effectively participate in the governance and operation of their enterprise. Some staff questioned the relative importance of our co-op structure to our mission, with greater emphasis being place on the “alternative trade” aspect of our work.

However, the development by the membership of a formal mission statement in 1997 asserted the central role of our co-operative identity, and linked it explicitly with Fair Trade and our goal of creating a “more equitable, democratic and sustainable world”.<sup>9</sup> An accompanying set of guiding principles included “build[ing] a democratically-run co-operative workplace” as a priority (EE, 2008: 1). Educational initiatives such as a curriculum for new workers began to develop member awareness, and there was an increasing understanding of the unique role of co-operation in our work together. We sought out external support that was more specifically

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<sup>9</sup> Equal Exchange’s slightly updated mission statement now reads: “Equal Exchange’s mission is to build long-term trade partnerships that are economically just and environmentally sound, to foster mutually-beneficial relationships between farmers and consumers, and to demonstrate, through our success, the contribution of worker co-operatives and Fair Trade to a more equitable, democratic and sustainable world” (EE, 2008: 1).

suited to our model, while an increasing number of members began to participate more actively in the wider movement, communicating with other co-operators, sharing ideas, and collaborating in new initiatives.

Over time, the perspective and culture of our co-op continued to evolve, expressed most clearly in a new vision statement that was developed by the board in a participatory manner with input from staff and adopted in 2006:

There will be a vibrant mutually co-operative community of two million committed participants trading fairly one billion dollars a year in a way that transforms the world (Equal Exchange, 2009).

This more expansive vision was very exciting, reflecting our co-operative's coming into its own not just as a successful individual enterprise, but an influential worker co-op and Fair Trade Organization. For example, a new focus placed on developing economic ties between Equal Exchange and other Fair Trade initiatives such as Oké USA, a fruit company linked with AgroFair in the Netherlands, and UK-based Liberation Nut Company, both involving partial ownership by producer co-ops.

This new vision was very exciting to me. However, it was focused on our own individual enterprise as the “engine” or center of this co-operative community.<sup>10</sup> What I wanted to understand was how co-ops could work together as equal participants in a movement, reaching across industries and sectors, expanding our reach into the economy, and making the benefits of co-operation accessible to a much wider range of people. As a result, I began to investigate the world of co-op development with the goal of working more directly with a support organization. I hoped to find an opportunity where I could apply my skills and experience to the growth of co-operative enterprise.

Late in 2007 I left the security and familiarity of my co-op to explore this work. Since then I have worked with a non-profit technical assistance provider, a regional loan fund for co-operatives and non-profit organizations, and as an independent consultant. To some degree it has been a crash course in a specific model of co-operative development, one that is focused on independent non-profit organizations as the mediators of development, funded and guided

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<sup>10</sup> “Our vision is to create and foster a deep and far reaching cooperative model, with Equal Exchange serving as the *engine* of a complex economic network of two million producers, workers, investors, merchants, activists, and consumers who are using their land, labor, capital and votes to create the world they want to live in and leave for their children” (EE, 2009. Emphasis added.)

by government and foundation grants, and with services provided largely by independent consultants.

The technical assistance provider that I worked for was heavily dependent on a federal rural co-operative development grant, which defined and limited the scope of our work. One effect of this dependence, in my admittedly brief experience, is a dilution of the potential of the co-operative movement through broad definitions of co-ops and “group-based businesses”, and an emphasis on co-ops as individual, isolated enterprises rather than participants in an alternative economic and social movement. This funding has also proved to be a very unstable base of financial support for development. In two of the past three years, the organization had been denied the grant, resulting in devastating cycles of downsizing both in terms of personnel and in the services we could provide.

As an independent contractor, meanwhile, my work was largely project-based in a manner that may or may not have any continuity or connection to movement priorities or strategic objectives. In both cases, much of my work was usually linked to the priorities of government, foundations or other funders that saw the co-operative model as a mechanism for advancing certain objectives rather than a social and economic movement in its own right.

A challenge for these models of co-op development is that they are not generally guided by co-ops themselves but rather by funders, whether they be government or private organizations. This dependence on grants means that developers must spend substantial energy chasing these resources and being accountable to their priorities, rather than focusing on the needs and opportunities of co-operatives. If the goals of a particular source lines up with these needs, it can be advantageous and new funds may be accessed. If not, it results in misguided development. Perhaps more importantly, this model discourages co-ops from investing in their own resources and in the development of strong associations and federations. The grant-funded system creates its own logic, one that often overshadows the potential of co-ops to serve their own needs. This contradiction of co-operative principles and values — which emphasize democratic control, autonomy, self-help and self-responsibility — is of course ironic.

But what is the alternative?

Over the years, I came into contact with members of the co-ops that make up the Valley Alliance of Worker Co-ops (VAWC). I was impressed by the tradition of collective management among member co-ops and the manner in which they had come together to begin developing a network of mutual support in their region. The number and diversity of the enterprises represented in the network was very different from my experience of worker co-ops as isolated enterprises. I was also encouraged by the dialogue that was taking place among members around the vision of a co-operative economy, the role of worker co-ops in their own development, and the concept of creating a role for support staff that would be integrated with and accountable to the co-ops that they served.

It was in this context that I proposed to use the opportunity presented by the MMCCU Co-operative Management Audit, the final project in the completion of my degree, to explore the potential of these ideas. The goal of this audit, then, is to briefly describe the unique context of VAWC, to explore the common features of two major worker co-operative complexes, to present some options for how these lessons might be applied to VAWC's evolution, and finally to propose a set of priorities for a one year pilot project. The context for this is an evolving proposal for the co-ops to dedicate resources to staff that can assist in the accomplishment of this work. It should be emphasized that this report is not intended to be a final statement, but rather a starting point for continuing discussion, dialog and the development of group consensus moving forward. (For example, what is the proper role of staff for a network of worker co-ops, most of which are collectively managed?)

At the risk of making too big a deal of this report, then, I dedicate it first to the members of the Alliance in support of their vision moving forward, and particularly to Adam Trott for his persistence and camaraderie in this project; second, in appreciation of my colleagues at Equal Exchange and the many farmer co-ops and food co-ops we partnered with where I was first able to see the potential of a co-operative economy; and, third, in special thanks to Kristin who was always willing to read just one more draft, and to my son Elias who always insisted that I stop and play.

## I. The Valley Alliance of Worker Co-operatives

The Valley Alliance of Worker Co-operatives (VAWC) was formed by a group of co-op members who had attended the Eastern Conference on Workplace Democracy in 2005 (VAWC, 2009:1). Excited by the level of interaction at the gathering, they began to meet informally in a member's kitchen to share information and ideas. They soon founded the Alliance, which, just four years later, is made up of 11 worker co-operatives in the Connecticut River Valley of Massachusetts and southern Vermont. Taken as a group, VAWC represents approximately 65 individual members, another 15 employees (most being newer staff that have not yet completed their probationary or apprenticeship periods), and more than US\$6.5 million in sales (2008).<sup>11</sup>

More recently, the Alliance has begun a process of evolution into a more formal organization with specific goals. For example, VAWC's mission statement declares that the organization "is dedicated to building a sustainable local economy by facilitating the growth, development and promotion of worker cooperatives. To realize this, we will:

1. Provide support for our members. This includes maintaining and sharing information relevant to worker cooperatives, providing technical and organizational assistance, offering joint marketing and promotional services, developing group benefits, improving access to financial resources, strengthening ties between worker cooperatives, and developing relationships with other segments of the cooperative/labor community.
2. Develop new worker cooperatives and offer mentoring and skill-sharing to those developing worker cooperatives.
3. Promote worker cooperatives in our region. This includes educating and developing community awareness of worker cooperatives as sources of meaningful employment and economic empowerment, providers of quality goods and services, and viable alternatives to conventionally owned and managed businesses (VAWC, 2009b).<sup>12</sup>

There are a number of things that make VAWC unique as a worker co-operative complex. Chief among these are (1) a regional culture of co-operative and democratic economic organizing, (2) the largely independent development of member enterprises, (3) a high level of diversity of businesses within a largely service sector context, and (4) a tradition of collective management. Each of these factors has implications for a successful model for co-operative development that serves the goals of co-operators and builds on their knowledge and experience.

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<sup>11</sup> These numbers need more analysis due to response rates from member co-ops, the informal nature of some enterprises, and some lack of clarity as to the formal status of members and employees.

<sup>12</sup> Trott notes that this mission statement was largely inspired by that of NoBAWC, the Network of Bay Area Worker Co-ops ([www.nobawc.org](http://www.nobawc.org)) (2009).

The Alliance has recently launched an educational and organizing project that will result in a book that explores the history and cultural context of worker co-ops in the region. I will not attempt to duplicate that effort here, encouraging readers to seek out this book once it is published.<sup>13</sup> I will note that a tradition of democratic community and economic organizing in the region reaches back at least to 1842 with the founding of the Northampton Association of Education and Industry (VAWC, 2009: 1). The Association, which was housed in an abandoned silk mill, consisted of over 140 members at its peak, including the well-known abolitionist and suffragist Sojourner Truth. The goals of the organizers were both internal, in that they intended to establish an egalitarian community for themselves, and external in that they a larger purpose of establishing a model that would inspire like efforts of others. In keeping with this goal,

The Industrial model established by the community also encouraged democracy and social responsibility. All members worked and contributed to the Association's business—studying and working 6 days a week. Silk was chosen for both practical and symbolic reasons. The silk worm was a symbol of democracy—equal and classless. From 1843, regular business meetings were held on Saturday evenings for the whole community. Wages, production, and restructuring of industrial production were all debated by the community. ...There were no strict rules, instead relying on the voluntary efforts of the community to do what needed to be done (Hampshire Educational Collaborative, 2009).

While the Association lasted only four and a half years, it was an inspiration to many in its time, including the African-American activist, author and statesman, Frederick Douglass, who wrote that,

The place and the people struck me as the most democratic I had ever met. It was a place to extinguish all aristocratic pretensions. There was no high, no low, no masters, no servants, no white, no black (1895: 130).

Fast-forwarding more than a century, worker co-operatives found fertile ground in the Valley during the democratic economic movements of the 1970s and 80s. Three of VAWC's member co-ops — Pelham Auto, Collective Copies and Food for Thought Books — have their roots in this period, as do other co-operatives, educational initiatives and support organizations in the region.

In fact, there is high density of other co-operative forms in the region, including those active in the financial, agricultural and retailing sectors. Examples include credit unions with a strong co-operative identity such as Freedom Credit Union, founded by telephone workers in 1922 and the UMASS Five College Credit Union founded in 1967. There are small, local dairy

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<sup>13</sup> This book, tentatively titled "Co-op Valley," will be printed by Collective Copies and should be available through VAWC member Food for Thought Books ([www.foodforthoughtbooks.com](http://www.foodforthoughtbooks.com)).

co-ops such as the Pioneer Valley Milk Marketing Co-operative (marketed as “Our Family Farms”) founded in 1997, as well as members of larger regional and national co-ops such as Cabot Creamery Co-op (1919) and CROPP Co-op (marketing as “Organic Valley,” founded in 1988). One can also find smaller co-ops oriented toward local markets: Happy Valley Organic Co-op is made up of four local farms and sells vegetables throughout New England, while Common Wealth Co-operative CSA (1998) brings together three local farms to market using the community-supported agriculture model. One can also find more traditional farmers’ supply co-ops such as the Greenfield Farmers Co-operative Exchange (1918).

Food co-ops are also very active in the region, and within VAWC’s immediate geographic reach there are four retail storefronts: Franklin Community Co-operative (operating Green Field’s Market and McCusker’s, and founded in [date]), Brattleboro Food Co-op ([date]), Putney Food Co-op ([date]), Village Co-op ([date]) and River Valley Market ([date]). There are also artisan’s organizations (e.g. Shelburne Falls Artists’ Co-op), consumer-based energy co-ops (Co-op Power), and housing co-ops (e.g. Pioneer Housing Co-op) and intentional communities (e.g. Sirius).

Support organizations such as the Co-operative Fund of New England (CFNE, founded in 1975) and the Co-operative Development Institute (CDI, founded in 1994) have also played an active role in the area, participate in VAWC and have relationships with some of its members. CFNE, while founded primarily to provide lending services primarily to food co-ops, has expanded its scope over the years to include other types of co-ops and its loan portfolio has included five of VAWC’s member enterprises, and CDI has provided technical assistance to at least three member co-ops.

While there has been historic collaboration and communication between these organizations and the member co-ops of VAWC, there have also been gaps in strategic alignment that may result from structural characteristics. Both CDI and CFNE are 501(c)3 charitable organizations that are structurally separate from the co-operatives they serve and are

supported largely by external resources.<sup>14</sup> It can be argued that such models have enabled the movement to access financial support from individuals, foundations and government that might not be otherwise available. At the same time, overdependence on such sources contradicts co-operative ideals of independence, self-help and self-responsibility, and raises questions regarding the interests and priorities that are leading co-operative development.<sup>15</sup> This is not to say that non-profit mechanisms cannot be effective tools for such efforts. Rather, it is important to consider how such organizations can be more integrated with and accountable to the movement over time. More central to our discussion is the historic absence of a collective body through which worker co-ops could either develop their own resources and mechanisms for development, and/or effectively communicate and assert their needs and priorities to support organizations.

Co-operatives in the region also benefit from the existence of a variety of academically based initiatives focused broadly on participatory economics. Examples include the Center for Popular Economics at the University of Massachusetts, Amherst, and the International Community Economies Collective, which has been directly involved in the Alliance's book project. Also of significance is the Center for Student Business at the University of Massachusetts, which was founded in 1975. While it is not clear how many members of the Alliance were participants in this program, the links between it and the collectively-managed worker co-ops are clear from the Center's website:

The goal of the Center for Student Business is to support the missions of the student run businesses. Their mission is threefold. The businesses provide co-curricular training and education in cooperative management, life skills and business skills in a supportive and diverse setting (UMASS, 2009).

The Center is currently home to eight student-run, collectively-managed enterprises including the Sylvan Snack Bar (founded in 1971), People's Market (a food co-op, 1973), Sweets & More (a snack bar, 1975), Earthfoods (a "cafeteria-style restaurant", 1976), Greeno

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<sup>14</sup> CDI is been funded primarily by US Department of Agriculture grants that support rural economic development. The challenges of the model have been mentioned earlier in this paper. CFNE is operationally self-funded through its lending activities. According to its annual report for 2008, 57% of the Fund's lending is to co-operative enterprises while just 7% of investment comes from co-ops. Over half of CFNE's more than \$5.6 million in social investments come from religious organizations (37%) and individuals (20%), some of whom may be members of co-operatives (CFNE, 2008).

<sup>15</sup> While the co-operative model is built on democratic control and accountability to the individuals or organizations that are its members, the non-profit model is often understood as being accountable to more generalized interests of public benefit. In practice, however, I would argue that it is economic interests — the sources of income or funding — that tend to guide non-profit organizations. This disconnection from the organizations being served has contributed to what I would describe as "mission drift" in which a non-profit begins to dilute its original priorities in favor of broader opportunities. While these shifts may make short-term economic sense relating to the availability of financial resources or business opportunities, they undermine the cohesiveness of the movement and its ability to articulate a coherent economic alternative.

Sub Shop (1983), Tix Unlimited (providing ticketing services for campus events, 1986), Campus Design & Copy (1990) and the Bike Co-op (bicycle repair and maintenance, 1990). Revenue for the group in FY2008 was \$756,700, and the collectives provided part-time employment for 145 students (UMASS, 2009). While there is not currently a formal relationship between VAWC and the Center for Student Businesses, recent contact suggests a strong opportunity for future collaboration, including skill sharing, career building, internships and seasonal employment.

In summary, the Alliance represents a worker co-operative complex that exists within a wider co-operative cultural context in the Valley, the existence of which is linked to the particularly rich history of economic organizing in the region. In fact, this may characterize the Connecticut River Valley as whole, albeit in a form that is less diverse in terms of the sectors represented. Morris, for example, has recently noted the strong presence of co-ops to the north in Vermont, including food co-ops, farmer co-ops and the country's only co-operatively organized ski resort (2008). To the south in Connecticut, one finds a concentration of co-operatives, collectives and educational initiatives focused around the town of Willimantic, CT (e.g. Willimantic Food Co-op, Swift Waters Artisans' Co-op, and the Wrench in the Works Collective), and the University of Connecticut, Storrs, where a new undergraduate program in "Creative Community Development" has recently been launched. This program includes components on co-operative community organizing and an introductory course on the co-operative movement that is presented by the author.<sup>16</sup>

Of particular note is the recent development of the Neighboring Food Co-ops Association (NFCA), a grouping of 17 food co-ops in the Connecticut River Valley reaching from northern Vermont to the Long Island Sound. This organization has recently begun organizing in a manner similar to that of VAWC, and their collective economic impact is impressive. A recent study commissioned by the NFCA found these enterprises were made up of 64,000 members, aggregate sales of \$161 million, and 1,240 employees in 2007 (NFCA, 2008). The NFCA's emphasis on the regional economy and communicating the co-operative difference may provide fertile ground for future collaboration with VAWC.

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<sup>16</sup> For more information, visit [www.creativecommunitybuilding.org](http://www.creativecommunitybuilding.org).

Most of the co-ops in the Alliance appear to have been established within this context of a regional culture and social movements with an affinity for economic democracy, as opposed to a more structural support system. That is to say that, like the early worker co-ops that paved the way for much more highly integrated co-operative complexes, they were founded through the efforts of groups of activists and co-opreneurs as opposed to development agencies or co-operative federations. Most have only recently begun to engage the services of co-operative support organizations. More recently, individual members have been active leaders in the movement and in the formation and development of organizations such as the Eastern Conference for Workplace Democracy (ECWD) and the United States Federation of Worker Co-operatives (USFWC).<sup>17</sup> While there is an affinity for solidarity and collaboration, there is also an independent character among the member co-ops of VAWC.

Alliance members represent diverse industries, largely within the service sector, including printing, copying and book-binding; website hosting; home repair; fundraising services; bicycle delivery; web systems and database design; body care products; auto repair; retail book-selling; and design and installation services for alternative energy systems. While this may be seen as a weakness in terms of building economies of scale among co-ops within the same industry or service, it also offers opportunities in terms of interco-operative trade, a broad range of job opportunities for co-operators and the development of a diverse base of enterprises that can better withstand shifts in the economy. There is also minimal potential for competition among these enterprises as they generally occupy different economic niches in the region.

In contrast to many well-known worker co-operative complexes, many of which are made up of larger enterprises, the co-ops within the Alliance are generally smaller in size (ranging from 2 to 13 members and as many as 16 total workers) and have a strong commitment to collective management, consensus decision-making, and highly participatory workplaces.<sup>18</sup> This has important implications for future development and for the kinds of technical support required. For example, the group may want to develop models, policies or

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<sup>17</sup> Members of Collective Copies and Gaiahost Collective have been particularly active in this work.

<sup>18</sup> It should be noted that at least one member of the NFCA, Buffalo Mountain Food Co-op in Hardwick, VT, is also collectively-managed. <http://www.buffalomountaincoop.org>.

guidelines to will support the unique character of collective management among members.

Prior to the formation of VAWC, worker co-operatives in the region had no structured forum for communication, collaboration and representation of group interests. Writing in *Reinventing the Co-operative* (1995), Parnell notes that, “when individual co-operatives come into contact, they often look for ways in which they can bring further benefits to their members by some kind of federal activity. Eventually there may be evolved a grouping of co-operatives which can, by some, be regarded as a movement” (229).

To date, the Alliance has acted largely as a network for information exchange and coordination of shared activities (VAWC, 2009a). More recently, however, this increased contact has resulted in initiatives such as the book project. There has also been discussion of the Alliance becoming a more formal body that would take on a more active role in the promotion and development of its member co-ops and the support of new worker co-operatives.

It was in this context that I proposed to use the opportunity presented by the MMCCU Co-operative Management Audit to explore the potential of this idea. VAWC approved an exploratory process, authorizing myself and Adam Trott of Collective Copies to conduct meetings with the members of individual co-ops to further explore the concept. Our goal in these presentations was to acquaint co-op members with VAWC, to introduce the concept of the Alliance as a mechanism for support and development, and to explore how it might benefit member co-ops. We also began to open a dialogue regarding future dues to ensure that the co-ops have the resources to fund and guide their own development. Most importantly, we wanted to listen to individual co-operators to better understand their ideas, perspectives and priorities and begin to incorporate these into a broader vision moving forward.

At this point, core funds have been allocated by Alliance members to a one-year pilot project that will secure myself as project coordinator for a one-year pilot that will demonstrate the potential of the model before approving a permanent position.

## II. Lessons from Major Worker Co-operative Complexes

The central tenet of the MMCCU program is that

the purpose of a co-operative business is not at all the same as the purpose of its investor-owned counterparts [and, I would argue, sole proprietorships and family-owned businesses]. Regardless of their business specifics, investor owned firms share a common, simple and core purpose — the highest possible return on capital for the investors that created them. Co-operatives on the other hand are created by groups of people or businesses to meet their needs and who have chosen, by adopting the co-operative form, to adopt a set of values and principles (Chamard et al, 2005: 4).

This perspective necessarily argues for a unique approach to the successful management<sup>19</sup> of co-operative enterprises. Whether in terms of marketing, accounting, strategic planning or human relations, the co-operative form requires a strategy that is appropriate to its purpose, values and principles and can take advantage of its unique characteristics. I believe that such a perspective also has implications for enterprise development in that a model and strategy that does not share and demonstrate the basic principles and values of co-operation will be hampered in its success, or may even be counterproductive in its results. On the other hand, an approach that shares these values, is designed to maximize their potential, and is integrated with the movement itself is more likely to result in effective and sustainable co-operative development.

Within the context of the MMCCU program, we have also explored particularly successful co-operative complexes to better understand some of their core characteristics and how they might be applied to our own co-ops and organizations. Two examples are worthy of special attention, both in terms of their scale and in the prevalence of worker co-ops within each system: The Mondragón Co-operative Corporation (MCC) in Spain and the co-operative movement of Italy, and especially in the region of Emilia Romagna. MCC is of particular interest, especially given its extraordinary economic success and its basis in worker co-operation. The worker co-operatives of Emilia Romagna in northern Italy are likewise worthy of attention, given the role of worker co-ops within a vibrant, cross-sector co-operative economy.

What are the key characteristics of each of these complexes? What core lessons do they hold for co-operative development efforts in other regions? How might these lessons be

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<sup>19</sup> It should be noted here that the term “management” is used here to refer to the act of managing or coordinating an enterprise, and not necessarily to the individuals performing this role. A co-operative may choose to employ collective management for this purpose, referring to a model of coordination in which all members participate directly in decision-making, or a more hierarchical approach in which such responsibilities are delegated to a board of directors, management team, and/or general manager.

transferred to a new approach to worker co-op development in the Connecticut River Valley?

### **The Mondragón Co-operative Experience**

Many advocates of worker co-operation have pointed to the example of Mondragón as an indication of the potential of the model (Abrams, 2008; Freundlich, 1998; Whyte & Whyte, 1988). Beginning in 1956 with a small co-operative manufacturing stoves and heaters, the Mondragón Co-operative Corporation (MCC) is today an integrated consortium of 264 companies (of which approximately half are co-ops) and entities engaged in financial services, industrial and agricultural production and distribution, and education, research and training. In 2007, the group had over €16 billion in revenues (±US\$21 billion) and more than 103,700 employees (MCC, 2009).

The breadth of the co-operatives is also impressive, reaching far beyond the expectations of many observers of worker co-operation. As Abrams writes:

The co-ops include Spain's largest producer of refrigerators, leading tool-and-die makers, and many other industrial companies. They make forklifts, windmills, bicycles, appliances, nails, wire, boilers, health and exercise equipment, automobile parts, furniture, woodworking and machine tools, specialized electronic products, manufacturing machinery and robots, and dozens of other industrial products. MCC's Eroski is the largest supermarket chain in Spain... Other co-ops provide engineering, market research and consulting services. Some develop housing in the area. Mondragon has created a total system wherein people can learn, work, shop and live within a cooperative environment (2008: 51).

The story of Mondragón is certainly compelling. However, some observers have asserted that the unique context in which the complex arose may be difficult to duplicate in other regions (see, for example, Freundlich, 1998: 4-6). Among these factors are the charismatic leadership of Father José María Arizmendiarieta, the Catholic priest who played a key role in the development of the co-operative complex; a protected economy that sheltered the co-ops during the early stages of their development; an industrial tradition in the region that provided a base of knowledge and resources for the expansion of manufacturing; a social and cultural cohesiveness supported by the Basque identity of the region; and the oppressive political environment of the Franco regime that contributed to an emphasis on co-operative organizing as a social, political and economic outlet.

For its part, the MCC is highly responsive to external inquiries as to the character of the

complex and the reasons for its success. In a section of their website devoted to frequently asked questions, the following is presented in response to the question, “What is the secret to the Mondragón Experience’s success?”:

- The vital role played by [Father José María] Arizmendiarieta, the driving force behind the Experience, with his grand vision of the future and his influence over both students and disciples when putting his ideas into practice.
- The personal nature of the co-operatives, in which people are given priority over capital, an attitude which results in a high level of worker involvement in the company, through direct participation in both the capital and the management. All this contributes to creating a positive atmosphere of consensus and collaboration.
- A decidedly business-like approach to the co-operative phenomenon, in which company profitability and planned, rigorous and demanding management efficiency are seen as basic principles.
- Re-investment of practically all resources generated.
- Ongoing adaptation to the changes taking place in the environment.
- Creation of efficient inter-cooperation instruments: both in the financial field and as regards social welfare, innovation and R&D, co-ordinated job management and situations of crisis.
- Finally, another key element in the success of the MONDRAGON Experience, both initially and today, is the importance attached to training, both as regards formal education, such as that provided by our University Faculties and Professional Schools, and as regards Lifelong Training linked to professional refresher courses and advanced courses (MCC, 2009).

For our purposes, it may be useful to consider the perspectives of an outside observer, particularly with an eye toward the application of principles to our own context. Despite the unique nature of the Mondragón experience, Freundlich (1998), citing Whyte & Whyte (1991), points to “the elements of Mondragón’s success related to institutional design and business practice that others can... learn and adapt to their own circumstances” (1998: 6). These “social inventions” include (1) support institutions, (2) business and technological competence, (3) the development of financial resources, and (4) the formal structure and policy of individual co-ops and the system as a whole. Each of these is worthy of deeper examination, and below I have slightly reorganized Freundlich’s observations for the purposes of our discussion. It should be noted that this analysis was developed in 1998 and there may have been adjustments in MCC policy since this writing. Still, they describe a matrix for structures and policies that have contributed to the success of the complex over time, and bind the co-ops together through commitment to a “contract of association” among the enterprises.

**(1) Support institutions.** One of the most notable characteristics of Mondragón’s evolution is the development of support organizations that were deliberately integrated with the co-operative network. As Freundlich points out, these “second degree” co-operatives were enterprises in

their own right, but “each was created in essence to serve the industrial firms in the group, and not so much to engage in activity in pursuit of its own objectives. This is a crucial point,” the author continues. “Several specific organizations were formed almost exclusively to help ensure the success of the other firms in the group” (1998: 6). While many of these organizations have since expanded their scope, their role in the success of the Mondragón system, and the fact that they were integrated within that system — and funded and guided by its priorities — must be recognized.

**(a) Financial & Technical Support.** Early on the group recognized the need to assemble financial resources that were generated by and accountable to the co-operatives themselves. Most significant of these was the first second-level co-op in the group, the Caja Laboral Popular, a multi-sector co-operative bank<sup>20</sup> that provided not only financial support but also crucial technical assistance through its “Business Division” (División Empresarial). Founded with two staff members in 1960, the Caja has since grown into one of the most successful financial institutions on Spain and a key mechanism of the success of MCC.

The original inspiration for the Caja came from Father José María, whose “studies had convinced him that a credit union or cooperative bank was indispensable to any successful cooperative movement.”

He believed that a cooperative could not raise equity capital from private investors, that private banks would be reluctant to make loans to worker cooperatives, and that a worker cooperative would lose its independence if it was indebted to a private bank (Whyte & Whyte, 1988: 49).

In contrast to traditional credit unions in Spain that had as their primary purpose of providing personal savings and lending services, “the main purpose of the Caja was to finance the creation and expansion of worker cooperatives and other cooperative organizations” (Whyte & Whyte, 1988: 52). Part of the genius of the Caja was that it pooled the financial resources of community members and co-op businesses within an organization that was itself a multistakeholder co-operative and fully integrated with the movement:

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<sup>20</sup> Whyte & Whyte note that the Caja was “founded jointly by the Ulgor, Arrasate, and Funcor, worker co-operatives and by San José (a consumer cooperative not previously linked with worker cooperatives)” (1988: 52).

The General Assembly of the Caja is structured so as to represent the interests of the cooperatives it serves as well as those of its own worker owners, who are outnumbered two to one. Only workers in the Caja, however, elect representatives to its social council.

The governing council [or board of directors] has twelve members, eight representing the cooperatives and four representing workers at the Caja (Whyte & Whyte, 1988: 68).

As we shall see later, this relationship was circular, with cooperatives and workers exercising substantial control of the Caja, and the Caja having significant influence over associated co-ops through a “contract of association”. It is this aspect of shared principles, structure and logic among institutions of the MCC that I believe is central to the group’s unity and success. It is also an element that is generally missing from much of the co-operative development structures present in the U.S.

As mentioned above, another key characteristic of the Caja, especially in its early days, was that its activities included a deliberate linking of financial resources with technical assistance through its business division. The first co-operators in the Mondragón system largely had to find their own way through initiative and experimentation. However, “they were constantly striving to discover the basic principles required to build their movement and the organizational structures and social processes needed to put those principles into practice” (Whyte & Whyte, 1988: 71-72). The Caja became the formal repository of these principles and processes, and over time the group developed a formal and effective process through which the bank actively seeks out and supports co-opreneurs. This includes a bank of “prefeasibility studies” for promising markets and a clear process for the proposal and funding of new co-operative initiatives. Whyte & Whyte describe this process in *Making Mondragon*, which I think is worth quoting at length due to its significance for our discussion:

When the project begins with a preformed of potential entrepreneurs, they approach the Caja, or respond to the Caja’s informational and promotional activities. The group proposes that one of its members be the future manager, and [they] become responsible for the feasibility study. If the products area [of the entrepreneurial division] is satisfied with the qualifications of the manager and with the commitment of the founding group, the Caja takes the prospective manager into its products department and covers [their] salary for eighteen months to two years, provided the group agrees to consider this salary a loan to members of the group personally or to the firm they hope to create. ...

If the group emerges from an existing cooperative or cooperative group... that organization may agree to back the loan. The products department then assigns a staff member to serve as a sponsor or Godfather (*Padrino*) to work with the prospective manager in carrying out the feasibility study and developing the business plan. The Godfather remains with the firm in an advisory role during startup until shortly after the firm reaches the breakeven point [about three years]. During this period, he sits on the governing council [or board] of the new cooperative (1988: 73).

Freundlich notes the adaptability of the MCC system and the fact that many of the roles originally filled by the Caja were eventually spun off into free standing, though still integrated, organizations. The technical assistance function of the credit union, for example, has been taken on by the MCC, sectoral division staff, and new co-operatives such as LKS Consulting. The Central Inter-cooperative Fund, or FCI, provides patient capital for new ventures and is funded through the allocation of a portion of the annual surplus of member co-ops (Freundlich, 1998: 7).<sup>21</sup>

**(b) Mutual Business Assistance.** Very early in their evolution, the Mondragón co-ops began to federate and develop formal associations. To some degree this may have come naturally as many of the co-ops were the result of spin-offs from parent enterprises. But over time, this co-operation among co-ops became more strategic, involving joint planning around employment and business development, and shared services involving marketing, legal support, human resources and training. Initially, these groupings were geographic. But later they evolved into industrial sector based alliances, reflecting the scale and complexity of the network, and an increasingly competitive environment in which economies of scale, technology development and joint ventures became more important to business success.

Whyte & Whyte (1988) present numerous examples in which the Mondragón group strategically leveraged the resources and – perhaps most importantly – their purchasing power to launch new co-operative enterprises. One such example is Artxa, a pig-raising co-op formed in 1984. The formation of this co-operative was an early effort of the agribusiness department of the entrepreneurial division of the Caja, and the project team included representatives from Eroski, the food co-op network that would buy the Artxa's products, and Miba, a co-operative providing animal feed and other agricultural products (191-92). Such strategic engagement of existing co-ops involved both in the consumption and production of the goods to be produced by the new co-op

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<sup>21</sup> It should be noted that the Co-operative Fund of New England (CFNE) has recently launched a patient capital fund that may be able to play a similar role in development in the Northeast US. While structured in a non-profit manner, there is significant co-op representation on the board of directors. For more information, see [www.coopcapital.coop](http://www.coopcapital.coop).

has clear benefits for the survival of the enterprise.

This type of interco-operation may seem like second nature in Mondragón, but it also has implications for business success. Webb, for example, notes that

Eroski, the retail co-operative arm of the Mondragon co-operative movement... generates member loyalty through integrated co-operative development. Whenever possible, stores carry products made by worker-owned co-ops—the heart of the Mondragon group. The factory workers, who are also shoppers, know that the stores support their livelihood, and the workers in the store know that they are interdependent with the factory workers. The Mondragon Group constantly seeks out products that can be made by worker-owned co-operatives, and expands existing or creates new co-operatives to meet these needs (2000: 275).

**(c) Social Security & Insurance.** As Freundlich notes, Spanish legislation during the early years of Mondragón's development defined co-op members as self-employed and therefore ineligible for state-based social services such as social security, unemployment and health care. Lagun Aro, the network's social security and insurance organization, was therefore established and funded through payroll deductions. Because the funds were primarily set aside to cover retirement and illness, it provided another source of patient capital for the financing cooperative enterprises (1998: 7).

**(d) Technological Research and Development.** MCC's emphasis on research and development (R&D) has likely been supported by its roots in technical education as well as its early development through import substitution. As Freundlich notes, "the Mondragón group has always emphasized technical expertise, and the need to devote extra resources to R&D became apparent early on" (7). Starting in the 1960s, formal R&D was provided through Mondragón's college. Following a pattern of enterprise incubation, this service was later spun-off in 1974 as Ikerlan, the first of a number of co-operative organizations providing these services to members or the group and, later, external enterprises.

**(e) Educational Institutions.** Mondragón's roots are in popular education, and it is no surprise that educational institutions are a vital piece of the puzzle of their success. The technical high school established by Father José María in 1943 that predates the co-ops themselves has since evolved into Mondragón Unibertsitatea, itself organized along co-operative lines. The university now includes programs in engineering, business,

humanities-enterprise and a teachers' college. Freundlich notes that, while many co-operators did not pass through the university system, "a core group of them has, and this roughly common experience... contributes to the group's cohesiveness" (1998: 8). Certainly one can argue that there is a qualitative difference between learning certain skills in a co-operative context and one in which the profit motive is assumed as the primary objective. Not coincidentally, this is the central tenet of the MMCCU program (Chamard et al, 2005).

**(2) Business and Technological Competence.** As Freundlich notes, "few people if any in Mondragón have ever seemed to suffer from any illusions about the nature of competitive markets and the ease of creating and maintaining successful businesses" (1998: 8). The business of co-operation is approached strategically and intentionally, combined with the goal of expanding opportunities for shared ownership. MCC's substantial investments in research and development are linked to its educational institutions, individual co-operatives, and shared initiatives among co-ops.

**(3) Internal & External Resources for Development.** The core of the MCC's co-operative financial model is the individual member's "internal capital account" (ICA) within their own co-op. The initial funding for the ICA is the co-operator's membership share in the co-op, 25% of which becomes part of the enterprise's collective reserve and cannot be recovered by the member. Over time, the ICA grows in value through the deposit of the member's share of the annual surplus and the payment of approximately 6% annual interest on the ICA.

Co-operative law requires that co-ops allocate annual surplus in the following manner: a minimum of 20% is allocated to collective (indivisible) reserves, a maximum of 70% to individual co-operators, and a minimum of 10% to educational or social purposes. Freundlich notes that "this 20-70-10 formula was used by many co-ops in the early years. However, as economic times got more difficult and investment requirements stiffened, the firms changed their policy to the current 45-45-10 split" (8).

What is most significant about this model is that it enabled co-operators to provide a significant level of self-funding to their own enterprise and to new co-ops. In addition to the

contribution to collective resources, there is an individual incentive to contribute to the efficient operation of the enterprise in order to develop and protect the resources in their ICA. However, these resources could not be accessed until the individual member retires or leaves the co-op. In the meantime, their resources could be used to finance new initiatives, either on their own or in combination with other sources of funds such as the Caja or the funds accumulated by Lagun-Aro. "In summary," notes Freundlich, "these policies of internal capital accounts and delayed access to them served to key functions: they gave workers a share in their firms' profits and contributed to the group's ability to fund new businesses" (9).

**(4) Shared Legal Structure & Policies.** As mentioned previously, the individual co-operatives in what became the MCC were bound to their credit union and to one another through a "contract of association" that "governs not only the relations between the contracting parties but also major internal policies and structures of the associated cooperatives" (Whyte & Whyte, 1988: 69). As a result, the co-ops are very consistent in their basic legal structure and policies, and in their organizational commitments to the group as a whole. This strengthened the sense of solidarity among the group by creating a shared identity among the co-ops, a common understanding of what made them unique co-operative enterprises, and clear expectations of the manner in which individual co-ops contributed to the whole and what benefits they could expect from being part of the group.

In terms of organizational structure, all co-ops follow a basic model in which a firm's general assembly of members is the highest authority. The general assembly then elects the board of directors, as well as the president of the board. The board then hires the chief executive and approves their choices of department directors, who then supervise department personnel. This structure is then supplemented by a "social council", a body that is elected by and represents shop-floor workers, and a "management council", which brings together senior management largely for the purposes of planning and coordination. In addition, an audit committee, appointed by the general assembly of members, is required by law "to perform an internal audit of financial operations and of the firm's adherence to formally established policies and procedures" (Whyte & Whyte, 1988: 37). While coordination has become more centralized

in recent years, this basic structure of member co-op persists.

What is not discussed as often in the literature is that many co-operatives within the Mondragón system are multistakeholder organizations. As mentioned above, the Caja is governed by a board made up of worker and co-operative members. Eroski, the supermarket chain that is part of MCC, has as its members both consumers and workers. The six-member board includes 3 consumers and 3 workers, with a consumer always holding the position of president.<sup>22</sup> The significance of the model for developing stakeholder loyalty has only recently been the subject of analysis, although there is at least one successful food co-op in the US that follows a similar model.<sup>23</sup>

The policy of pay solidarity has evolved over time, but has nonetheless been instrumental in the development of MCC. For many years, the Mondragón co-operatives shared a policy that limited them to an internal pay ration of 3:1 from the highest paid employee to the lowest. As the system became more complex and the pressures of the external market were given more credence, this policy changed to 4.5:1. The MCC website now states that, “during the 1990s, after MONDRAGON was set up, due to the level of complexity acquired by the organisation and the daily management of our co-operatives, it was decided to expand the salary scale to 1 to 6” from lowest salary to the highest (MCC, 2009).

The contract of association also prescribed certain aspects of the relationship among the co-ops and the group. For example, each member co-op has to make an initial deposit with and do all of its banking through the Caja. The Caja also has the right to conduct audits of member co-ops, which include financial concerns as well as social and economic development aspects of performance.

As Whyte & Whyte observe,

Clearly, the technical assistance, credit, and other services the bank offers provide the base for its power and influence. In addition, because of the contract of association, the Caja has strong legal controls over the cooperatives. The contract spells out in detail the norms and processes to be followed regarding not only internal structures and processes of the member cooperatives but also the obligation to build a strong

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<sup>22</sup> This multistakeholder model is also common among MCC’s agricultural co-ops. When a group of farmers approached Mondragón about forming a milk marketing co-operative, they were persuaded to form an enterprise that included the farmers and the workers as equal members. Lana, the first farm products co-op in the complex, began in 1960 with a membership of 25 farmers and one worker. By 1982 it had grown to include 300 farmers and 120 workers and provided the basic model followed by new agricultural co-operatives (Whyte & Whyte, 1988: 55). The early 80s saw the founding of a number of co-ops along these lines, including Cosecheros Alaveses, a wine co-op made up seven farmers and one worker, and Behi-Alde, a spin-off of Lana, including 27 worker co-operators and 2 farmers in cattle production.

<sup>23</sup> For more information on Weaver Street Market Co-op in North Carolina, visit [www.weaverstreetmarket.coop](http://www.weaverstreetmarket.coop).

capital base and to extend employment (1988: 71).

While the bank exercises substantial control over individual co-ops, what I think is significant is that this relationship is circular, with the co-ops themselves in a governance role along with the bank's employees. This extension and articulation of the co-operative model into the finance and development role creates a network of solidarity, and reinforces the basis for trust and strategic alignment among the co-ops and their members.

From the above analysis, we can see that Mondragón has created a framework that supports worker co-operation in a deliberate and strategic manner, oriented toward economic development that is integrated with and guided by the co-operatives themselves. "While the MCC has its share of workforce controversy," notes Freundlich, "...these structures and policies have contributed to fairly high levels of commitment to the business and to the cooperative idea, which in turn, many believe, have provided Mondragón firms with a difficult to measure, but nonetheless real, competitive advantage over its conventional competitors" (9). For its part, the MCC asserts on its website that

We simply believe that we have developed a way of making companies more human and participatory. It is an approach that, furthermore, fits in well with the latest and most advanced management models, which tend to place more value on workers themselves as the principal asset and source of competitive advantage of modern companies (MCC, 2009).

In addition to these observations, Adam Trott (the Collective Copies representative to VAWC) visited MCC on a delegation in the fall of 2008. His experience confirmed many of these observations, with representatives throughout the tour repeatedly emphasizing three core characteristics of Mondragón's success:

- The crucial role of co-operation among co-operatives through networks and purchasing relationships;
- An emphasis on technology and business innovation; and
- Co-operatives themselves as the drivers of their own development (Trott, 2009).

While many on the tour asked whether there was something specific to the Basque culture and identity that was particularly conducive to the co-operative experience, Trott reported that MCC representatives consistently asserted that the cohesive character of the complex was in no way

a given and, to the contrary, was the result of constant attention to and investment in member education, engagement and participation (Trott, 2009).

### **The Co-operative Movement of Northern Italy**

Emilia-Romagna, in North-Central Italy, represents one of the world's most important experiences in workplace democracy, or worker self-management. ...With a population of 4 million, [the region] is home to some 7,500 cooperatives, two-thirds of which are owned by their employees. Worker cooperatives operate in all sectors of the economy, ranging from the service sector, to construction, to social services and manufacturing. Nearly 10% of the workforce in Emilia-Romagna is employed by cooperatives. This number is higher than in any other region of Italy, a country with more cooperatives, per capita, than any other country in the world (Hancock, 2005: 1).

At about the same time as Trott was visiting Mondragón, I was in Italy, a country with more co-ops per capita than any other country in the world. My tour included faculty and classmates from the MMCCU program, as well as guest co-operators from the UK and Canada. Our visit was centered in Emilia Romagna, a region characterized by a particularly high concentration of co-operatives of all sectors. In preparation for the trip, we read articles about the level of co-operation in northern Italy, and the strategic manner in which Italian co-ops invested in economic development. We'd also learned about the new and innovative ways that the movement was using the co-operative model to address modern issues, such as the "social co-operative".

Still this did not prepare me for the level of co-operation we witnessed in Emilia Romagna. While Italy has more co-operatives per capita than any other country in the world, this region of about 4 million people in the Northeast, has a particular concentration of these enterprises. Here there are about 7,500 co-ops, two-thirds of which are worker co-operatives, comprising 7% of the co-ops in the country. Ten percent of the workforce is employed by co-operatives in a region with one of the lowest unemployment rates and highest standards of living in Europe.

In the district of Imola, centered around a medieval city of the same name on the eastern edge of the region, the level of co-operation is even more intense. According to author Matt Hancock,

The cooperative movement of Imola is one of the world's most robust, dynamic and certainly most deeply rooted in a particular community. Today there are 132 cooperatives, active in all sectors of the economy. Each year the movement has added at least one start-up to the family of firms. Between 2005 and 2006,

four new co-ops were born. Rarely does a co-op fail. One out of two residents is a member of a co-op and 17% of the area's workforce (9,204 people) is directly employed by a cooperative. And when subsidiary firms — businesses owned by the co-ops but not themselves co-ops — are considered, jobs created by the cooperative movement increases to more than 13,487 (2007: 19).

As Hancock mentions, co-ops are active in all sectors including retailing, social services, cultural activities, financial services and agriculture. Significantly for American observers who have become accustomed to the collapse of the industrial sector in the US, "Imola's economy and employment are driven by a robust, sophisticated and globally competitive manufacturing sector" (2007: 19).

As many observers have attempted to understand the success of Mondragón, so have they considered the case of the Italian co-operative movement. Professor Vera Zamagni, for example, notes three core characteristics: "First and foremost," she writes, "it has never been a neutral, apolitical, non-religious movement," rather finding expression across the social and political spectrum (2006: 2). Second, and in contrast to Mondragón, the movement is deeply entrenched across Italian society rather than in an isolated region. And third is the propensity of co-operatives to organize in networks, "leading to the expansion of the cooperatives and the... strengthening of production processes, which has generated synergies capable of increasing both productivity and competitiveness" (2006: 3).

For his part, David Thompson (2003) ascribes the success of Italian movement, particularly in Emilia Romagna, to four primary factors:

1. **Clustering.** Actively bringing together cooperatives to work together in every way possible by both type and locality. Cooperatives are expected to cluster together to derive the highest return on what they consider to be their competitive advantage.
2. **Structure** (organizational, developmental, financial). Creating developmental and financing structures that improve development opportunities, access to financing, direct participation, planning, and communication among the groups of cooperatives.
3. **Solidarity.** Developing both a formal and informal infrastructure of support for achieving the goals of existing and new cooperatives, based upon solidarity that builds a stronger cooperative sector. Solidarity requires a strong ongoing commitment to purchasing goods and services from within the cooperative sector and within the region.
4. **Reciprocity.** This terminology, espoused by Professor Stefano Zamagni at the University of Bologna, focuses on the reciprocity relationship between cooperatives and between the members of cooperatives. Reciprocity allows each member or each cooperative to know that their investment or contribution will be valued and repaid. Reciprocity anticipates continuing long-term relationships rather than singular conclusive transactions.

My visit to Italy was a revelation in terms of how I viewed the potential for co-operative development in my own country, and I likewise attempted to understand what was different

about the Italian movement. In many ways, it was a confirmation of some of the ideas of what a “co-operative economy” could look like when co-ops reach critical mass in a region. While the observations of V. Zamagni and Thompson are very useful, I interpret the key characteristics of the Italian movement in a slightly different manner. What I think is particularly useful is the manner in which these attributes are mutually reinforcing:

1. **Co-operative Identity.** The development, communication and promotion of a clear vision of the co-operative philosophy and contribution to the economy;
2. **Interco-operation.** The shared identity of the movement enables and encourages the principle of co-operation among co-operatives within and across sectors as a mechanism for economic development. This includes federations and consortia, and integrated co-opreneurial initiatives;
3. **Policy engagement.** The shared strength of the movement created through interco-operation enables effective legal and legislative engagement by co-operative organizations toward the promotion and support of co-operation; and
4. **Co-operative mechanisms for development.** The clarity of identity, interco-operative structures and policy engagement contribute to effective development of models for co-operative development, financing and support that are informed and guided by the co-operative movement itself. This emphasis on development in turn reinforces the above characteristics.

The implications of these characteristics for the development of a regional co-operative economy are further explored below.

### **1. Communication & Promotion of the Co-operative Identity.**

There is a high level of awareness of the co-operative difference and the role of co-ops in wider society in Italy. This may be reflective of Italian cultural expectations regarding democracy and participation, particularly in the North, and also of the long history of the co-operative movement in Italy (the first worker co-op is said to have been founded in 1856). Co-

ops are recognized for their positive economic and social impact and receive special recognition for these contributions. The indivisible reserves of individual co-ops are not distributable to members, and if the co-op fails these resources are contributed to co-operative development. In this sense, they are recognized as community social capital that spans generations rather than only the current co-op members. (This is in marked contrast to the attitude in the US in which reserves are often seen in as the property of individual members and are sometimes the target of demutualization efforts.)

This is not to say that there aren't debates as to the character of co-operation in Italy. For example, some of our hosts questioned the status of some of the co-ops that we visited, particularly some of the larger worker co-ops. Our interpreter in Imola, for example, declared that one of the co-ops "wasn't a *real* co-op" after our visit. Some academics, Prof. Zan of the University of Bologna, for example, raised questions regarding the relevance of co-operatives in the modern economy: "In my classes," he said in frustration, "young people are no longer asking how to start co-ops" (cited in Crowell, 2008).

This challenge was also manifested in some of the co-ops themselves. Some of the larger worker co-operatives that we visited, for example, had relatively low proportions of employees as members.<sup>24</sup> Others, like those in MCC, were engaged in the use of nonco-operative business structures and subsidiaries to support parent co-ops and their members, diminishing the argument for a co-operative difference. In general, the co-ops we visited employed conventional marketing strategies that tend to privilege brand over co-operative identity. The consolidation of individual co-ops into larger and larger organizations, meanwhile, may support their competitive position in the short-term but tends to reduce member control and the core democratic character of co-operation.

However, the fact that these issues are the subject of lively, public debate reflects the strong position of co-operatives in Italy. For example, can we even imagine a professor expressing frustration that their students are not interested in starting new co-ops? Much less a

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<sup>24</sup> While this was presented at least partly as an issue of history and tradition (Crowell 2008, citing Zan), it may represent a drift from co-operative ideals. However, it should be noted that in contrast to the US, Italian law is very specific in defending the co-operative character and the assets of co-ops from individual interests. Even if membership is concentrated among a small group, they are unable to benefit from selling their shares or the business itself on the market.

professor in the oldest university in the world — the University of Bologna — that includes a masters degree program in Co-operative Economics?

In contrast to my experience in the US, there is a strong sense of the “proper” role for co-ops in Italian society. Co-operative “patrimony” — the resources built up by co-operators over generations — is seen as an asset not just of current members but of the wider movement, the local community and the country as a whole. Indeed, by law these assets are not the property of individual members, so even in cases where a small proportion of the workforce are members there is not the danger of these individuals making off with these collective reserves. The contribution of co-ops, especially to local and regional economies, is recognized and actively promoted.

While there is some rhetorical acknowledgement of the co-operative difference in the U.S., it is fairly weak and many people refer to worker co-ops as just a variant of the capitalist economic philosophy or as “democratic capitalism” (Abrams, 2008: 53). In my experience, development professionals often confuse worker co-ops with other legal models such as Employee Stock Ownership Programs (ESOPs), and sometimes promote such them on an equal footing with worker co-operation. It is worth noting that observers such as David Ellerman have noted that there are important differences between these two particular approaches to worker ownership that have critical implications for the enterprise and its employees:

An employee-owned corporation is an investor-owned corporation (that is, the membership rights are marketable property rights) where most of the membership rights are the property of the people who also work in the company, the employees. Sometimes the employees directly own the shares... and sometimes the shares are held in a trust, and Employee Stock Ownership Program (ESOP), with the employees and the beneficial owners... In either case, the employees have membership rights solely because they directly or indirectly own the shares, not because they have the functional role of working in the company. This fundamental structural difference between an employee-owned corporation and a workers' cooperative corporation reflects a difference in the basic principles behind the two legal structures, and it has practical consequences (1984: 262).

While we do not have space in this paper to fully these issues, or the dynamics behind the promotion of such as ESOPs, the challenge of legal support was raised by at least two member co-ops of the Alliance. For this reason and may be worth further exploration of the implications of legal structure for sustainable worker co-operation. (Ellerman's perspective on this question is briefly discussed beginning on [page 38](#). For a more complete analysis, see Ellerman (1984).)

One particular area for further discussion is the question of the role and contribution of co-operatives to local and regional economic development. There is a growing movement for re-localizing the economy in the US that is particularly active in the Connecticut River Valley. Despite the strong track record of co-operatives in this regard, however, much of the attention and resources are given to small and medium-sized enterprises (SMEs) as mechanisms for such development. There is an opportunity here for worker co-ops to make a case for their unique contribution to economic development. Roelants, for example, writes of the limitations of SMEs, pointing to their “high mortality and laying-off rate” and the challenges of succession in family-owned enterprises (2000: 69). Many of these challenges can be addressed effectively using the co-operative model. This is particularly the case in areas where a networked environment enables co-ops to share experience, management and technical experience, and financial resources. For example, as Roelants goes on to point out:

Perhaps the most tangible contribution of worker co-operatives... is employment creation and maintenance. Through the undivisible [sic] reserves regime and democratic management worker co-operatives do not spontaneously relocate or dissolve themselves, but remain in the local community where they supply long-term employment possibilities (2000: 77).

Other observers have pointed to the beneficial impacts of worker co-operatives for their communities. Erdal, for example, concludes his study of co-ops in northern Italy by asserting that “an economy with a moderate to high level of worker co-operatives produces significant beneficial effects in the wider community – better health, education, [less] crime, social participation and social environment” (2000: 5).

Worker co-operatives have a unique contribution to make to local and regional economic development. Certainly the Italian example deserves consideration in the current economic climate in our own region. Zamagni, for example, writes that while the Italian economy as a whole has sagged over the last decade, “the Legacoop (and the entire Italian cooperative movement in general) moved counter to the overall trend of the Italian economy: whereas the latter has experienced years of virtual stagnation, especially in the very last few years... the cooperatives have expanded substantially” (Zamagni, 2000: 15).

The Alliance has a similar opportunity in our region to make the case for the beneficial economic and social impacts of worker co-operatives. In doing so we would contribute to

increased attention to the co-operative model in general as an effective tool for regional community development that has unique creates rooted social and financial capital, sustainability and economic democracy and lay the groundwork for interco-operation within and across sectors. [Include bullit points?]

## 2. Interco-operation Within & Across Sectors

The ability to organize a network of highly significant interorganizational relations and a close-knit system of intraorganizational trust relations has been the most important factor in the success of the Italian cooperative movement (Gherardi and Masiero, 1990: 570-1).

There is a historic and cultural commitment to co-operation among co-operators in Italy, and in northern Italy in particular. Gherardi and Masiero affirm the economic benefits of this tradition, writing that “Emilia Romagna is an area... where a tight network of cooperatives seems to enjoy an even sharper competitive edge because of the solidaristic nature of their relationships” (1990: 557). This context of trust and shared values supports a web of mutually-supportive enterprises and organizations which in turn results in a vibrant and resilient co-operative economy.

Webb writes of the contribution of sector- or regionally-based consortia of co-operatives that enable member co-ops to collaborate and enjoy economies of scale without giving up the benefits of smaller size and retaining their essential democratic character:

These groupings provide markets for each others products, financial advice, contract advice, and marketing expertise. They also enter into joint contracts with each other with two or more co-operatives filling one contract or the ‘consortia’ filling a contract with goods [and services] from its members. The consortia will arrange financial packages, negotiate contracts on behalf of new or smaller co-operatives and generally facilitate inter-co-operative trade (1987: 57).

During our tour, we visited the EPTA Social Services Consortium, an association of seven social co-ops in Bologna, with a total of 540 workers involved. The members of EPTA are mostly engaged in providing services to the elderly and disabled, disadvantaged youth, immigrants, the unemployed and former drug abusers. The consortium itself has eight staff and serves three basic functions for its member co-operatives: The provision of technical assistance, administration, training, quality control and other services; public relations and community education; and securing government contracts and other support for member co-ops.

Many of the co-op leaders we visited mentioned with pride examples of economic interco-operation. For example, management at 3elle, a large worker co-op and manufacturer of windows and doors, pointed to automated equipment in their factory that was purchased from CEFLA, another worker co-op. There is also a high level of solidarity with the broader co-operative movement, reflected in the close alignment and collaboration among different sectors on the firm level, through federations, and in development efforts. For example, representatives of Agrintesa, a federation of agricultural co-operatives, spoke proudly of the historic role of rural credit co-ops in the foundation of the farmer co-ops in the region. Similarly, Gherardi and Masiero write of examples in “the early 1950s, when it was the farming cooperatives that gave the manufacturing cooperatives their first work orders” (1990: 561). Coop Italia, the purchasing arm of the national consumer co-op federation, prioritizes purchases from farmer co-operatives while representatives of Coop promote the fact that many of the overseas suppliers of its *Solidal* Fair Trade sub-brand are also co-operatives.

We also witnessed a vivid example of this kind of informal interco-operation that was directly related to some of the innovative ways that the Italian movement is growing the co-operative economy. The Giovani Rilegatori Social Co-operative, whose mission is to create work opportunities for disadvantaged individuals, is embedded in the co-op movement. According to our host, sixty percent of the organization’s customers are other co-operatives, including SACMI, a manufacturer of machines and equipment that contracts with Giovani Rilegatori for the storage and assembly of small parts, and CEFLA, another industrial co-operative group purchases archiving services (Alberto, 2008). This level of support from sister co-ops is not only a meaningful expression of external solidarity but is also a tangible example of economic support for an enterprise engaged in providing economic opportunity and training to marginalized individuals.

This social co-op also provides an example of the more formal mechanisms of interco-operation in Italy. In fact, the co-op’s president asserted that the recent expansion of the co-op would have been impossible without lending and other support from the federation. Now Giovani Rilegatori has substantial space for expansion thanks to a 40 year, interest-free loan

from the Lega.

Gherardi and Masiero also point to the more formal aspects of the co-operation tradition in northern Italy in particular, writing that cross-sector “institutions and cooperative associations (the ‘Lega’, in particular) have always played an active role in promoting, implementing, regulating, directing and consolidating cooperative enterprise.” These organizations provide economic coordination, advocacy and technical support to member co-ops, and promote the movement as a whole. Cross sector co-operation, meanwhile, provides for more cross-fertilization and a freer movement of resources among sectors.

This “external mutuality” [discuss further? – also see p.38] is impressive and is clearly a key ingredient in the creation of a strong co-operative economy that reaches beyond isolated enterprises and sectors, resulting in a more unified and resilient co-operative movement that is able to compete successfully in a globalized economy. While this unity across sectors was by no means perfect, and at times we could begin to sense potential points of tension, it was far more advanced than in the US co-operative movement. Here, regional co-operative federations are relatively weak and are usually sector-based, depriving them of the advantages of a network that shares resources across these lines. The development of consortia as well as sector-based and cross-sector federations could provide the basis for a new and more sustainable wave of co-operative development in the States.

### **3. Legislation & Civic Engagement Legislative Engagement for Co-operation**

The Italian example shows that when co-operatives attain a critical mass in output value, membership and employment levels, their meso-level institutions, that were important actors in attaining such critical mass in the first place, gain enough socio-political influence in order to lobby effectively for new legislation and policy-making. This new legislation, in turn, proves to be essential for a further expansion of the co-operatives’ output, membership and employment level through new, specific meso-level institutions. A virtuous cycle if thus engendered (Roelants, 2000: 76).

The participation of co-operatives in the political realm has often been an issue of debate. However, as Zamagni notes, the Italian movement “has never been a neutral, apolitical, non-religious movement as... would have been the case had it conformed to the recommendations of the International Cooperative Alliance (ICA), which has always perceived cooperation as neutral in order to avoid any discrimination...” (2006: 2). To the contrary, co-ops

in Italy are represented across the political spectrum and have shown some of the benefits and opportunities represented by legislative engagement.

As far back as 1886, activists from Legacoop, the left co-operative federation, advocated for legislation that encouraged government contracting with worker co-ops (Roelants, 2000: 76). Despite the setbacks of the fascist period, when co-operators were persecuted and their co-ops often destroyed, in the post-war years the Italian government formally recognized the contribution of co-operation. Article 45 of the new constitution, implemented in 1948, reads:

The Republic acknowledges the social function of cooperation as a form of mutual aid devoid of all private speculative intent. The law promotes and encourages the expansion of cooperation by means of the most suitable means, and provides suitable checks designed to guarantee its character and purpose (Quoted in Zamagni, 2000: 4).

The willingness of the movement to engage with government has not only resulted in favorable legislation, but also the ability to take advantage of new opportunities for the empowerment of people and their communities. Examples include:

- Legislation passed in the early 20<sup>th</sup> century, for example, granted co-ops the ability to form consortia, enabling them to “preserve their often limited size and democratic management, reaping at the same time scale economies in tenders and in certain services guaranteed by the consortia” (Zamagni, 2006: 21).
- Law 904 of 1977, which granted tax exemption for surplus (profit) allocated to a co-operative’s indivisible reserves. This law provided an incentive for the capitalization of individual co-ops and at the same time rooted these resources within the community and the movement as a whole.
- Legislation approved in 1983 that granted co-operatives the right to not only hold shares in conventional joint-stock companies, but enabled them to own such companies outright.

There are also examples of legislation that directly facilitated the contribution of the co-operative movement to economic development. Law 49 of 1985 established the Compagnia Finanziaria Industriale with government funding “in order to help laid-off workers from industrial enterprises in crisis or already bankrupt to take over and establish worker cooperatives” (Roelants, 2000: 76). And more recently, Law 381 of 1991 established the legal framework for

“social co-operatives”, defined their relations with public bodies, and “boosted the social co-operatives’ economic and employment performance (around 10,000 jobs between 1993 and 1996” (Roelants, 2000: 76; citing Marchettini presentation, 1997). The social co-operative movement – despite some of the debate that we witnessed – is also an example in which co-operators were able to identify a need and advocate for legislation to facilitate development of a whole new sector of activity.

The passage of Law 59 of 1992, however, may be one of the most significant examples of legislation that was developed and ushered through the legislative system by the co-op movement. As Roelants writes, this law established “mutual aid funds under each of the three co-operative confederations aiming at generating employment through the creation of new co-operatives. All of the co-operatives registered under these confederations, as well as their consortia, must hand in as much as 3% of their profits [surplus] to one of the three mutual aid funds. One of these, Gestifom-Lega, had already generated almost 1,000 jobs in 1996, 2 years after its inception” (2000: 76; citing Ramirez, 1996).

Co-op development in the US, meanwhile, suffers from inconsistent, state-based co-operative legislation that makes development a complicated and often confusing activity. (Inquiries regarding legal structure and bylaws are common on the Alliance’s listserv.) In addition, many of the advantages historically afforded to co-ops by the federal government have disappeared, while others are under pressure.<sup>25</sup>

In some states, there are not specific statutes for worker co-operatives, a challenge described at length by David Ellerman, who noted that “the diversity in the legal forms reflects the lack of any coherent, widely used legal code for workers’ co-operatives... The statutes tend to be archaic, to be poorly thought out, and to represent a rough compromise of cooperative and conventional corporate attributes” (1984: 258). As a result, many new worker co-ops choose to incorporate as conventional corporations and rely on their bylaws to formalize their co-op structure. Ellerman’s concern regarding this pattern is that “some legal and financial structures used in worker-run firms have inherent flaws that will, in the course of a generation, almost

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<sup>25</sup> Take for example campaigning by conventional banks in the US to revoke the special tax treatment enjoyed by credit unions.

inevitably lead if not to the outright demise of the company, then to the gradual or sudden degeneration of the firm back to a conventional company. Vanek has aptly termed them ‘mule firms,’ since they are sterile hybrids that cannot reproduce themselves for another generation” (1984: 258).

Ellerman’s solution was to establish specific legislation for worker co-ops that “provides a statutory basis for the Mondragon-type internal-capital-account structure for workers’ cooperatives” (258). These statutes, drafted by the Industrial Cooperative Association, were established in Massachusetts in 1982 and then spread to most other New England states. What is not easy to explain, then, is why more worker co-ops in the region do not use this legislation.

This situation may deserve more analysis, especially in terms of VAWC’s potential role in enterprise development. Looking at examples from MCC and Italy, it seems that shared basic legal structure, bylaws and organizational policies are important components for building a coherent, unified social and economic movement. In my brief experience in the Valley, I have inquired with a couple of lawyers, both of whom have been active in worker co-operative development in the region. One was unfamiliar with Massachusetts’ Worker Cooperative Corporation statutes. The other responded, “Worker co-ops don’t work” due in his opinion to the familiar problem of concentration of wealth and control among members who begin to hoard shares, exclude others from membership, and eventually convert the co-op to a conventional business and sell it off. However, he also said he was unfamiliar with successful examples such as Equal Exchange or members of the Alliance. “I like LLCs [Limited Liability Corporations],” he said, because they are easy to set up and adaptable.

This lawyer raises valid issues that have been a challenge to sustainable co-operative development in the US. However, these are also exactly the problems that the worker co-op statutes were set up to address by emulating, in the words of Ellerman, “the solution worked and field-tested by the Mondragon cooperatives over the last two decades” (271) — or, now, about 50 years. “The use of a proper legal structure,” continues Ellerman,

...is certainly no guarantee of economic success or longevity. But such a structure seems to be a necessary condition for avoiding the self-destructive forces embodied in employee-owned corporations and traditional statutory workers' cooperatives. A proper legal structure is not just important for negative or preventive reasons. The avoidance of the structural degenerative tendencies created the preconditions for the development of a humane work environment and the growth of internal democracy... (271).

...A proper legal structure will transform a company from a piece of property into a social institution wherein people will receive the fruits of their labor and have democratic control over their working lives (273).

An advantage of the co-operative complexes of Italy and Mondragón is legislative coherence, or clear legal tools that articulate co-operation as a viable social and economic alternative. All co-operatives are incorporated under the same statutes and share the same basic structure. In attempting to emulate some of the advantages of these models, the Alliance may want to examine the logic and philosophy behind specific legal models to determine their implications for the unity and effectiveness of the movement.

While existing worker co-operative legislation may not offer all of the answers, it may present useful tools for the advancement of VAWC and its member co-ops. **The core challenge, again, is how to develop a unified voice among worker co-ops to acquire the legal services that serve their goals, rather than those that serve the needs of the service providers.**

#### **4. Co-operative Engagement in Economic Development**

...Cooperative enterprises in Emilia-Romagna benefit from a long historical development of the cooperative 'movement' embodied in well-established support structures and information networks of the local cooperative associations (Bartlett et al, 1992: 117).

Linked to interco-operation among co-ops and co-op sectors in Italy is the commitment of the movement to financial investment in development, including financing, technical assistance and research. Valuable concepts introduced during our visits were those of "internal mutuality," or the economic and social advantages provided to members, and "external mutuality," the advantages provided to other co-ops and the wider community. Informal support of co-operative development occurs largely through inter-firm collaboration, with formal co-operative development organized largely through co-operative federations, support organizations and economic or entrepreneurial associations such as consortia.

Prior to the passage of a law that required that co-ops contribute a portion of their surplus to national funds, systems of financial external mutuality were more informal. Law 59, passed in 1992, was a breakthrough in the development of external mutuality in Italy. Part of

the assumption was that there was already strong representation through associations and consortia. What was needed was a model for transferring financial and other resources across individual firms and sectors. The new law, developed and advocated by co-operative federations themselves, required that all co-operatives contribute 3% of their annual surplus to their respective federation's development fund that would support the development of new co-ops and co-operative expansions. Non-aligned co-ops donate their funds to the Ministry of Labour. This mechanism created ready pools of co-operative resources, earmarked for co-operative development and deployed by co-operative organizations. As a result, the co-ops themselves are more invested in the use of these funds.

Development of the Alliance may be supported by an analysis of the key factors contributing to the success of such activities in Italy. Roelants (2006), for example cites the key role of what he refers to as "meso-level institutions" in the movement:

Meso-level institutions can be defined as institutions that are at an intermediate level between micro-level units (here essentially enterprises) and macro-level institutions (government, ministries, parliament, central bank, international organizations, etc.), providing intermediation of interests and fulfilling a series of functional roles toward specific micro-level units [such as individual co-operatives], usually beginning with the supply of some kind of service (2000: 68).

The author goes on to assert the crucial role of such institutions in co-operative development, particularly in terms of overcoming the limitations of individual co-ops in their ability to expand economically, secure financing, resist co-optation by government or other interests, or overcome isolation and factionalism. In addition, growing co-ops in particular must deal with the challenges that often arise when traditional management strategies that are more appropriate to profit-maximizing enterprises come into conflict with the social orientation of the co-operative structure and purpose. "In order to reverse this negative performance and to develop in a sustainable manner," Roelants asserts, "...co-operatives require the support of functional meso-level institutions" (2000: 69).

The author goes on to state that these co-operative support organizations that "can assume a variety of roles (consulting, financing, educational and training, R&D, networking, provision of social services, lobbying) and provide different types of contributions both to their member co-operatives (providing higher scales, channeling needs and interests, promoting

transparent management) and towards society at large (local and regional development, employment creation and maintenance” (2000: 81). The author then goes on to indicate five key variables contributing to the impact of such organizations in Italy:

- (1) A focus on systematic construction, through institutional density, functional differentiation and lean co-ordination;
- (2) The promotion of definite production or service sectors through innovative strategies;
- (3) The creation of a virtuous circle between the quality of the services provided, the amounts of funds loaned or invested, and the level of intervention conceded;
- (4) The presence of democratic management, mutual trust and mutual control between the meso-level institutions and the grass-roots enterprises; and
- (5) Co-operation with the public authorities, respecting the autonomy of the co-operative groups (2000: 81, emphasis added).

If the Italian co-operative movement is highly integrated, then the movement here in the US is surely disintegrated. This is particularly so when it comes to the provision of services such as technical assistance and financing, and engagement with external organizations. In my research on MCC, the issue of technical assistance was alluded to at length by Whyte & Whyte in the concluding chapter of their book, *Making Mondragón* (1988), “Implications of the Mondragón Experience”. Due to the significance of their observations to worker co-operative development, I will quote at length:

One of the major problems for entrepreneurs in the United States who need technical assistance is the specialization and competition among consultants. The small-business entrepreneur is likely to need the assistance of a lawyer and an accountant and may also need technical assistance in manufacturing, marketing and organizational development. The problem here is not simply that different people need to be called upon — assuming their services can be afforded — but that specialists do not generally limit their recommendations to the field covered by their specialization. Thus the lawyer, the accountant, the marketing specialist, and the technological consultant are all likely to give general advice on how to establish and manage an organization, and more often than not present conflicting and mutually incompatible views (283-84).

These challenges are all the more difficult for co-operatives, with unique structures, purposes, and attributes are often unfamiliar to such professionals. This was certainly my experience at Equal Exchange when we worked with external consultants, and was confirmed in our initial outreach to VAWC member co-ops. Many co-op members, for example, spoke of the need for legal, accounting and business support that was consistent with their structure and goals, a topic that has also been raised over the group’s listserve. Some co-ops expressed concern that the legal support they received was inappropriate to their goals while others pointed to the challenge of securing business planning support that respected their structure and goals. A recent publication of the Alliance also notes that:

While other approaches [to worker co-op development in the region] have had a positive impact, their contribution has been limited by 1) a dependence on grants and government support, and 2) a limited understanding of the worker co-operative culture, decision-making, and priorities (2009a: 7).

For their part, Whyte & Whyte go on to propose a solution to this key challenge that I believe they have correctly identified. However, they do so in the limited context of conventional business strategies:

The United States may never develop as integrated a socioeconomic system as in Mondragón, but leader of business organizations and of the agencies seeking to help them should be concerned about the problem of specialization and conflicting recommendations. This suggests the need to distinguish between the organizational consultant/facilitator, who works with the organization on a more or less continuing basis and gains an intimate knowledge of that organization [or group of organizations], and experts who are called in for specific technical information and ideas. The consultant/facilitator needs to be an intermediary between the organization and the technical specialists, someone who helps the organization secure the technical information and ideas when needed and then integrates these ideas with the organizational and business development strategy (284).

This idea would certainly be an improvement to the situation. However, it avoids a key component of the Mondragón system that the authors themselves allude to in an earlier passage: “In Mondragón, consultants work within a system in which information and ideas are worked out and presented in an integrated fashion.” In light of this observation and the Italian example, I would take the authors point further to say that a key component of the long-term success of co-operative complexes is second degree co-ops, co-operative federations and industry-based consortia who then hire support staff who are employees of these organizations if not members of co-operatives themselves.

It is through the collective intermediation of group interests described by Roelants that movements such as Mondragón and the Italian co-ops have been able to articulate their vision in surrounding society. This is not to say that such organizations and their staff perform all of the services required by primary co-ops and co-operative groups. However, these services are provided within the framework of the movement and in keeping with its logic, goals and priorities. And where external support is provided it is within this framework. The crucial factor for the success of these movements, I believe, is the existence of the meso-level institutions that share some core attributes.

### **Core Characteristics of Successful Co-operative Complexes**

It is challenging and somewhat risky to attempt to distil the shared characteristics of

successful co-operative complexes such as Mondragón and the Italian Co-operative Movement. Below is my attempt to summarize what I see as the shared characteristics of these two movements. What is most powerful about these characteristics, I think, is the manner in which they support one another and result in an interconnected system.

1. **A coherent economic alternative.** There is a clarity of vision, purpose, priorities and structure that reaches across co-operative enterprises and sectors, creating what can be accurately described as a movement. This includes the core co-operative identity, as well as those characteristics specific to worker co-ops (see, for example, Ellerman (1984)), and a shared legal structure that clearly communicates the unique structure and its distinction from conventional enterprise, including other models of worker ownership. It also extends into policies of internal mutuality such as the allocation of surplus to collective and internal capital accounts, and to external mutuality such as contributions to funds for co-operative development.
2. **An emphasis on interco-operation.** This clarity of vision and of shared identity provides the logic for and leads to a natural affinity for interco-operation. After all, if one is clear about the core character and goals of the co-operative identity, one is also clear that the most effective way to build the movement and the wider co-operative economy is to work together. This includes federations, consortia, targeted purchasing, trading, partnering, shared services such as marketing, technical assistance and benefits, joint ventures, etc.
3. **Development of resources to support development.** Both the Italian and Mondragón movements have integrated systems for the development of co-operators' resources including collective accounts, internal capital accounts and the external development funds. Organizational technical assistance, support and coordination is integrated with, funded by and accountable to the movement itself.
4. **Civic & legislative engagement.** The ability of co-operatives to collectively demonstrate their shared economic impact leads to stronger influence in their communities, wider society, and government. Their unique contribution to local,

regional and national economies is recognized, protected and promoted. This in turn enables the movement to create a more conducive legislative environment for co-operation and co-opreneurship such as the Italian “social co-operative”.

#### **4. A Framework for Development of the Alliance**

The examples of Mondragón and the Italian Co-operative Movement present a strong framework for the development of vibrant, dynamic and expansive worker co-operative complexes. Their core characteristics, taken together, provide a potential framework for the continuing evolution of the Alliance as a worker co-operative federation with a strong role in co-op development. Further, I think these cases demonstrate the importance of staff support that is linked to the co-operatives themselves in order to facilitate their mission, goals and priorities.

In keeping with this approach and with the organizational mission of the Alliance, this report is not an attempt to create a finished proposal. Rather, it is intended to be a contribution to a process of dialogue that is already in motion, and a starting point for the next stage in that evolution. Below, I attempt to apply some of the potential activities of the VAWC and its staff to the framework described above. It should be noted that there are no current assumptions regarding how these items will be developed or realized. For example, much of this work could be taken on by some combination of VAWC representatives, VAWC staff, the members and staff of individual co-ops, or in some cases external service providers. Assuming that the group supports this framework, it will be up to the members of the Alliance to determine how they would like to move forward.

#### **A Coherent Economic Alternative.**

It is in the interest of VAWC and its members to have a clear concept of the character, philosophy and benefits of worker co-operation, and its relationship with the wider co-operative movement. This strengthens the individual enterprise by reinforcing internal mutuality, as well as the group, identifying the common vision, goals and priorities that provide the basis of external mutuality.

VAWC has begun this work on an informal level simply by meeting together, sharing models, goals and challenges. More recently, the group has taken steps toward becoming a more formal organization by developing the structural framework for the Alliance, beginning with identifying the basis for membership in the Alliance. More work can be done on the core values that bind the members of VAWC together with one another and with the wider movement.

1. Shared Identity
  - a. The CICOPA Declaration (CICOPA, 2004)
  - b. Other characteristics specific to VAWC (e.g. collective management)
  - c. Formulation of co-operative difference and the unique role of worker co-operatives within movement
  - d. Role of co-operation in addressing social and economic challenges
  - e. Relationship to labor and other social change movements
2. Shared Mission & Guiding Principles
  - a. Articulation of the Alliance's broader mission and the principles that guide that work
3. Shared Legal Structures
  - a. Defining the core legal and statutory characteristics of member co-ops and the rationale behind them.

### **An Emphasis on Interco-operation.**

The vision of the co-operative identity as a coherent economic alternative provides the core rationale for interco-operation, both within the worker co-operative sector and across sectors. If one believes in the core principles and values of co-operation, and ascribes certain benefits to the model, one can easily understand the role of co-operation among co-operatives as having both ethical and pragmatic characteristics. Securing shared services, for example, reinforces the sense of solidarity among co-ops and their members while also reducing costs and increasing efficiency.

1. Formal Regional Federation
  - a. Definition of the Alliance
  - b. Structures of representation and decision-making
  - c. Contract of association
  - d. Role and status of staff within context of a federation of worker co-ops
2. Shared Policies
  - a. Development of basic recruitment and hiring policies

- b. Shared tools for orientation, education, mentoring and ongoing engagement of members in their own co-ops and in VAWC
  - c. Rights and responsibilities
  - d. Governance
  - e. Employment maintenance strategy
- 3. Shared Services
  - a. Technical support
  - b. Legal assistance
  - c. Organizational development
  - d. Business planning
  - e. Mediation & conflict resolution
  - f. Healthcare and other benefits
  - g. Co-op incubation
  - h. Mentoring of new co-ops
- 4. Internal Trade Initiatives
  - a. Opportunities to measure, prioritize and expand trade within VAWC
  - b. Opportunities to expand products and services or develop new co-ops in response to needs of other member co-ops
- 5. External and Cross-Sector Trade Initiatives
  - a. Opportunities to expand business with other sectors based on shared co-operative identity
  - b. Collaboration with co-ops outside of region
- 6. Regional Trade Initiatives
  - a. Trade with regional businesses based on regional economic impact
  - b. Trade with local governments based on regional economic impact
- 7. Cross sector dialogue
  - a. Strengthening of common identity, economic model and goals
  - b. Developing relationships particularly with non-worker co-ops seeking to strengthen engagement with and participation of staff
  - c. Exploring models for multistakeholder co-operation that offer ways for these co-ops to engage staff in membership to maximize benefits of co-operation
- 8. Shared Marketing
  - a. Tools and materials for communicating shared identity
  - b. Cross marketing opportunities
  - c. Advertising and press initiatives
  - d. Public events and outreach

## **Opportunities for Civic & Legislative Engagement.**

Interco-operation increases the impact and influence of member co-ops. For example, assessing the economic and social impact of the Alliance as the group helps to make the case for the unique contribution of worker co-ops to the regional economy. This in turn raises the visibility of co-operatives, enabling stronger engagement with external institutions such as government and educational organizations. Opportunities include:

1. Assessing the economic and social impacts of the group
  - a. Members and employees (retention and expansion)
  - b. Social impact (skills, leadership, participation, demographics)
  - c. Co-opreneurship (new initiatives, growth, expansion)
  - d. Annual revenues
  - e. Retained earnings
  - f. Salaries, patronage and benefits
  - g. Success rate, longevity
  - h. Internal capital accounts
  - i. Purchases from other co-ops, unionized and regional businesses
  - j. Sales to co-operative enterprises
  - k. Support of Fair Trade and ecologically sound practices
  - l. Contributions to the community
2. Engaging government
  - a. Supporting legislation of specific benefit to worker co-operatives and the wider movement
  - b. Developing knowledge base of local and state governments regarding the unique character and contribution of co-operatives
  - c. Securing government contracts for products and services
  - d. Promotion of local and state-based resolutions, policies and programs promoting co-operation
  - e. Supporting legislative action by national and state-based co-op organizations
3. Engaging educational institutions
  - a. Offer support and promotion to existing programs providing content on the co-operative movement and enterprise development
  - b. Proposing or providing content for institutions in the region
4. Engaging economic development organizations
  - a. Developing knowledge base of regional economic development organizations regarding the unique character and contribution of co-operatives
  - b. Request services and resources appropriate to worker co-operation

5. Engaging other movements
  - a. Labor
  - b. Localization
  - c. Social and economic justice
  - d. Environment
  - e. Democracy, civic engagement
  - f. Fair Trade

### **Engagement in Co-operative Development.**

Key to the success of Mondragón and the Italian co-ops is direct, strategic engagement in co-operative development, and the dedication of financial resources to these purposes. As mentioned earlier, for example, Italian co-ops by law dedicate a portion of their annual surplus to regional and national funds for investment in new co-operative ventures. VAWC could consider a similar policy for members that would contribute to a fund that could either operate independently or, rather than duplicating effort, in collaboration with an existing fund. For example, funds could be invested in regional funds such as the Co-operative Fund of New England or the Co-operative Capital Fund, or on a national level through the USFWC's loan fund. Ideally, investments in these funds would be linked with stronger strategic alignment and opportunities for input and collaboration.

Some opportunities include:

1. Development of shared financial resources
  - a. Explore ways to pool existing member assets
  - b. Shared policy for dedicating a portion of surplus to funds for co-operative development
2. Development of tools for lending and investment
  - a. Exploration of closer collaboration with existing funds through investment and strategic alignment
  - b. Consideration of lending and investment mechanisms directly aligned with VAWC
3. Strategy for economic development
  - a. Identification of opportunities for growth of existing firms and establishment of new ones
  - b. Development of tools for establishing new firms or conversion of existing ones
  - c. Collaboration with other co-op sectors for development of new products,

## **5. Priorities for the VAWC Pilot Project**

In our initial outreach to member co-ops over the past few months, we have been presenting these larger ideas around co-operative development while also encouraging input on the more immediate concerns of members. We wanted to know what would make them excited to support this direction.

In general, members have been supportive of the idea of the Alliance becoming a more formal organization with a staff function, though some have expressed some hesitation around use of their co-op's resources and the details of where staff would focus their time. Most have been very open and willing to offer ideas on where we might focus our time as the project moves forward. Others had very specific ideas that ranged from support in conflict resolution, marketing and the recruitment of new members, to the joint purchase of healthcare and other benefits, to the development of new products and services.

A common response was that we should focus on providing support and coordination to existing co-ops before spending too much time on supporting start-ups or conversion projects. The provision of technical support — appropriate legal services, accounting, strategic planning, etc. — was a topic in many of our discussions. For many, the simple act of attending member meetings, encouraging dialogue and developing the network was very valuable in itself. What was clear is that members were not interested in staffing that would serve an administrative purpose for the Alliance. They wanted to see tangible contributions to the success of their own co-op and the group as a whole.

Recognizing our limited resources, we have outlined a one-year project to research and design a staffing role for VAWC that would support, promote and develop worker co-operatives in the region. The three basic goals for the pilot are to 1) engage with co-ops and their members to better understand their needs and goals, 2) begin some basic activities with demonstrated impact such as joint marketing and community education, and 3) work with member co-ops to outline the responsibilities and funding for a long-term staff position.

In keeping with our goal of developing VAWC as an independent second-level (or “meso-level”) co-operative organization, members are exploring a dues structure that will be sustainable for members while providing sufficient funding to the organization to support staff. The short-term goal is to develop a formula that will provide \$9-10,000 toward an annual budget once this position is approved and its responsibilities defined. While it will be important for staff time to be supported by co-op resources, supplementary funding may be sought out for specific projects.

Part of our goal with this pilot project is to demonstrate the potential benefits of a staff position so that members will feel that it is an investment in the future rather than simply another expense or membership fee. We have therefore proposed to initiate results-based activities in the next twelve months that will:

- **Build Member Relations.** Building on outreach efforts to date, we will develop relationships with member co-operatives and their members, sharing this concept, surveying their goals and needs, and building participation and communication.
- **Begin a Shared Marketing Program.** We will develop an ad and press campaign promoting member co-ops and educating consumers, activists and policy makers about the benefits of co-operation.
- **Develop Organizational Relationships.** Make initial contacts with other co-operative sectors (particularly other meso-level organizations), co-op support organizations, and educational programs that include content regarding the co-operative movement and enterprise development.
- **Propose a Model for Long-Term Staffing.** And finally, the project will develop a concept for long-term staffing that will include a job description, responsibilities, compensation and relationship to VAWC as it becomes a more formal federation.

These are ambitious goals in terms of the time and resources we have available to this pilot project. At this stage, we have the funds to support a staff person for about one day a week and well below the going rate for independent consultant support. Therefore it will be

important to focus our activities in areas that we can accomplish, that will benefit the broader membership of the Alliance, encourage member buy-in to the concept, and that lay a foundation for future success. In keeping with these goals, I am proposing the following priority actions for consideration by the project advisory board and VAWC:

**Member Relations:**

- Attendance at Monthly VAWC Meetings. The staffer will make a priority of attending all monthly VAWC meetings. These opportunities will be used for reporting on the progress of the project, inviting guidance and feedback, and promoting communication between VAWC and base co-op members.
- Attendance at Member Meetings. Over the next 12 months, the staffer will be available to attend at least one member meeting of each member co-operative. Given our goals and the positive feedback from many co-ops, this direct engagement seems particularly valuable. With more resources, these meetings might be given even more priority.
- Model Members' Manual for VAWC Co-ops. New and growing co-ops in particular have communicated the need for tools for the orientation, training and ongoing engagement particularly of new members. From the author's experience, the development of basic member materials and a curriculum are crucial to the strengthening and maintenance of a culture of co-operation, particularly in rapidly growing enterprises. We will create a model "owners' manual" for VAWC members that will include resources on the wider co-operative movement, VAWC, and specific materials oriented toward the facilitation of effective participation within the co-operative itself (e.g. mission and guiding principles, history, bylaws, policies, strategic plan, etc.). We may also explore the development of a shared curriculum for new members. Given the opportunity presented by the geographic proximity of member co-ops, and the benefit of increased contact and dialogue among members, it may be interesting to look at a monthly class that would be attended by prospective members of different enterprises. Such an approach would also be valuable in terms of developing solidarity among individual co-operators and across the

enterprises within the Alliance.

- Basic Measures of Economic Impact. We will build on existing research to find ways to quantify and communicate the economic and social impacts of the Alliance as a group. We will also promote interco-op trade as an efficient and effective way to strengthen the Alliance and begin to demonstrate its unique role in the region.

### **Shared Marketing & Community Education:**

- Promoting a Shared Identity. I think that there is an opportunity to communicate VAWC's presence and impact through shared identity. We can consider how each member co-op can promote VAWC as a whole and in doing so share customers and develop the visibility our co-ops. For example, members could use a simple tagline on materials such as, "Collective Copies is a member of the Valley Alliance of Worker Co-ops," that would quickly communicate their co-op identity and association with a larger group. We will develop basic concepts and materials.
- Advertising & PR Initiative. Given the geographic overlap of VAWC member co-ops with food co-ops in the region, I would propose a press and advertising initiative focused on the newsletters of these local co-operatives. Within the immediate region, there are four co-ops (Brattleboro Food Co-op, Franklin Community Co-op, Putney Food Co-op, and River Valley Market Co-op), with a combined membership of more than 10,000. These members should represent some of the most obvious customers and supporters for VAWC co-op products and services. There are also two opportunities for special press initiatives, including Co-op Month (October) and UN's International Day of Co-operation (July 4<sup>th</sup>), the theme of which is "Driving global recovery through co-operatives".<sup>26</sup>
- Internal Retail Initiative. For a number of years, Collective Copies has operated a successful marketing initiative of co-op products through special shelving units.<sup>27</sup> More recently, Pelham Auto has launched a similar project. These units could be further developed to promote VAWC members as a group through signage, pamphlets, and/or

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<sup>26</sup> See <http://www.ica.coop/activities/idc/2009.html>.

<sup>27</sup> This retail effort includes products from VAWC member co-ops such as Co-op 108 and Green Mountain Spinnery, worker co-ops such as Equal Exchange and worker-consumer co-ops such as FEDCO Co-op Seed Packers. In 2006, Collective Copies sold \$12,000 worth of these products; in 2007, \$22,000; and in 2008, \$25,000 (Trott, 2009).

coupons, and distribution of the VAWC book once complete. Further, we could approach other members with retail storefronts to set up kiosks as well if they have not already (e.g. Food for Thought Books, Green Mountain Spinnery, and the student-run business at UMASS).

- External Retail Initiative. Co-op 108 is the only member producing a product that can be easily distributed to retailers in the region, and has good growth potential particularly among the food co-ops of the NFCA, but also more generally. I think we should pursue this opportunity through the pilot and consider ways to link their growing shelf presence with VAWC as a whole. For example, we could develop a “shelf talker” that would identify Co-op 108 as a member of VAWC and include the Alliance website. There may also be an opportunity to approach food co-ops about some special promotion for Co-op Month that would link back to the Alliance.
- Co-op Web Identity. Currently only two member co-ops use the “.coop” suffix on their websites and e-mail accounts. This would be a simple way to reinforce the co-operative identity of member enterprises. We could inquire as to whether we can get a group discount on the cost of registration, or look at developing a group identity that would use the “.coop” suffix. We can also drive traffic to the Alliance website by obtaining a “.coop” address and encouraging members to use their VAWC page on promotional materials. This would be particularly effective if we set up pages for each member co-op that could be promoted. An example would be [www.valleyalliance.coop/co-op108](http://www.valleyalliance.coop/co-op108) or [www.vawc.coop/foodforthought](http://www.vawc.coop/foodforthought).
- Conferences. We are currently pursuing workshop and presentation opportunities for VAWC at the Eastern Conference for Workplace Democracy, the Northeast Co-operative Summit and the Consumer Co-op Management Association.
- Business Opportunities. We will be constantly on the lookout for business opportunities for member co-ops and will work to facilitate such relationships where they make sense.

#### **Organizational Relationships:**

- US Federation of Worker Co-ops. Define and develop potential relationship with the

USFWC, especially in terms of collaboration in creating a new model for worker co-op development.

- Neighboring Food Co-ops Association (NFCA). As mentioned above, the NFCA could be a beneficial partner for VAWC. Each has an emphasis on strengthening the regional economy through co-operative enterprise, and there is a close geographical overlap between the two associations. The author has been asked by the steering committee of NFCA to act as a liaison with other co-operative sectors, so there is a strong opportunity for dialogue on these opportunities.
- Co-operative Financial & Development Organizations. Explore the potential for a strategic relationship with regional organizations such as Cooperative Fund of New England, particularly in initiatives such as the Cooperative Capital Fund.
- Educational Institutions. Of particular interest is developing a relationship between VAWC and the Student-Run Businesses at UMASS. We will also explore opportunities for supporting the development of curricula on co-ops at regional educational institutions.<sup>28</sup>

#### **Model for Long-Term Staffing:**

- Develop Organizational Vision. Work with VAWC leadership to continue to develop an organizational model that serves the vision and goals of member co-ops. Examples may be drawn from the co-operative groups of Mondragón and Italy.
- Research Staffing Models. We will continue to make inquiries about existing models for the staffing of co-operative federations. Our goal will be to develop a model that is most appropriate to the mission and priorities of the members of VAWC.

In addition, where opportunities arise we will pursue supplementary funding for our activities while maintaining our focus on the principle of core self-funding as our organizational goal.

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<sup>28</sup> It is encouraging that one outcome of co-operative components of the Creative Community Building program at the University of Connecticut is an initiative by students to create something similar to the student-run businesses at UMASS. Perhaps this pattern can be duplicated elsewhere in the region.

## **VI. Conclusion**

Having been directly involved in the worker co-operative movement for nearly fifteen years, it has become difficult for me to imagine any other kind of work. Recently, my desire to help grow the movement and make co-operation available to more people led me to change jobs in order to explore a more direct role in co-operative development. This experience has in turn raised many questions for me in terms of the structure, priorities and factors of success for such work in the US.

Above I have outlined what I see as the core characteristics of the Italian co-operative movement and the Mondragón group and some ideas on the implications for groups such as VAWC. One may argue that these experiences are too unique to be applied to our own region. Perhaps Mondragón is too centralized, or the Italian movement has the advantage of a favorable national culture. Of course no system is perfect, and it is not possible to simply transfer these experiences to our own region even if we wanted to. However, I propose that co-operators interested in successful models for co-operative development can look at ways to emulate some of the key aspects of these movements in ways that fits our own history, culture and goals. For example, both examples suggest that such development may be most effective in areas where there exists a high density of co-ops that can collaborate in the development of models and strategies.

Such an approach might entail renewed emphasis on the unique characteristics of co-operative enterprise (the “co-operative difference”), development of the rationale and models for economic interco-operation, and engagement with institutions of government and education. Finally, I would argue that one of the core issues for co-operative development is the creation of structures and initiatives that are integrated with the co-operative movement, being informed, funded and guided by co-operatives themselves.

To return to an example offered earlier in this paper, the *Giovani Rilegatori Social Co-operative* (GRSC) illustrates all of these characteristics. As an enterprise with a social and economic purpose, owned and controlled by its members, and including both internal and

external stakeholder representation on its board,<sup>29</sup> GRSC is an example of the fundamental uniqueness of co-operative enterprise and the co-operative difference. In addition, this co-op has been able to advance thanks in part to civic and legislative engagement by the co-operative movement that defined the purpose, created the legal framework, and established incentives for the development of social co-operatives.<sup>30</sup> Beyond this support, GRSC has benefited from interco-operation in which 60 percent of its customers are other co-operatives that are committed to its success. And, finally, the dramatic expansion of the co-operative has been supported by active engagement in co-operative development — technical, marketing and financial assistance provided by the co-operative movement itself.

It has been noted that the Valley Alliance of Worker Co-operatives represents a critical mass of co-operation that is more advanced in scale, experience and networked relationships than that of Mondragón when the first co-op was launched in 1956. One can also consider the advantages represented by the cultural context of the Alliance, the history of the region and the presence of other types of co-operatives and like-minded organizations and individuals. As we look around us, there are surely opportunities for development that would parallel that of the *Giovani Rilegatori Social Co-op*, and that would benefit from the support of such a framework.

The core question that we have attempted to answer with this report is how an informal network of independent worker co-ops can begin to utilize its critical mass and evolve into a more formalized federation engaged in movement building and co-operative development. We have attempted to understand the unique characteristics of this network, and then analyzed the key ingredients of the success of co-operative complexes such as Mondragón and the Italian co-operative movement. We then set out some suggestions as to how these co-ops could begin to emulate these characteristics in a manner that reflects their own context, goals and priorities. We have then proposed some of the ways that staff can support this process in the long term, and set out some proposed priorities for the one year period set out for our pilot

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<sup>29</sup> The board of *Giovani Rilegatori Social Co-operative* is composed of 7 members — 4 worker members and 3 external representatives who must be members of another co-operative. Disadvantaged members have full access to membership as well as board service (Alberto, 2008).

<sup>30</sup> It is interesting to note that the *Giovani Rilegatori Social Co-operative* was actually founded in 1983, predating the passage in 1991 of formal legislation regarding social co-ops and may represent some of the co-opreneurial activity that set the stage for development of a legal framework (Alberto, 2008, and Legacoop, 2007: 67).

project.

The question for the members of VAWC is whether this vision is compelling. Can they see the potential advantages for their own co-ops, for other co-ops in the group, and for people who do not yet have access the opportunities presented by worker co-operation? There has not been a more important time, especially given the current economic crisis, to make the co-operative alternative available to more people.

As Robert Jackall & Henry M. Levin note, worker co-operatives “lay claim to the enduring democratic heritage of our society and try to make that heritage come alive in the workplace. They offer us as well images of a social order imbued with reason, freedom, and, indeed, hope” (1984: 289). At a time when the global economy has left millions of people stranded, co-operators have both a responsibility and an opportunity to make themselves known. And while worker co-ops offer solutions to some of the basic issues that continue to plague working people and our society as a whole, the model that they present raises fundamental questions about business as usual.

It is in their conclusion to “Prospects for Worker Cooperatives in the United States,” published about twenty-five years ago, that the authors offer what may remain the central challenge for the movement today:

In the long run, the vision and the nerve to achieve a more cooperative future must come primarily from cooperatives themselves (1984: 289).

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## Appendix A: VAWC Member Co-operatives:

1. Collective Copies // [www.collectivecopies.com](http://www.collectivecopies.com) // Amherst, Florence, and Belchertown, MA  
A worker co-operative and union shop providing copying services.
2. Collective Voice // Colrain, MA  
A firm providing advocacy, fundraising and public education service.
3. Coop 108 // [www.coop108.com](http://www.coop108.com) // Haydenville, MA  
Personal care products including moisturizers, balms and oils.
4. Food For Thought Books // [www.foodforthoughtbooks.com](http://www.foodforthoughtbooks.com) // Amherst, MA  
A worker owned and operated store offering books, cards, posters, journals, etc.
5. GAIA Host Collective // [www.gaiahost.coop](http://www.gaiahost.coop) // Greenfield, MA  
Internet hosting services including websites, e-mail and listservs.
6. Green Mountain Spinnery // [www.spinnery.com](http://www.spinnery.com) // Putney, VT  
Wool dyeing and spinning services, as well as yarn and other knitting products.
7. Pedal People Co-operative, Inc. // [www.pedalpeople.com](http://www.pedalpeople.com) // Northampton, MA  
Bicycle delivery and hauling services.
8. Pelham Auto Service // [www.pelhamauto.com](http://www.pelhamauto.com) // Belchertown, MA  
Repair services and parts for European and Asian vehicles.
9. Pioneer Valley Photovoltaics // [www.pvsquared.com](http://www.pvsquared.com) // Greenfield, MA  
Electrical contractor providing turnkey renewable energy system installations including solar electric and hot water systems, small wind turbine technologies and micro-hydroelectric facilities for homes, businesses, municipalities and institutions.
10. Repair Collective // Northampton, MA  
Repairs and improvements for home and business.
11. Ronin Tech Collective // <http://www.ronincollective.com> // Brattleboro, VT  
Website and open-source custom application development, database work and consulting services.

For more information:

[http://wiki.valleyworker.org/index.php?title=Valley\\_Alliance\\_of\\_Worker\\_Cooperatives](http://wiki.valleyworker.org/index.php?title=Valley_Alliance_of_Worker_Cooperatives)

## The Valley Alliance of Worker Co-operatives Supporting the Success of Worker Co-operation in Our Region

Over the past three years, the Valley Alliance of Worker Co-operatives (VAWC) has grown from a meeting of three co-ops into a network of 11 worker co-operatives in the Connecticut River Valley of Western MA and Southern VT. The benefits of this collaboration have been clear. VAWC has provided a point of contact, dialogue and shared resources for co-ops that have often had to operate in the relative isolation of a marketplace with very different set of values and priorities. In addition to providing a forum for mutual support, the Alliance has raised the profile of our members and contributed to the movement at a regional and national level.

From our work together and research into other international models, we can see how our impact could be much stronger, for our own co-ops and for the communities around us. In the current economic crisis, our co-ops have a responsibility and an opportunity. As consumers, people are looking for an alternative to business as usual, and as workers they are looking not only for more security, but for a stronger voice and more control over their work lives. Co-operative complexes in Spain and Italy that have intentionally invested their resources in co-operative development have been able to form thousands of co-operative enterprises that dramatically impact their communities. We believe that it is time for us to make a decisive move toward being more intentional, strategic and confident about building our businesses and promoting the worker co-operative model.

Toward this end, VAWC has launched a project that will explore the potential for continuing our evolution into a more formal co-operative federation committed to the active development of worker co-operation in the Valley. Co-ops and allied organizations have seen the strength we have in working together and can envision what could be accomplished if we invested more deliberately in our mission of support, development and education. VAWC currently provides a valuable forum for informal networking, information sharing and problem solving. We do not want to lose this. But we also recognize that the hiring of staff would be a key piece of the process of being more proactive in our work — providing technical assistance and marketing support, facilitating networking and business opportunities, and supporting democratic governance and management of member co-ops.

Through our dialogue and discussion, we have been developing a vision of some of the benefits that VAWC could provide to member co-ops as we grow. Some of these include:

- **Member Relations.** Strengthening the relationship between VAWC, its member co-ops and their members.
- **Marketing Support.** Educating the public about the advantages of worker co-operation, and developing business opportunities by sharing existing customers and reaching out to new ones.
- **Personnel Benefits.** Exploring the needs of member co-ops and finding ways to take advantage of group access to benefits for members and employees.
- **Financial Resources.** Researching improved access to financial resources for member co-ops, including mechanisms for investment by co-ops and their members in co-operative development.
- **Engaging the Co-op Economy.** Reaching out to other co-op sectors on the basis of shared identity to maximize opportunities for collaboration and economic exchange.
- **Business Opportunities.** Proactively seeking contracts and other business opportunities for member co-ops.
- **The Educational Community.** Seeking opportunities to promote our business model with educational institutions in the region.
- **Technical Assistance.** Providing or securing technical assistance resources for member co-ops in the areas of governance, member development, legal support, marketing, and financial and business planning.

These are just a few of the initial ideas on how we envision VAWC playing a more active role in supporting worker co-operation in our communities. A main priority of the project is to reach out to our members and individual worker co-operators to explore these ideas. What are your key questions and ideas about this model? Do you have ideas on what services would be most useful to member co-ops? These efforts will also take financial investment, so we'd like to talk with member co-ops about dues structures and the results they'd like to see from a more active co-operative association.

Erbin Crowell (formerly of Equal Exchange, currently working with the Cooperative Fund of New England) and Adam Trott (Collective Copies) have been visiting member co-ops to engage in deeper dialogue around this concept. Erbin will be coordinating this process and the research will contribute to his final project for his Masters in Management (Co-operatives and Credit Unions) program at St. Mary's University ([www.mmccu.coop](http://www.mmccu.coop)). The end result will be a report and recommendations completed in the spring for VAWC to consider and develop further as it moves forward. Your input in the process is important to our success.

## Lessons from Europe

What is exciting is that there are already examples for us to look to where the worker co-operative movement is very active and strategic in its commitment to expansion, investment in economic development, and collaboration with other co-op sectors. In Spain, the Mondragón Co-operative Corporation has become one of the most innovative and rapidly expanding co-operative systems in the world, rooted in worker democracy with approximately 84,000 worker owners. The co-operative economy in the Emilia Romagna region of northern Italy is similarly vibrant. This province of about 4 million people is home to about 7,500 co-ops, two-thirds of which are worker co-operatives. Ten percent of the workforce is employed by co-operatives in a region with one of the lowest unemployment rates and highest standards of living in Europe. In both cases, co-operative development is guided and funded by, and accountable to, the co-operatives themselves. There is both “internal mutuality” — *solidarity among members within individual co-ops* — and “external mutuality” — *solidarity with other co-ops and with workers who do not yet have access to jobs within the co-ops*. From our perspective, the fact that co-ops are directly engaged in their own development is crucial to this impressive success.

Within VAWC we already have many of the key ingredients that are present in Spain and Italy. With a little planning and investment, we feel we can create an engine of support, development and education that will contribute to a thriving and mutually beneficial co-operative economy in the Valley and beyond.

## Our Proposal

From our time together in VAWC and the experiences of our co-ops, we have outlined a one-year project to research and design a role for the organization that would support, expand, promote and develop new worker co-operatives. We have three basic goals for this project: 1) To engage with co-ops and their members to better understand their needs and goals, 2) to begin some basic activities with demonstrated impact such as joint marketing and community education, and 3) to work with member co-ops to outline the responsibilities and funding for a long-term staff position.

In order to ensure that this position is funded by and accountable to VAWC members, we are exploring dues structures that will be sustainable. An initial proposal is for VAWC annual dues for member co-ops to be set at 1/8 of 1% of the gross revenue, with a \$500 minimum. This formula would currently provide approximately \$9,000 toward an annual budget once this position is approved and its responsibilities defined.

In order for this change in dues to make sense, members will want to see results. We are therefore proposing to begin some of this work immediately. In the first six to twelve months we expect to:

- *Build member relations.* We will make contact with all member co-ops, sharing this concept, surveying their goals and needs, and building participation and communication.
- *Begin a marketing/shared advertising program.* We will develop an ad and pr campaign promoting member co-ops and educating consumers, activists and policy makers about the benefits of co-operation.
- *Make initial contacts for finance, education and media development.* We will develop relationships with representatives of other co-op sectors, lenders and developers, educational institutions and media outlets.
- *Propose a staff position.* We will bring to VAWC a recommendation for a formal position, including responsibilities, compensation and relationship to our co-operatives.

## What We're Asking Today

1. **Support for this Direction.** Are co-op members excited about the goal of making VAWC a more strategic and proactive co-operative developer that will contribute to your success? What would get you more excited?
2. **Thoughts on Priorities.** Are the services that we've identified the right ones? What other benefits would your co-op want from your organization? What priorities would make the most difference in the shortest time?
3. **Dues Commitment.** In order for VAWC to be able to serve its members effectively, we believe that it should be funded by and accountable to them. What does your co-op need to commit to proposed dues structure?

We're excited to talk with worker co-operators in our region about taking the next step in fulfilling our potential for building a more just, sustainable and democratic economy in the Valley and beyond. Please feel free to contact either of us with questions, concerns or ideas. We look forward to talking with you more.

In Co-operation,

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3/12/09



# The Valley Alliance of Worker Co-operatives

## Supporting the Success of Worker Co-operation in the Valley & Beyond

Project Report for VAWC Member Meeting, 3/25/09  
Erbin Crowell & Adam Trott

### **Preliminary Report**

This update has been prepared for review by VAWC member co-ops and allied organizations. We're hoping that co-op representatives will also share this information with their co-workers. We are still in the stage of inviting and incorporating initial feedback and encourage it on any level. Our phone numbers and emails are at the end of this report and we encourage you to use them. As mentioned below, a more comprehensive report will follow in April.

### **Brief Background**

VAWC has begun exploration into active development of worker co-operation. Central to this concept is the dedication of member resources to a staff position that would support member relations and participation, technical assistance and marketing support, networking and business opportunities, and support of democratic governance and operation of worker co-ops. It is our belief that such a position should be funded and guided by member co-ops themselves to ensure that their goals are the priority.

A one-year pilot project supported by past dues and matching support will begin to put in place some short-term priorities and attempt to demonstrate to members the potential benefits of this initiative. We have three basic goals for this pilot: 1) To engage with co-ops and their members to better understand their needs and goals, 2) to begin some basic activities with demonstrated impact such as joint marketing, education and community outreach, and 3) to work with member co-ops to outline the responsibilities and funding for a long-term staff position. An initial report and recommendations will be developed in the form of Erbin's final project for his masters in management (co-operatives and credit unions) program at St. Mary's University ([www.mmccu.coop](http://www.mmccu.coop)).

Erbin Crowell is coordinating the project with the support, guidance and collaboration of Adam Trott of Collective Copies.

### **Visits to Member Co-ops**

Since this project was approved, Erbin and Adam have been doing a whirlwind tour of as many member co-ops as we could schedule (thanks to everyone who has been flexible and welcoming). In just six weeks we've been able to meet with 8 of VAWC's 11 member co-ops: Pelham Auto, Pedal People, Pioneer Valley Photovoltaics, Co-op 108, Brattleboro Tech Collective, Collective Copies, Food for Thought Books and the Repair Collective. We've also benefited from informal dialogue with individual co-operators interested in the project.

Our goal in the meetings has been to acquaint the grassroots co-op membership with the Alliance, to share with them our vision for VAWC achieving its mission, and get their feedback on our concept for a staff position. We've been asking for input on the priorities that we've laid out, and what kinds of impacts would make them feel good about an increase in dues to support staffing and program moving forward.

Our experience has been that these meetings and dialogues have been valuable in and of themselves in terms of engaging individual members in the bigger picture impacts of their own work as well as our potential impact as an alliance, community and movement. Many members have expressed appreciation for the outreach itself and the approach we've taken to seeking their input.

### **Feedback to Date**

As might be predicted, feedback on our questions has been diverse. Our member co-ops have different histories and experiences, and are engaged in diverse industries and services. In our 8 visits there has been clear support for the one-year pilot project and people could see how the activities proposed would have impact for their co-op. In general, they can see the potential in VAWC's evolution along with the development of this role.

What is exciting is that people wanted to know more about the details. They want to know where staff time will be focused, how the staffer will be supervised, how dues will be structured. Some of the concerns expressed relate to the specifics of the project moving forward: How can we balance short-term tasks with long-term vision? How will VAWC hire, evaluate, and supervise staff? How can we make the dues structure fair and sustainable for member co-ops? What would shared marketing look like? What is the potential for joint purchasing of benefits? What are the other ways that this project could support our co-ops, especially in areas such as member education, accounting, hiring and training processes and legal support? How will the staffer be available to us when we need them?

At this stage we are collecting this feedback to be incorporated into the above-mentioned report and recommendations. This report will then be submitted to VAWC for consideration and further development. Our assumption is that discussions relating to a more formal structure for the Alliance will be proceeding at the same time and that these two processes will build off of each other.

Toward this end, we are proposing a basic time-line to help manage goals and expectations.

### **Proposed Initial Timeline for the VAWC Staff Project**

In Process	VAWC representatives consider formalization of organizational structure and governance.
Ongoing	Erbin will give brief updates on the project at monthly VAWC meetings.
3/25/09	Monthly Meeting. Project update. Determination of resources available in form of past dues. Begin process of seeking matching funds for one-year project.
4/20/09	Erbin's final project due to St. Mary's University. Final report submitted to VAWC for consideration.
4/22/09	Monthly Meeting. VAWC formalizes how it wants to structure supervision, oversight and reporting with Erbin during the pilot program. Compensation determined.
5/1/09	One year pilot officially begins.
5/27/09	Monthly Meeting. Affirmation of priorities proposed for one-year pilot program.
11/09	Monthly Meeting. Mid-year evaluation of pilot.

### **Next Steps**

- **Funding.** A crucial step in the progress of this project is clarifying the resources available for this one-year pilot project. At our February meeting, VAWC approved the use of 90% of past dues to fund this work. We would like to ask co-ops that have paid dues to USFWC but not yet to VAWC to connect with Adam or Melissa and get their dues up to date ASAP. Co-ops that would like to support this project but are not currently members of USFWC can consider contributing to VAWC. Once we're clear on what member resources are in place we will be able to seek matching funds to support this work — the more funds we have, the more we can ask for in match.

We have begun receiving pledges for the preliminary framework of dues increase and see this as easing the process for the project and giving us a more realistic idea of what this position will look like.

- **Project Supervision.** As we move forward with the pilot project, we're proposing that Erbin give brief reports to VAWC's monthly meetings on progress and activities. Between meetings he would work closely with Adam and perhaps a small oversight committee that would provide support and feedback on ideas and process.

We've been very encouraged by the meetings we've had to date and are excited about the potential of this project moving forward. Please feel free to contact either of us between meetings with questions, concerns or ideas. Thanks.

In Co-operation,

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# The Valley Alliance of Worker Co-operatives

## Supporting the Success of Worker Co-operation in the Valley & Beyond

Project Report for VAWC Monthly Member Meeting, 4/22/09  
Erbin Crowell, Project Coordinator • Adam Trott, VAWC Liaison

### Monthly Project Report

This monthly update has been prepared for VAWC member co-ops and allied organizations. We're hoping that co-op representatives will also share this information with their co-workers. We welcome and encourage feedback from co-operators between meetings. Our phone numbers and emails are at the end of this report.

### Brief Background

VAWC has begun exploration into active development of worker co-operation in our region. Central to this concept is the dedication of member resources to a staff position that would support member relations and participation, technical assistance and marketing support, networking and business opportunities, and support of democratic governance and operation of worker co-ops. It is our belief that such a position should be funded and guided by member co-ops themselves to ensure that their goals are the priority.

A one-year pilot project supported by past dues and matching support will begin to put in place some short-term priorities and attempt to demonstrate to members the potential benefits of this initiative. We have three basic goals for this pilot: 1) To engage with co-ops and their members to better understand their needs and goals, 2) to begin some basic activities with demonstrated impact such as joint marketing, education and community outreach, and 3) to work with member co-ops to outline the responsibilities and funding for a long-term staff position. An initial report and recommendations will be developed in the form of Erbin's final project for his masters in management (co-operatives and credit unions) program at St. Mary's University ([www.mmccu.coop](http://www.mmccu.coop)).

Erbin Crowell is coordinating the project with the support, guidance and collaboration of Adam Trott of Collective Copies as VAWC liaison.

### Interim Advisory Board Formed

Following on discussions from VAWC's last meeting, Adam has recruited an advisory board for the pilot project. Members of the board include Philippe Rigolaud (*Pioneer Valley Photovoltaics*), Charles Strader (*Gaia Host Collective; board member/facilitator of Coordinating Committee for Eastern Conference for Workplace Democracy*), Anasuya Weil (*Co-op 108*), and Randy Zucco (*Collective Copies; former board member of the Coordinating Committee for Eastern Conference for Workplace Democracy, the United States Federation of Worker Cooperatives, and the Cooperative Development Institute*). This committee will provide support and feedback between member meetings as the pilot project moves forward. Erbin and Adam would like to thank these people for their agreeing to serve. Any others interested call or email Adam.

### Update on Financial Resources

To date, we have collected \$1,635 in past dues and \$735 in special contributions (thank-you!), bringing our total member resources for the project to \$2,370. This is exciting news and we want to thank everyone for their commitment to the success of this project.

One of the first actions of the interim advisory board was to provide feedback on a formal request for matching technical assistance funds from the Cooperative Fund of New England (CFNE). We are excited to report that CFNE – a long time participant in VAWC, and lender to some of our members – has agreed to provide us with \$4,000 for calendar year 2009 to support the technical assistance component of the pilot. The May to May contribution to the pilot project will total \$5,250, and CFNE has expressed interest in possibly providing support in the future.

We want to again thank everyone for committing past dues to this project as well as the co-ops that contributed additional funds beyond their dues. It was VAWC's self-funding that enabled us to obtain these additional resources to support a model that we are guiding as it moves forward.

## Visits to Member Co-ops

Since our last report, we have made presentations to Green Mountain Spinnery and GAIA Host Collective. This means that we have met directly with the members of 10 of VAWC's 11 member co-operatives (the remaining co-op is Collective Voice, which has been in a process of winding down its operations. We are currently talking with River Valley Tech Collective if they want to and are eligible to become #12). As stated in our last report, our experience has been that these meetings and dialogues have been valuable in and of themselves in terms of engaging individual members in the bigger picture impacts of their own work as well as our potential impact as an alliance, community and movement. Many members have expressed appreciation for the outreach itself and the approach we've taken to seeking their input.

At this stage we are continuing to collect feedback to be incorporated into the above-mentioned report and recommendations. This report will be submitted to the advisory committee and to VAWC for consideration and further development. Our assumption is that discussions relating to a more formal structure for the Alliance will be proceeding at the same time and that these two processes will build off of each other.

Toward this end, we are proposing a basic time-line to help manage goals and expectations.

## Proposed Timeline for the VAWC Staff Project

We've had to adjust our timeline slightly due to the fact that Erbin and his family have finally sold their house in RI (the good news) and have had to dedicate a lot of time to moving out by the end of this month (the challenging part). This has meant getting a slight extension on his final project. However, work has continued and we should be able to stay on track moving forward.

In Process	VAWC representatives consider formalization of organizational structure and governance.
Ongoing	Erbin and Adam will give brief updates on the project at monthly VAWC meetings.
4/22/09	Monthly Meeting. Update and report on funding for pilot project. Discussion about compensation and supervision/evaluation of the project and Erbin's work.
5/1/09	One year pilot officially begins. Erbin's final project due to St. Mary's University week of 5/4. Final report submitted to VAWC advisory board for consideration.
5/27/09	Monthly Meeting. Affirmation of priorities proposed for one-year pilot program.
11/25 or 12/2/09	Monthly Meeting (We usually skip the Wed before Thanksgiving). Mid-year evaluation of pilot.
4/28/10	Proposal to create a permanent staff position submitted to VAWC for consideration.

## Next Steps

- **Consideration of Project Report.** By the next VAWC meeting, Erbin will have submitted his final report for completion of his masters program and should have feedback from professors. The report will be submitted to the advisory board for consideration, with recommendations brought to the next member meeting (5/27/09) for consideration by VAWC.
- **Project Budgeting.** Now that we have a sense of the resources available, we will be working with the advisory committee to develop a budget and priorities for the pilot, based on our work to date. Our goal will be to ensure that we get the most impact for the resources that have for this first year, to provide immediate benefits and to demonstrate the potential for the future. We will report on our progress at the next monthly meeting.

We want to thank everyone again for their feedback and commitment to date. We continue to be encouraged by our meetings with members and are excited about the potential of this project moving forward. *Please* feel free to contact either of us between meetings with questions, concerns or ideas. Thanks.

In Co-operation,

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*"When individual co-operatives come into contact, they often look for ways in which they can bring further benefits to their members by some kind of federal activity. Eventually there may be evolved a grouping of co-operatives which can, by some, be regarded as a movement."*

Edgar Parnell, *Reinventing the Co-operative*