



foodco-op500

Orientation to food cooperative development

Four cornerstones in 3 stages

Presented by: Bill Gessner




Wednesday, September 10, 2008

Resource packet: <http://cdsfood.centraldesktop.com/fc500registration/>

Sponsored by: **Cooperative Development Services** www.cdsfood.coop/food
Food Co-op 500 <http://www.foodcoop500.coop/>


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Learning Objectives

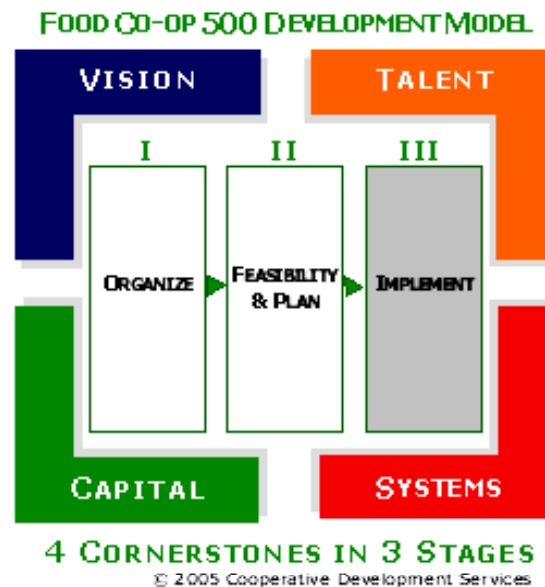
-  **Participants understand the Food Co-op 500 Development Model: Four Cornerstones in Three Stages**
-  **Participants understand how the four cornerstones can be developed through the start up process**
-  **Participants understand the importance, the sequence and the road map offered by the three stages**

Agenda: September 10, 2008

12:00 pm CDT

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- 1. Welcome, Introduction, and Process (5 min.)
 - 2. Four Cornerstones in Three Stages – Overview (40 min.)
 - The Organizing Stage – slide 11
 - The Feasibility and Planning Stage – slide 12
 - The Implementation Stage – slide 13
 - 3. Questions – part 1 (15 min. bringing us to 1:00 pm CST)
 - 4. Questions – part 2 (25 min. bringing us to 1:30 pm CST)
 - 5. Evaluation and Conclusion (5 min.)

Four Cornerstones in Three Stages



An overview article of the Food Co-op 500 Model is available at:
<http://cdfsfood.coop/fourcorner>

Creating a Cooperative Business

- strong as a Business
 - being profitable while providing products and services
- strong as a Cooperative
 - living the Cooperative Principles

<http://www.ica.coop/coop/principles.html>

- achieving a seamless balance between the Business and the Cooperative

The Development Continuum

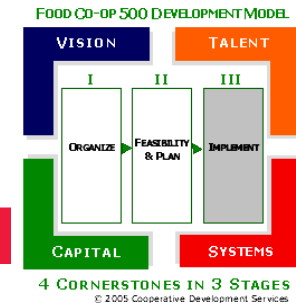
 Exploring the continuum between task and process (maintenance)

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 Task Oriented--x--Maintenance Oriented

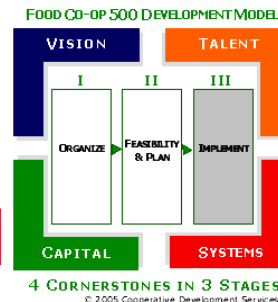
 Developing Leadership Skills and Capacity at both ends and in the middle of the continuum

Cornerstone: Vision



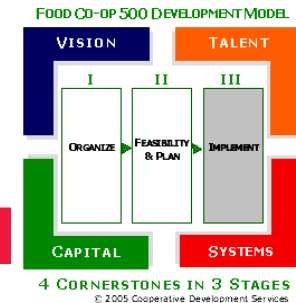
- ❏ **Vision:**
“The articulation of hopes and dreams of a founding group”
- ❏ **Broad, Long-term, Inspiring and**
- ❏ **Specific and Local**
- ❏ **Refined as the emerging co-op moves through the development stages**
- ❏ **Includes the co-op as a solution to a common problem or need**
- ❏ **Core values and purpose**
- ❏ **A vision of the process of developing a food coop**
- ❏ **Building a shared vision over time**

Cornerstone: Talent



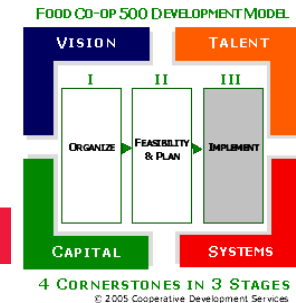
- ❶ **Talent:**
“Those invested in the co-op’s success”
- ❷ **Champion(s)**
- ❸ **Steering Committee or Task Force or Founding Team**
- ❹ **Board of Directors**
- ❺ **Developer(s) (Usually external to the co-op)**
- ❻ **Management (Development Project Manager, Facility Project Manager, General Manager) and Staff**

Cornerstone: Capital



- ❏ **Capital:**
“Financial resources necessary for all stages of development”
- ❏ **Organizing**
- ❏ **Feasibility**
- ❏ **Business Planning**
- ❏ **Implementation**
- ❏ **Sustaining (recover and reinvest)**
- ❏ **Internal resources are used to leverage external resources**
- ❏ **Education: members responsibility to capitalize co-op**

Cornerstone: Systems



- ❏ **Systems:**
“Organized, integrated, coordinated, and interdependent methods”
- ❏ **Legal**
- ❏ **Governing**
- ❏ **Management & Human Resources**
- ❏ **Planning & Assessment**
- ❏ **Communication and Marketing**
- ❏ **Finance & Accounting**
- ❏ **Operations**
- ❏ **Membership**
- ❏ **Commitment to continuous improvement**
- ❏ **Systems become more complex through the stages**

Three Stages: An Overview





- ❶ Stage 1: Organizing
 - ❷ Stage 2: Feasibility/Planning
 - 2A: Feasibility
 - 2B: Planning
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- ❸ Stage 3: Implementation
 - 3A: Preconstruction
 - 3B: Construction & Renovation
 - 3C: Preparation for Opening
 - 3D: Sustaining - First Year & Beyond

Note: Dotted Line = Site secured w/Contingencies; Solid Line = Contingencies Removed






Stage 1 - Organizing

Emerging Co-op: *Brings about the organization*

-  **One or more people start with an idea**
-  **Recognition of a common problem or need that a food co-op could meet**
-  **Includes**
 - Convening a core group
 - Assessing common interest and needs
 - Designating, supporting, and developing leadership
 - Building a shared vision
 - Committing time and money
 - Possible Preliminary (informal) Feasibility Assessment
-  **Brings about the organization**

Stage 2 - Feasibility & Planning

Emerging Co-op: *Brings about the operation*

-  **An organized group with commitment, interest and capacity**
-  **Assesses feasibility: market potential, financial feasibility, internal readiness and design feasibility**
-  **Includes**
 - 2A = Feasibility - deeper assessments of financial, market and organizational capacity
 - 2B = Planning – a business plan for financing and operations, preparing to hire general management, preliminary store design
-  **Builds commitment and capacity (both leadership and management)**
-  **Brings about a secured site for the operation**

Stage 3 - Implementation

Emerging Co-op: *Brings satisfaction of member needs*




 **Demonstrated capacity in all the cornerstones**

 **Includes**

- 3A = Preconstruction
- 3B = Construction & Renovation
- 3C = Preparation for Opening
- 3D = Sustaining - First Year and Beyond (and now the work begins!)

 **Brings about the satisfaction of member needs**

Commitment:

-  How much time?
-  How much money?
-  How much risk?

**Building Commitment and a Level of
Comfort amongst a growing group of
Stakeholders**

Decision Points

- ❑ The initial decision/action to organize a food co-op is not the final decision point?
- ❑ When is the final “no turning back” decision point?
- ❑ Development is a process: building on a series of decision points – each subsequent decision involves committing increased time and money at risk – while building the comfort level towards making that final “no turning back” decision.
- ❑ Decision points are like climbing a ladder.
- ❑ Decision points populate and follow the 3 Stage Timeline

Three Stages: An Overview

Stage 1: Organizing

Stage 2: Feasibility/Planning

2A: Feasibility

2B: Planning

Stage 3: Implementation

3A: Preconstruction

3B: Construction & Renovation

3C: Preparation for Opening


3D: Sustaining - First Year & Beyond


Note: Dotted Line = Site secured w/Contingencies; Solid Line = Contingencies Removed

Three Stages: Time Range

 **Stage 1: Organizing (6-12+ months)**

 **Stage 2: Feasibility/Planning**
 2A: Feasibility (3-6 months)
 2B: Planning (3-6 months)

 **Stage 3: Implementation**
 3A: Preconstruction (3-6 months)
 3B: Construction & Renovation (3-6 months)
 3C: Preparation for Opening (1 month)
 3D: Sustaining - First Year & Beyond (forever!)

 **Approximately 19 – 37+ months from Stage 1 - 3C**

Three Stages: Key Decision Points for ending each Stage

 **Stage 1: Organizing** – organization is formed, with ____ members, an assessment of preliminary feasibility (informal)

 **Stage 2: Feasibility/Planning**

2A: Feasibility - market and financial feasibility are positive, organizational readiness/capacity are positive, with ____ members

2B: Planning - site is secured with contingencies, and made public, ____ members

 **Stage 3: Implementation**

3A: Preconstruction- all financing (internal & external) in place tied to finalized construction/renovation contracts, ____ members, contingencies removed, final “no turning back” decision point!

3B: Construction & Renovation - construction ~98% complete

3C: Preparation for Opening – construction finalized, all equipment, inventory and trained staff in place, with ____ members

3D: Sustaining - First Year & Beyond- monitor and support






Three Stages: Member Thresholds *

- **Stage 1: Organizing** 300 members
- **Stage 2: Feasibility/Planning**
 - 2A: Feasibility** 450 members
 - 2B: Planning** 600 members

- **Stage 3: Implementation**
 - 3A: Preconstruction** 800 members; all member loans collected
 - 3B: Construction & Renovation**
 - 3C: Preparation for Opening** 1000 members
 - 3D: Sustaining - First Year & Beyond**

* suggested thresholds by end of stage – depends on total store size (this assumes 6000 sq ft)






When do you hire?

-  **Hiring a Project Manager (ASAP) and a General Manager (6-12 months before opening) are key decision points.**
-  **Making good hires early, assuming adequate sources of funds, can bring momentum, professionalism, accountability and progress to your start-up project.**
-  **Development Project Manager – hire ASAP**
-  **Facilities Project Manager – Stage 2B or 3A**
-  **General Manager – Stage 3A or 3B**

Commitment – Part II

- ❶ How much time?
- ❶ How much money?
- ❶ How much risk?
- ❶ Time, money, effective process, and building comfort with risk are measurements of commitment.
- ❶ FAQ




How Much Time?

-  Time is a valuable and limited resource
-  The time range for forming a food co-op positioned for success is 1 ½ to 3+years.
-  Volunteer time is essential and significant
-  The Core Leadership Group (volunteers) will meet weekly to monthly during the project.
-  Leaders can expect to put in 5-20+ hrs/wk at many stages of the project



How Much Money?

- ❶ Starting up a Retail Food Co-op costs more than your original estimates.
- ❶ Total Start-Up Costs (prior to opening) can range from \$200 – 250/total sq ft.
- ❶ The owners of the co-op will need to provide 30 – 60% of the start-up capital.
- ❶ October 15th - Session 6 of the Food Co-op 500 Webinars will focus on creating a Sources & Uses Development Budget.



How Much Risk?

-  **Acknowledging the level of risk is a key component of the development process.**
-  **Open discussion and dialogue are means of building individual and group comfort level: Can concerns, challenges, fears and worst-case scenarios be adequately addressed and planned for?**
-  **The development process is a healthy test. Can your organization clear the hurdles and barriers it will encounter? If so, capacity and strength will be created.**

How Much Risk? (member equity)

-  **The Board clearly determines when the money raised through member equity is put at risk and allocated to cover development costs prior to opening.**
-  **Depending on the financial resources, this might be at the end of Stage 1 or at the end of Stage 2 or it might be allocated in segments during Stage 1 and/or Stage 2.**

How Much Risk? (Member Loans)

-  **Additionally, the board clearly determines when the collected member loans are allocated to cover start-up costs.**
-  **It is recommended that member loans not be used until after the final decision point in the Three Stage Development Timeline (after Stage 3A is completed).**

FAQ

 **Our co-op start-up effort doesn't fit in the Three Stages Timeline. Is that okay?**


While every co-op is different, and every co-op start-up project is unique, you should make every effort to fit your co-op into the Three Stages model – despite the natural resistance you will experience. Discipline, practice and many drafts of a timeline will help your co-op be successful!

FAQ

Do the 3 stages overlap?

Reality will attempt to create serious overlap. You need to resist that and maintain the separateness of the 3 stages and the sub-stages as much as possible. If there are a few minor unfinished items from one stage, note them as carry-overs to the next stage, but don't fall out of sequence with the major items!

Suggested FAQ

-  What motivates each of us to provide the leadership necessary to create a food co-op in our community?
- We suggest ongoing inquiry and awareness of your own motivation and the motivation of the group.
 - What inspires you? Why?
 - What model(s) do you aspire towards and learn from?
 - Will working to organize a food co-op be a fun and meaningful experience for you?

Good luck! Best wishes! Let us know if we can help.

Thank you for your interest and commitment!

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