

## ESTABLISHING A CO-OPERATIVE

### IMPORTANT THINGS TO KNOW

Note from the authors: *For starting a small scale micro-enterprise, the process can be long and tedious; however, the results are worth it. Having experienced firsthand and learned from our project's previous efforts, this guide of important things to know is meant to provide insight into what works, doesn't work, advice, and how to best prepare.*

#### ASPIRING BUSINESS MEMBERS

- Save Money

Starting a business is expensive. For the long process of developing a business plan, constitutions, and other paperwork, start saving up money for the initial capital, even if sponsorship is expected. For a cooperative, there is a good chance each member will be using their annual membership fee towards the initial costs and that additional money will be needed as well.

- Find Resources

Knowing your resources makes a large difference in being most effective and timely when starting a co-operative. If the aspiring co-operative does not have a direct sponsor or guiding organization, it may be helpful looking into organizations who may be willing to help sponsor or other connections for guidance. Useful resources in South Africa, Cape Town, and Philippi include:

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| CIPRO | is associated with the Department of Trade and Industry and is meant to help small scale entrepreneurs start business ventures. They have all paperwork required and will aid in filling out and filing the forms.<br><br><a href="http://www.cipro.co.za/">http://www.cipro.co.za/</a> |
| OTI   | is the Overstrand Training Institute located in Hermanus. OTI provides business training and guidance for all steps necessary to beginning a cooperative.   |
| TBBP  | is The Business Place Philippi located in the small township Philippi near Mitchell's Plain. Similar to OTI, business training, resources, and workshops are offered to provide business education and skills.  |

- Mind Transportation

Transportation can get expensive without the right planning. Thinking long term, do not choose a business, services, storage, or meeting location that is too far or too expensive to reach. Thinking creatively to fill the transportation gap and planning ahead will save money.

- Market Research

Market research may sound difficult; however, all it takes is making the effort to walk around and talk to people. A lot of information can be gathered from approaching similar stands or businesses to the one in development. Shop owners may be open to sharing what suppliers they use for different materials, why the price is what it is, who tends to buy, unexpected obstacles, or other information asked. Receiving these sorts of details can aid in determining a clear picture for the impending co-operative.

- Suppliers

Suppliers are necessary to research intensively to ensure best quality and cost effective product. Additionally, if a supplier is willing to allow payments at net30 or net60 (meaning 30 or 60 days to pay for the purchased product or material) this would allow for some leeway in initial capital; however, it also means that the co-operative must be very frugal in spending and cautious of timing of spending since they may be heavily dependent on their next purchase of materials to proceed.

- Record Keeping

Meeting minutes and agendas, financial statements and transactions, customer and supplier contact details, and other milestones or events need to be recorded and kept in one singular place. The record keeping will prove useful for yearly auditing statements and for the co-operative's financial security. Keeping records will also show any previously made mistakes or decisions that need to be taken in account for making future decisions. Additionally, having clear notes and documentation for everything that takes place in the co-operative will allow all members to be on the same page and allow for one singular reference point.

- Sales

One thing essential for sales is to always bring smaller change. This may seem like common sense, but when members are rushing to bring the first sale together, details like these are easily forgotten. In addition, a set book needs to be determined to record all sales, cash flow, and balances. The book must be present at all sales. A safe place to store the money from the sales must be previously determined as well.

- Planning and Organization

As important as the current state of the co-operative is, having a plan and direction for the co-operative's future is just as important. Each member must be aware of the future goals and continuously be thinking ahead for the growth and improvement of the co-operative.

Organization falls alongside planning. Every subsequent step of the co-operative needs to be organized in detail and kept on record. This ensures a clear focus and security for each new endeavour planned.

- Time

If there is any pre conceived notion of how long setting up a co-operative may take, be sure to expect even longer. There are so many details to setting up a co-operative that numerous meetings, discussions, agreements, trials, and documents will entail. If time is not available, the co-operative will seemingly take eternity to create resulting in lost momentum and enthusiasm in the co-operative members.

- Independency and Initiative

Taking initiative is strongly encouraged. The most that the co-operative can do on their own the better chance they have at sustaining. If a time-line is agreed upon by all members of the co-operative, it should be in everyone's priority to meet the set deadlines. If the co-operative is waiting too long on an outside party to accomplish something for them, the co-operative members must show initiative to accomplish the step themselves or to keep in constant communication with the outside party to persist timely action. Dependency on other entities may lead to wasted time and decelerated progress.

- Seek Opportunity

Keeping eyes and ears open for arising opportunities is essential to development of a co-operative. There may be opportunities out there that the co-operative members may never think of on their own but if they had actively pursued could have propelled their co-operative much further. The opportunity may not be clearly laid out and will probably entail some creative thinking, but be aware that the search must always take place.

- Networking

Building relationships with outside organizations, sponsors, suppliers, and cliental is essential to the future of the co-operative. Being able to market to a large audience, learning how to phone call and email professionally, and being fair in business transactions and agreements will build a strong base for the co-operative

- Available by Phone

To allow constant communication and best opportunity for all co-operative functions, being available by phone is a necessity. This may mean constant airtime use; however, phone and sms are the quickest way to reach anyone and calling in time may make the difference between a successful day and a waste of time and money.

- Business Skills

The business skills that seemed to need most work tended to be computer, writing, and organizational skills across the board. Knowing that these skills might be weak, actively searching for resources to develop this knowledge base will be useful in all other aspects of the co-operative's day to day functioning.

- Commitment Levels

In expecting a large time requirement, commitment levels must be on point. Members need to be showing up to meetings and discussions or those who show up must be willing to continue working without them. If members are not committed enough to the co-operative, the processes will take even longer and the business venture will start to reach a state of stagnancy.

- Member Expectations

The expectations of each member need to be made clear during the process of development. This will allow the members to clearly determine whether they have the time to commit to the co-operative and what sacrifices may be required. An agreement could also be signed providing if a member does not abide by the expectations they agreed to, then their membership in the co-operative will be ceased. Be aware that this subject may be sensitive since the co-operative is only in development and still must have members for its start.

- Reliability

A lot can be accomplished if each member is considerate of their co-operative and makes themselves a reliable source. If a meeting is taking place, it is important to be there to provide ideas, discussion, and support for difficult decisions. One person left with making all of the intimidating decisions leaves a large margin for error. If a member cannot show, after committing, it is important to contact and make aware the change of plans with a reasonable explanation. Being part of a co-operative means pooling time, ideas, and resources; however, it only works if each member is accountable. Reliability also allows for trust and relationship strength within the co-operative providing a more enjoyable work experience.

- Paper and Pen

It's surprising how often paper and pen are needed; however not readily available. Note taking and accessibility to write down something almost immediately become apparent when making phone calls, at sites, meeting new people, or when a brilliant new idea comes to mind that you do not want to forget.

- Confidence

Confidence is important for many reasons. Initially, confidence is needed to overcome fears and obstacles. The co-operative process can be intimidating and discouraging and will require stepping out of comfort zones. Building the confidence and taking the risk will conquer great strides towards success. Additionally, confidence is needed when talking about the co-operative, product, service, or other associated parts. When it comes to show casing a product, if the salesman does not show confidence in the sale, the client will not feel confident in the purchase.

- Perseverance

Though the process to establish a co-operative may seem long and drawn out, the best method to get through all of it is perseverance. The more time and effort put in and the constant haul to achieve every miniscule step early on will prove wonders once the process is complete.

- Reflect

Every once in a while it is important for each member or the collective group to reflect upon the activities of the co-operative. If things tend to get hectic, a designated reflection time can provide assistance in refocusing and clarification of the co-operatives goals. A time to reflect may also provide opportunity to new ideas or more effective ways of handling things.

## PROGRAM ORGANIZER

- Level of Interaction

If sponsoring or organizing a program for others to develop a co-operative, it is important to determine the level of interaction available to commit as well as what is desirable. Some things to consider are the level of dependency the co-operative may have on the organizer and well as what expectations the co-operative may derive. Being available by contact for answering questions and providing resources and guidance is appropriate. Being available to fulfill every step of the way does not help the co-operative develop independency or identity. Having said this, there is still a balance to be made to deter program stagnancy.

- Keeping Interest

One idea to keeping the member's interested in the long processes after seeing slow progression is thinking creatively to switch things up. At this time, it may be helpful to bring in a new resource or organization willing to help or finding something small that can quickly and easily be achieved to prove progress and regain confidence.

- Utilization of Student Groups

Student groups tend to be available for learning opportunities and have the flexible time schedule and energy to dedicate to problem solving. Utilizing student groups may be the best way to set a change of pace to catalyze the program further without having to spend more or use more time.

## HOW TO ESTABLISH A CO-OPERATIVE

### Requirements:

- Correct forms from CIPRO or The Department of Trade and Industry
  - **Name Reservation**
    - At least 3 different names are needed in case 1 or 2 are not approved.
    - Must be filed first with fee of R 50.
    - After name is approved, the rest of the documents can be submitted.
    - Process takes 2-4 weeks.
  - **Appointment or Exemption of Auditor**
    - In terms of the auditor, one can either be registered with the co-operative or one can be exempt from having an auditor.
    - A co-operative can exempt an auditor no longer than 3 years.
    - Hiring an auditor does cost money.
  - **Application**
    - Must be filed after approval of the name reservation with R 265 and other listed documents of second submittal.
    - The application requires:
      - The approved name on every page.
      - A minimum of five founding members with ID number.
      - The Directors of the co-operative ID number.
      - Whether the co-operative is primary, secondary, or other.
      - Whether the co-operative is non-profit, retail, or other.
      - The exact products and services that will be provided.
  - **Constitution**
    - Using CIPRO's examples, tweak the example constitution to fit the co-operative.
    - Lot of the information will overlap; however, it is more important to understand what is said in the constitution that will act as the legal rules for the co-operative.
    - Seek CIPRO or The Business Place Philippi as resources to help understand the wearisome legal text.
    - The constitution entails (not minimum requirements):
      - Descriptions of directors' duties
      - Annual membership fee and new member fee
      - Distribution of funds
        - The co-operative can choose to have shares or not have shares.
        - If the co-operative does not want shares, another means of distribution must be determined in the constitution.
      - Requirements of the annual general meeting
      - Method of voting
      - Method of settling disputes

- Business Plan
  - CIPRO or other outside resource may be useful in developing a full plan.
  - The plan is not a promise; however, is a projection. Therefore, do not stress over whether the business plan is exact, but focus more on if the plan is plausible.
  - The Business Plan requires:
    - Executive Summary
    - Business History/Background
      - History
      - Mission
      - Objectives
    - Marketing Strategy
      - Target cliental
      - Competition
      - Competitive edge
    - Product and Services
    - Financial Administration
      - Cost analysis
      - Three year projections for balance and cash flow
      - Source of funding
    - Management
  - Examples provided by the internet, CIPRO, OTI, or The Business Place will prove useful in providing guidance for developing such a large, critical document.
- Founder’s Meeting Minutes and Agenda
  - The Founders Meeting entails (not minimum requirements):
    - Vote on the board of directors
    - Vote on the business plan
    - Vote on the constitution
    - Discuss the future of the co-operative

| First Submittal<br>(2-4 week approval wait)   | Second Submittal<br>(1-2 month approval wait)   |
|---|---|
| <ul style="list-style-type: none"> <li>• Name Reservation (R50 as of 2011)</li> </ul> | <ul style="list-style-type: none"> <li>• Auditor Appointment or Exemption Form</li> <li>• Application (R265 as of 2011)</li> <li>• Constitution</li> <li>• Business Plan</li> <li>• CVs</li> <li>• Certified copies of ID documents</li> <li>• Founders Meeting Agenda and Minutes</li> </ul> |

Submit to CIPRO or Department of Trade and Industry