



CO-OPERATIVE SOCIAL FIRMS



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1. Introduction

1a. A co-operative social firm is a business which operates to fulfil social and commercial objectives simultaneously

1b. The social objectives prioritise the provision of employment opportunity, work experience and training for people disadvantaged in the jobs market. These include:

- ☞ people with a physical impairment
- ☞ people with a learning disability
- ☞ people recovering from illness
- ☞ people with long term health problems.

Other social objectives may also be features of the way in which a social firm operates such as

- ☞ environmental sustainability
- ☞ recycling
- ☞ use of recycled inputs
- ☞ energy conservation
- ☞ low pollution production
- ☞ community centred service provision
- ☞ generation of local employment
- ☞ production to meet specific need

1c. The commercial objectives are similar to that of any business

- ☞ to ensure survival by
 - operating profitably
 - maintaining working capital to meet cash flow requirements
- ☞ to ensure future strength by
 - retaining a proportion of profits
 - investing wisely in new assets
- ☞ to attract investment to improve the business by
 - repaying loans
 - meeting the cost of borrowing from profits generated
- ☞ to generate financial rewards for its owners
 - paying good salaries
 - bonuses or dividends

A successful co-operative social firm does not so much balance these objectives as pursue them as a package. The primary focus will be on providing an environment in which a mixture of disabled and non-disabled people can reach their full potential and to ensure that potential can be fully and profitably utilised by the business.

To obtain full benefit the participants will require:

- €# a working environment which is both “real world” and supportive.
- €# interesting and stretching work to do.
- €# experience of a real business environment where worthwhile goods or services are created and purchased by customers. This could allow for contact with customers and the experience of positive and negative feedback, of success and failure.
- €# experience of business management. This could include section management, project management and all aspects of general management including health and safety, staff development, finance, resource allocation, marketing etc.
- €# training
- €# financial rewards, wages and bonuses where possible, other forms of reward where this is not possible
- €# personal development leading to options to take up fully paid employment either through moving on to employment elsewhere or through the firm reaching productivity levels that enable the payment of a market wage.

2. Co-operative organisation.

Not all social firms are co-operatives. Co-operatives are organisations which operate according to certain principles. These are explained in the Statement of Co-operative Identity. These principles are:

open entry to all who qualify for membership.

Co-operative Social Firms must decide upon what basis a person qualifies for membership and then membership must be offered to those who meet that criteria. Criteria may include length of service, attainment of realistic objectives in work or qualifications, proof of co-operative behaviour or of contribution to the wider objectives of the co-operative. Some social firms limit potential membership to those who have contracts of employment with the co-operative, others to any who carry out work on any basis (employed, trainee, volunteer) and others have a wider definition which can include carers and supporters.

democracy.

All members have an equal vote. The general meeting of members is the ultimate authority even if it delegates power to an elected management committee or to an elected manager.

equitable distribution of benefit

equitable need not mean equal but should mean fair and by agreement of the members. The benefits involved include not only profits but also access to personal development.

limited return on financial investment.

Money does not have voting power within a co-operative. A member who invests a million pounds has the same vote as a member who invests nothing. Some co-operative constitutions allow for a limited number of investor members, most do not. Investors can receive a reasonable return on their investment but can not have an open ended reward from growth in the worth (equity) of the business. Often investors in co-operative social firms desire little or no return.

co-operation with other co-operatives.

Co-operative social firms find themselves part of a movement with hundreds of millions of members in hundreds of thousands of co-operatives world-wide. Through their national and international federations, sectoral organisations and direct links co-operatives are creating new and fairer ways of conducting international trade and influencing the development of economic and social policy.

education

Co-operatives accept responsibility for educating members not only to be able to carry out their work role but also to be able to participate effectively in the control of the co-operative. Co-operatives also have a responsibility to contribute to the education of the public about co-operative values.

community benefit

Co-operatives seek to be sustainable businesses in every sense of the word, not only in financial terms but also with regard to the local ecological and human environment. Many co-operatives have social audits carried out each year to monitor their performance and many have a dimension of accountability to their local community built into the way they manage themselves.

3. Joining a Co-operative Social Firm (CSF)

If you are interested in a job within an existing or new CSF contact your local Co-operative Development Agency or Social Firm Network (details available from Social Firms UK) for details of firms within your area.

4. Establishing a Social Firm.**4.1. Define the membership criteria**

What will people have to contribute to justify membership of the co-operative? What will they have to do to prove this (probationary requirement)?

4.2. Define the product or service

Look for opportunities to provide products and services to organisations which are likely to be supportive of what the social firm is trying to achieve. Talk to them to find out what their needs are. They constitute an initial "soft market". Be careful not to be trapped into supplying on a small scale goods

and services which are only economic to produce on a large scale. If you have a product idea for a local, regional or national market, be sure to carry out adequate market research to assure you that the market exists. This might have to be a major part of a pre-start feasibility assessment.

4.3. Cost resources required

Everything you need to acquire facilities, equipment, opening stock, training, set up. If there is a staged set-up process follow the trail through to the point where the operation is viable, even if that takes several years. Then add to it the amount of working capital that is required. Working capital consists of the money which is tied up financing customer's credit, stock ready for sale, goods in production and the trading losses which always occur in the first couple of years while a business is getting established. This is your profile of investment required. Do not start without confidence that the whole requirement can be raised. You may get stuck half way to viability. Most businesses do.

4.4. Create a business plan

Broadly the following subject areas will have to be covered:

1. Introduction or Synopsis (some would say Executive Summary).
It tells the reader what the rest of the document will explain.
2. The Product or Service.
What it is, why it is so wonderful.
3. The Market
Who will buy it. What they are like. Where they are. How many of them there are. Why the product will be of benefit to them. Why it is better than any alternative they might buy.
4. The Marketing Plan.
How the benefits of the product will be explained to, and made irresistible to 3
5. The Organisation of Production . Delivery of Service.
What needs to be done to create 2 and get it to 3, reliably and at minimum internal cost. What inputs are required, where they will come from, how supply continuity and quality will be assured. What processing is required, what equipment will be needed.
6. People
Who we have on the team. Why they are the perfect people to carry out 5 and 4. Could include sub contractors.
7. Business Structure.
Who owns, who controls, who employs, by what mechanism, and why.

8. Premises

What it takes to house 6 and what they need for 5 as close as possible to 3 and contributing to 4. Why the chosen article fits.

9. Financial Projections

Costs of setting up. Fixed capital and working capital requirements.

Cash flow projections for at least three years.

Notes explaining the assumptions upon which these figures are based.

Profit and loss projections for at least three years.

Projected balance sheets to correspond.

Why have a business plan?

1. To provide a structure within which to establish what needs to be looked into. To provide the questions which drives that research.

2. To establish in your own mind(s) whether the investment of your own time and energy is appropriate. Construct the business plan. Read the business plan. Do you believe it?

3. To be a blue print to follow in the setting up process. Very few businesses can possibly be into full production and sales immediately. The more that can be worked out up front, the faster things come up to speed. Many, many businesses fail before they truly get going, often having done enough to prove that it would have done well if it had got up to speed faster.

4. To be a benchmark. A business plan should not be a document which is written and then thrown into the back of a filing cabinet. It is the yardstick by which actual performance can be measured. Are sales up to projection? Are the costs on target? What is going right and what is going wrong ?

5. To establish Common purpose. To make sure that everybody involved in the enterprise knows what it is all about and what they are committing themselves to. Those who are going to take the responsibility for it, workers, associates, key suppliers, marketing people, possibly key customers, family, carers, statutory agencies and the people who put up the money.

4.5 Get support

Take the business plan to the various interest groups from whom support is required and get their commitment (in writing!).

4.6. Get the finance

It is best to get a mix of grant aid and commercial borrowing for both capital investment and revenue support.

4.7. Get trained

Develop a training plan to get everyone equipped to do what they need to do within the business as workers, managers, company directors etc.

Further information on development of co-operative social firms is available through Avon CDA.

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