

Four Island Businesses form Worker Co-op

by Rob Brown, Cooperative Development Institute

It seems not a day goes by that we don't see a news story about how Maine's population is the oldest in the country, and what this may mean for our communities and economy. One segment of our population that we may not hear enough about, however, is the thousands of small business owners who will want to retire in the near future. What will become of the businesses that these entrepreneurs have spent decades building?

Research shows that many business owners have not prepared adequately for a smooth transition to the next generation of ownership, leaving the future of the jobs, products and services they provide in question. The facts give us reason to worry:

- Within 10 years, 40.3% of business owners expect to retire;
- Of these, fewer than half of those expecting to retire in 5 years and fewer than a third of those expecting to retire in 6-10 years have a plan for what to do with their business;
- Only about 30% of family businesses survive into the second generation of the owner's family;
- Businesses sold to an outside investor have a 50-50 chance, at best.

These figures are from national surveys, so, considering our population is much older than the national average, it's safe to say that the problem is even more acute here in Maine.

And even if a business is sold to outside investors and is able to continue, all too frequently the new owners will consolidate some operations, cut back on offerings, cut jobs, and may result in the profits leaving the community.

One solution lies in converting Maine's independent businesses to worker-owned cooperatives. This could go a long way toward sustaining these businesses, as well as the jobs, products and services they provide. In fact, research shows that well planned employee buyouts succeed about 80% of the time.

If our goal is to build a cooperative economy and expand the number of successful cooperatives of all kinds operating in Maine, then what better way to bring to scale than to convert existing businesses to co-ops? Anyone who has ever participated in building a co-op from scratch knows how hard it is, how long it takes, and, unfortunately, how likely it is that the effort won't be sustained. Converting a business that has already been built, already has customers, and already has a track record of success removes many of the hurdles that make co-op development so daunting.

For a lot of businesses, converting to a worker cooperative is also an opportunity to turn low wage jobs into living wage jobs, allowing many workers, for the first time in their lives, to build wealth for themselves and their families. And while many business owners view employee benefits as a direct hit to their bottom line, worker co-ops can offer meaningful employee benefits with the profits from the business.



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The Cooperative Development Institute (CDI) is bringing this idea into a reality with our Business Ownership Solutions (BOS) program. BOS works with business owners to help them consider whether conversion to a co-op would meet their needs, and with employees and community members to facilitate conversions to worker and/or community-owned cooperatives.

And the model is already proving itself successful in Deer Isle and Stonington. With our help, the employees of four different businesses—two grocery stores, a hardware and variety store, and a pharmacy—have formed the Island Employee Cooperative and are buying the businesses from their current long-time owner. Combined, the businesses are one of the Island's largest employers and provide the community with a full array of groceries, hardware, prescription drugs, pharmacy items, craft supplies, and other goods and services.

While the complexity of the deal is immense, CDI has brought many resources to bear to ensure success, including support from the Independent Retailers Shared Services Cooperative, Equal Exchange (one of the largest and most successful worker co-ops in the country), Coastal Enterprises, Inc. (a Community Development Finance Institution), and the U.S. Federation of Worker Cooperatives. This has been a great opportunity to put Cooperative Principle #6 into practice – working together to seed new co-ops.

When the Island Employee Cooperative has fully taken over the stores in Deer Isle and Stonington, it will instantly become one of the larger worker co-ops in the country. There is still plenty of work to do to bring this project to completion, but it has already provided a template for keeping a business viable and locally owned when an owner wants to retire.

Rob Brown manages the Cooperative Development Institute's Business Ownership Solutions (BOS) program in Maine, which works with business owners to help them consider whether conversion to a co-op would meet their needs, and with employees and community members to facilitate conversions to worker and/or community-owned cooperatives. For more information about the CDI, visit: cdi.coop.