Start.COOP

MODULE 1

Identifying Core Members and Business Idea
Start.COOP has been developed as a low-cost, easy to use training tool for those interested in starting and launching a cooperative in a participatory and efficient manner. It draws on technical content from existing materials in different ILO cooperative training tools and peer-to-peer, activity based learning methodology from the ILO’s Community-Based Enterprise Development (C-BED) programme. The Start.COOP training tool has been divided into four modules that correspond to each phase of the cooperative formation process to give you time to reflect on the importance of what you are doing at a given time and to see how it fits into the big picture. The focus of the Start.COOP modules is on the decisions to be made at each step with a view to increasing chances of success.

At the end of the training you will be able to:

• Identify the core members of your cooperative
• Define your business idea
• Research the feasibility of your business idea
• Prepare your business plan
• Decide on the organizational set-up of your cooperative

To learn more about the ILO’s work on cooperatives visit www.ilo.org/coop or email: coop@ilo.org

To learn more about the ILO’s peer-to-peer, activity based learning methodology visit www.cb-tools.org

Acknowledgements

Start.COOP was developed collaboratively by the ILO Decent Work Team Bangkok and the Cooperatives Unit of the Enterprises Department at the ILO. The text was drafted by Marian E. Boquiren.

Start.Coop

ILO Enterprises Department
Decent Work Team - Bangkok
CONTENT

Start.COOP Modules ..................................................... IV
MESSAGE TO THE GROUP ........................................ V
Follow the Signs ......................................................... VI
Getting Started .......................................................... VII
Learning Process ........................................................ VII
SESSION 1:
FINDING THE RIGHT PEOPLE TO START
THE COOPERATIVE WITH ........................................ 1
Activity 1A:
Building on your differences and similarities ...................... 1
Activity 1B:
Competencies and qualities needed during the formation stage .... 4
SESSION 2:
DEFINING THE BUSINESS IDEA ..................................... 6
Activity 2A:
Identifying a common need .......................................... 6
Activity 2B:
Identifying root causes and effects ................................ 11
Activity 2C:
Defining the business idea ............................................ 14
Start.COOP Modules

Module 1: Identifying Core Members and Business Idea

Module 2: Researching the Feasibility of the Business Idea

Module 3: Preparing the Business Plan

Module 4: Organizational Set-up
MESSAGE TO THE GROUP

Starting a cooperative is like setting up any business, but what makes a cooperative different from other business models is that it is shaped through collective effort and group decision-making as well as a set of cooperative principles that help to guide the business. The Start.COOP modules will walk you through the process of starting and launching a cooperative in a participatory and efficient manner.

Throughout the Start.COOP training, you will be playing the role of potential owner-members or the core group who will be leading the set-up of the cooperative. You will carry out the exercises based on the business idea you will define in Module 1. In many cases, the outputs in the various exercises form the basis or inputs for the activities in the next modules. As you go through the exercises or activities, try to think and act as the potential owner-members. It is highly recommended that all individuals who may be involved in the actual set-up of your cooperative undergo the Start.COOP training.

Module 1 will help you in identifying the right people to join in the formation of the cooperative. You will then learn how to identify opportunities for collective action through an analysis of the common problems or opportunities faced by the group. At the end of this module, it is expected that you would have defined a business idea for the feasibility assessment in Module 2.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in the training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some trainees may also be contacted by the training organizers in the future after 3, 6 or 12 months for another survey to learn about the implementation of their action plans.
Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

**SIGNS AND THEIR MEANING**

- **This sign indicates the suggested time for the activity**

- **This sign indicates background information to be read to the group**

- **This sign indicates group discussion**

- **This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially**
Getting Started

Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5 to 7 people. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time, but one group member should be nominated for each session to remind the group when the suggested time for an activity/step has been reached. You do not strictly need to follow the suggested timing, but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive the same training guide. Individual work as well as group work can be completed in these guides.

Learning Process

<table>
<thead>
<tr>
<th>Session</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>SESSION 1: FINDING THE RIGHT PEOPLE TO START THE COOPERATIVE WITH</td>
<td>80 minutes</td>
</tr>
<tr>
<td>SESSION 2: DEFINING THE BUSINESS IDEA</td>
<td>200 minutes</td>
</tr>
</tbody>
</table>
SESSION 1:
FINDING THE RIGHT PEOPLE TO START
THE COOPERATIVE WITH

Session Overview

Getting the commitment from peers to work together to build the coop

The first task in establishing a cooperative is to form a core group of potential member-owners which should consist of people who have similar ideas and interests and a mutual need or problem to address. The successful establishment of a cooperative depends largely on the people that comprise the organizing group. Their commitment and skills and how well they work together are as important as the business idea. As soon as the cooperative has been established, the core group of people usually becomes the “founding members”.

In this session, you will get to know each other, become familiar with the style of this training, and you will gain insights on how to select people to join you in organizing the cooperative. There will be no teacher so you should help each other by sharing your ideas and experiences, and you should ask questions to the group if you do not understand a concept or activity.

Activity 1A:
Building on your differences and similarities

Getting the commitment from peers to work together to build a strong cooperative!!!

Before deciding to work together, it is important for people to learn about and understand each other. The identification of synergies among potential member-owners is crucial to the successful establishment and, ultimately, operations of the cooperative. Central to the success of a cooperative is the relationship between the member-owners. Generally, members with similar backgrounds are more likely to trust each other, work together, and accept joint responsibility for their activities. Sometimes, however, people with other backgrounds may bring relevant knowledge or contacts to the group. They can be members of the cooperative as long as they are willing to participate equally. Oftentimes, it is also important that members live or work relatively close together since they need to meet regularly for group activities.

Now, get to know each other, identify your differences and similarities, and assess how these can drive you to work together to start your cooperative. You can also use this exercise in drawing up the long list of potential member-owners. For this activity, you will perform the steps as they are read. You will be using Worksheet 1A on page 3.
Steps

**STEP 1** In the small circle with the label “This is Me”, write down the following: (5 minutes)
- Your name
- Your livelihood
- Your reason(s) for wanting to form a cooperative
- What you can offer to the cooperative

**STEP 2** Next, share with the group what you have written. Each member is given 2 minutes to introduce himself/herself. As each person introduces himself or herself, you will write down the information he/she has shared in a circle labelled “Member #”. (10 minutes)

**STEP 3** Based on what has been shared by each of the members, in the big circle, write a list of everything that all team members have in common. (5 minutes)

**STEP 4** At the bottom of the drawing, answer the following questions: (10 minutes)
- How can your similarities draw you closer together to help build the cooperative?
- How can your differences hinder and/or draw you closer together to help build the cooperative?

**STEP 5** Read aloud the similarities you have identified and share your answers to the questions with the group. (10 minutes)
Worksheet 1A

How can your similarities draw you closer together to help build the cooperative?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

How can your differences hinder and/or draw you closer together to help build the cooperative?

________________________________________________________________________
________________________________________________________________________
Activity 1B: Competencies and qualities needed during the formation stage

The core members are expected to participate in the setting up of the cooperative in the following ways:

a) Ensure that the process of setting up the cooperative adheres to the cooperative values of equity, self-help, self-responsibility, solidarity, equality, and democracy.

Cooperative Values

**EQUITY:** The cooperative provides disadvantaged groups and unprivileged people with fair accommodation and treatment according to their needs in order to put them on equivalent ground.

**SELF-HELP:** The cooperative provides the platform for individuals and groups to improve their lives and communities through their own work and effort.

**SELF-RESPONSIBILITY:** All members are in charge of the cooperative; so individuals must be accountable for their actions, responsibilities, and duties.

**SOLIDARITY:** Members support each other and those in other cooperatives.

**EQUALITY:** Each member is entitled to one vote regardless of the number of shares he/she has in the cooperative. Members have equal rights and benefits.

**DEMOCRACY:** A cooperative is controlled, managed and operated by its members. Every voice or opinion is honored and heard.

b) Contribute financially to the cooperative by buying shares.

c) Allocate time for cooperative work and activities.

d) Participate in the preparation of the business plan, organizational chart, and other documentation requirements.

It is important for the core group members to be realistic about their capacities and competencies to perform the above responsibilities so that at an early stage they can seek external support or recruit members who can provide the resources and skills they lack. The questions in the table below can help you assess your competencies as well as identify your limitations. It is important to be honest with yourselves about whether you meet the requirements and, if not, whether you can acquire the required skills. For this activity, you should perform the steps as they are read aloud.

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### Steps

#### STEP 1
Read the questions carefully and individually place a check in the column that corresponds to your answer. (15 minutes)

<table>
<thead>
<tr>
<th>Skills/Quality/Knowledge</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you committed to working democratically and for the good of all the members rather than purely for personal gain?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you willing to share risks and rewards with other members?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a good understanding of the cooperative values and principles?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you commit to adhere to the cooperative values and principles?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you willing to devote some of your time for cooperative work?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you willing to contribute resources to help finance the set-up of the cooperative?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have good communication skills to promote your cooperative business?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have good decision-making skills?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have the ability to organize and mobilize resources?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you willing to work with others to achieve a common goal?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have the courage to try new things?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have previous business management experience?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have financial management skills and experience?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### STEP 2
Share with the group the questions where you answered “No”. As a group, identify the questions to which most of you answered “No” and discuss how you can address these knowledge/skill gaps. (10 minutes)
SESSION 2: DEFINING THE BUSINESS IDEA

Session Overview

Two interlinked elements must be present to initiate the formation of a cooperative. First, the potential member-owners must feel a strong need to solve a common problem or take advantage of a common business opportunity. Second, the problem faced by the potential member-owners is something that is difficult to address on their own and thus, there is a need for a collaborative solution. In this session, you will look into the needs of the potential member-owners and identify one compelling need that can be the basis for the formation of the cooperative. You will then build a picture of how the cooperative will serve your group’s needs in the years to come. The outputs in this session can be used as your initial offer to other potential member-owners. Do not forget though that all potential member-owners should agree on the identified need and the cooperative vision.

Activity 2A: Identifying a common need

Steps

STEP 1 Look at the pictures below. Write a sentence or phrase below each set of pictures to describe the problem. (10 minutes)

Problem identification set 1

I lost 50% of my harvest due to mould since I was not able to dry it properly before storing.

Cats and dogs, please come back another day to play. I need to dry my chips while the sun is shining and my buyer is very strict on food safety.

I could have earned more if I was able to achieve the 12% moisture content required by my buyer.
Problems:

Problem identification set 2

I was not able to earn enough money today to pay for the tuition of my kid tomorrow. I hope there is an organization who can help daily workers like us in times of need.

I broke my leg and could not work for the next two weeks. As you know, my family depends on the money that I earn from hauling fruits in the market. I have used up whatever money that I had to treat my leg. I am really desperate now for money to feed my family. Please help me. I will pay whatever interest.

Problems:

STEP 2 Share your answers with the group. If there are differences in your answers, try to come to an agreement. One of the important characteristics of successful cooperatives is for members to resolve differences of opinions and still retain the trust of each other. (10 minutes)

STEP 3 Now that you have seen examples of what is meant by common problems, let's now look into your own needs. Use Worksheet 2A on page 9. In the box with the label "My Key Concerns", write your top two problems related to your work or livelihood. (10 minutes)

STEP 4 Each member of the group takes a turn in reading their problems. As each member speaks, write down his/her main concerns in the boxes. Please look at the example after Step 9. (3 minutes per member)

STEP 5 Look at all the problems mentioned by your peers. In the first column of the Ranking and Prioritization Table (page 10), list all the problems as a group. Similar problems should only be listed once. Make sure that all group members listed the problems in the same order. Please look at the example after Step 9. (15 minutes)

STEP 6 Rank and prioritize the problems. In the column marked “My Ranking”, rank the problems in terms of their importance to you. Place 1 on the most important, 2 on the second most important, and so on, until 5 (less important). Please look at the example after Step 9. (10 minutes)

STEP 7 Now read aloud the rankings. As each member reads his/her ranking, write it down. One column corresponds to one member. Please look at the example after Step 9. (10 minutes)

STEP 8 When all the members have given their ranking, add the scores for each problem and place the sum in the column “Sum”. Then, in the column marked “Average”, divide the sum by the number of members to get the Average. Please look at the example after Step 9. (15 minutes)

STEP 9 As soon as you fill in the “Average” column, identify the problem with the lowest score. This is the priority problem of the group. Discuss briefly if group members agree with the result. (5 minutes)
To help the group in doing steps 3 to 9, please look at the example below. You can use a calculator to complete these steps. (15 minutes)

**Example: Group of Cassava Farmers – 5 farmers**

**Problems:**

<table>
<thead>
<tr>
<th>MY KEY CONCERNS</th>
<th>FARMER 2</th>
<th>FARMER 3</th>
<th>FARMER 4</th>
<th>FARMER 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>High incidence of pests and diseases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deterioration of quality of cassava</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High incidence of pests and disease</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Problem</th>
<th>Ranking</th>
<th>Sum</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>High incidence of pests and diseases</td>
<td>ME 2</td>
<td>1</td>
<td>12 divided by 5 = 2.40</td>
</tr>
<tr>
<td>Deterioration of quality of cassava</td>
<td>FARMER 3</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>High cost of transportation from farm to market</td>
<td>FARMER 4</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Lack of capital to expand farm</td>
<td>FARMER 5</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>High cost of inputs</td>
<td></td>
<td></td>
<td>19</td>
</tr>
</tbody>
</table>

Priority Problem: Low quality of cassava

*Note: This is a simple way to prioritize problems. You should, however, always ask if the majority of the participants agree with the results.*
Worksheet 2A (Steps 3 to 9)

MY KEY CONCERNS

MEMBER 2

MEMBER 3

MEMBER 4

MEMBER 5

MEMBER 6

MEMBER 7

MEMBER 8

MEMBER 9

Note: Please add more boxes if there are more than 9 members in your group. Also use the blank space for your notes.
## Ranking and Prioritization Table

<table>
<thead>
<tr>
<th>Problem</th>
<th>My Ranking</th>
<th>Member 2</th>
<th>Member 3</th>
<th>Member 4</th>
<th>Member 5</th>
<th>Member 6</th>
<th>Member 7</th>
<th>Member 8</th>
<th>Member 9</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Priority Problem:</td>
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</tbody>
</table>
Activity 2B: Identifying root causes and effects

In this session, you will look into why the problem exists. This activity involves asking “what are the causes of the problem?” in order to uncover underlying factors that must be addressed in order to minimize or altogether eliminate the effects of the problem that you commonly share. Root cause analysis is situation specific.

Identifying Cause/s and Effect/s

<table>
<thead>
<tr>
<th>IMMEDIATE EFFECT</th>
<th>What is the effect of the problem?</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIORITY PROBLEM</td>
<td>What is the cause of the problem?</td>
</tr>
<tr>
<td>IMMEDIATE CAUSE</td>
<td>What is the cause of the immediate cause?</td>
</tr>
<tr>
<td>SECONDARY CAUSE</td>
<td>What is the cause of the secondary cause?</td>
</tr>
<tr>
<td>ROOT CAUSE</td>
<td></td>
</tr>
</tbody>
</table>

To familiarize yourself with the process of identifying root causes and effects, let’s go back to your earlier example involving the cassava farmers whose main problem is the deterioration of the quality of their cassava after harvest. Because of the fast deterioration of the quality of their cassava after harvest, farmers are forced to immediately sell their harvest even at a low price. In most cases, they receive 70% to 80% of the prevailing farm gate price because, according to the buyers, their tubers are full of soil and blemishes.

Example: Analysis of Causes and Effects of Low Quality Cassava

<table>
<thead>
<tr>
<th>IMMEDIATE EFFECTS</th>
<th>Low income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low price; deduction in price received</td>
</tr>
<tr>
<td>PRIORITY PROBLEM</td>
<td>Low quality/Fast deterioration of quality of cassava</td>
</tr>
<tr>
<td>IMMEDIATE CAUSES</td>
<td>Limited knowledge on proper handling</td>
</tr>
<tr>
<td>SECONDARY CAUSES</td>
<td>Limited training</td>
</tr>
<tr>
<td>ROOT CAUSES</td>
<td>Limited number of public extension staff; limited government budget</td>
</tr>
</tbody>
</table>
Farmers are only able to deliver low quality cassava because they have limited knowledge on proper handling since they have not received any training. They are not able to attend training because it is very seldom that government extension officers are able to visit their areas due to lack of personnel and budget. The blemishes and spoilage are also caused by exposure to rain and pests because they have no storage facility. Farmers are also unable to clean their cassava properly because they do not have adequate equipment and the water source is far from their homes. The average size of cassava plots of the farmers is only about 0.25 hectares. Aside from the fact that they cannot afford the investment, it is also not practical for them to invest in water system and facilities individually since their production volumes are very low.

Now let’s analyse the root causes and effects of the top problem we have identified in Activity 2A. You will perform each of the steps outlined below as a group. It is important that each member participates actively in answering the questions and that an agreement is reached on each of the causes and effects.

**Worksheet 2B**

**STEP 1** What are the positive or negative effects of the problem? (5 minutes)

**STEP 2** Write the Priority Problem identified in Activity 2A. (5 minutes)

**STEP 3** Identify the cause(s) of the problem you have identified. (5 minutes)

**STEP 4** What are the causes of the problems in Step 2? (5 minutes)

**STEP 5** What are the causes of the problems in Step 3? (5 minutes)

In case you need more space for your analysis, the next page has intentionally been left blank.
Activity 2C: Defining the business idea

The business idea is derived from or is a response to the shared problem or opportunity. Improving the situation as a group provides the context for a cooperative business project. For example, a group of porters in a vegetable trading centre may want to establish a cooperative in order to: raise resources to buy trolleys to reduce the need to manually carry the baskets of vegetables; access social security benefits; and set up credit services for members instead of relying on usurers. To the extent possible, the business concept should address the root causes and not just the immediate cause(s). When you have a broken wrist, for example, painkillers will take away the pain but you need a different treatment to heal the bones properly.

To give you an idea on how to define a business idea, let’s look at how the cassava farmers addressed their quality issues.

Root causes

I do not have a proper place to store my cassava tubers after harvest. I also do not know how to extend the shelf life. The extension staff rarely visits our place.

I am happy that I have a good harvest. But I cannot clean my tubers as it would take more than 30 minutes walk to bring these down to the nearest river.

I cannot afford to invest in a storage facility and water system. I will also not be able to get back my investment as I only have a small plot.

Business solution to address root causes of problem

Let’s set up a postharvest facility owned and operated by cassava farmers in our village. Let us contribute for the installation of a water system for the facility and even for our homes. We can also go into production of cassava chips which we can sell to feed companies. We can ask for assistance from the Department of Agriculture, development programmes, and our local government as well as approach banks and microfinance institutions to augment our resources.
From the example, you have seen how the cassava farmers transformed their shared constraints into a business opportunity where each and every member could potentially benefit. Let’s now define your own business solution to the problem we have identified. Perform the steps as a group in the sequence outlined below.

**Products and services of proposed cooperative**

- Washing and storage facilities
- Water system for the homes
- Production of chips for feed companies
- Collective marketing of produce
- Training for members
- Social security benefits for member-workers

**Expected results and benefits to members**

- Access to bigger and more lucrative markets
- Less rejects; higher price for products
- Increase in income
- Access to water
- Access to social security
Steps

**STEP 1** Write down up to three root causes of your problem. (10 minutes)

**STEP 2** Brainstorm on how you can address the above root causes in the form of a group business. Write in the box the idea(s) agreed upon by all members. (10 minutes)

**STEP 3** What will be the key services and/or products of your proposed cooperative? Please make sure that the service(s) and/or product(s) address the root causes of your problem. (10 minutes)
What are the expected results and benefits to your members? Review the effects of your problem and see if the expected results and benefits offer a better situation for all members.

(10 minutes)

Congratulations!
You have just defined your business concept.
Learn how to assess the feasibility of your idea in Start.COOP MODULE 2, Session 3.
Use this space for your calculations and notes.
Use this space for your calculations and notes.