

# Type IV Conversions

## TYPE IV CONVERSIONS

Type IV conversions are characterized by one of two events: A group of employees chooses to leave an existing traditionally-structured business en masse and start their own worker cooperative together, or former employees of a failed business launch a revised version of their former employer as a worker cooperative. The businesses profiled in this section are Center Point Counseling of Viroqua, Wisconsin; Collective Copies of Amherst, Massachusetts; New Era Windows of Chicago, Illinois; and Taste of Denmark of Oakland, California.

### → Center Point Counseling

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## CENTER POINT COUNSELING

Mental health care & counseling  
Viroqua, WI

**Date of conversion:** Opened as a cooperative on December 1, 2011

**Number of workers at time of conversion:** 12 founding worker-owners

**Number of workers as of summer 2014:** 14 worker-owners; 21 employees

**Conversion Type:** Type IV

*Based on Project Equity's interview with Kevin Schmidt, founding worker-owner of Center Point Counseling in the summer of 2014.*

## Background

Center Point Counseling is a cooperative of mental health professionals in the small town of Viroqua, Wisconsin. Center Point was founded in 2011, after the cooperative's founding worker-owners decided to leave the struggling non-profit at which they had all previously been working and establish a mental health care cooperative.

## Why it became a coop

The non-profit mental health center at which the twelve workers who would found Center Point were employed was heavily impacted by the recession. The organization decided to cut back in order to break even; clients were put on waiting lists, and therapists were laid off. Employees felt that the organization was no longer able to adequately meet the needs of clients or workers, so they began meeting after work to discuss possible solutions for the situation.

Many of the employees had been working together for 25 years, and had developed a strong culture of support and trust. As a result, the discussions revolved around what they could do together to secure their jobs and provide quality care to the community. The eight therapists, three administrative personnel, and one MD who became the

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founding worker-owners of Center Point decided to resign together and found a new mental health care center. They wanted to completely break away from the organizational and management structure of their former employer, and began to look for a business model that could better serve their needs and could help them provide health care to all of their clients, not only those who could pay. They turned to the worker cooperative model as a way to build their new health care center around these two priorities.

According to worker-owner Kevin Schmidt,<sup>86</sup> the county of Vernon, Wisconsin, in which Center Point is located, has the highest density of cooperative businesses of any county in the United States. Because of this, the founding worker-owners of Center Point were already familiar and comfortable with the concept of cooperative business, and decided to reach out to the U.S. Federation of Worker Cooperatives to learn more about the worker-owned cooperative model.

The twelve Center Point founders concluded that worker ownership would be an excellent fit for their new health care center for several reasons. First, worker ownership meant that management could be done by the worker-owners themselves, saving the cooperative the expensive management costs typical for organizations in the health care industry. Eliminating prohibitively expensive management costs offered the cooperative greater flexibility, enabling therapists to take on more uninsured and otherwise in-need clients—allowing them to prioritize providing care “based on need for care,” as Schmidt phrased it.

Building a new mental health care center around the worker cooperative model also gave the therapists greater flexibility in the therapeutic methods they could employ. Cooperative ownership meant that the therapists would have ultimate control over the forms of treatment and care offered by the clinic, and could choose to pursue experimental or uncommon forms of therapy rarely allowed in hospitals and other healthcare facilities. One Center Point therapist, for example, has begun using equine therapy with her clients—a non-conventional form of care that Schmidt says would likely not have a place in most mental health centers.

### Conversion logistics

After deciding that the worker cooperative model best fit their vision for their new health care clinic, the twelve founding worker-owners of Center Point resigned together and set about laying the groundwork for the cooperative. Informal committees were created to lead on specific aspects of the conversion. Because the worker-owners were starting Center Point as a new business, finding funding to purchase the business from a former owner was not necessary. Still, the members did need to raise funds for a new building to house the clinic. After finding a suitable space, one worker-owner agreed to put a down payment on the building, and the cooperative took out a loan from a county revolving loan fund for economic development to divide amongst the entire group the costs of repaying the loan. Each member then individually chipped in to furnish his or her own office.

Working together for 25 years before the transition began created a culture of trust and mutual support amongst the founding worker-owners of Center Point. Additionally, noted Kevin Schmidt, as mental health practitioners, Center Point’s members study and teach their clients how to be effective individuals and group members, as well

<sup>86</sup> Interview with Project Equity, summer 2014, in which Kevin talks about Center Point's origins.

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as how to change entrenched systems. These two factors provided a pre-existing framework upon which a “cooperative” culture based on principles of participation and democracy was easily built. As a complement to and way to codify Center Point’s natural cooperative culture, the worker-owners looked to the International Cooperative Alliance’s seven cooperative principles.<sup>87</sup>

The Center Point Counseling Services Cooperative began operations on October 1, 2011, and opened for clients on December 1, 2011.

### Coop logistics

Center Point’s group of twelve founding worker-owners has expanded to 14 by summer 2014. The cooperative also employs a number of non-owner employees, including part-time doctors. Schmidt reports that, although all Center Point’s employees are welcome to full worker-owner membership, not all want to become worker-owners. The cooperative is hoping to increase staff participation in ownership, but does not expect that all employees will become owners.

Prospective members are required to work three months full-time or six months part-time and to conduct interviews with current worker-owners before becoming eligible for full membership. The price of one share of common stock, which must be purchased in exchange for full membership, was originally set at \$100. Though this share price was initially set intentionally low so as not to serve as a barrier to membership, the worker-owners became interested in increasing the price of common stock as the value of the company increased. Current membership stock costs \$2,000, payable over the first five years of membership.

All of Center Point’s worker-owners are also members of the cooperative’s board, which is responsible for leading decision-making. The cooperative’s decision-making process is anchored in weekly board meetings, where committees comprised of worker-owners put forth proposals to be decided upon by the entire board. Only full members (worker-owners, but not non-owner employees) may serve on committees. Individual committees are responsible for putting forth proposals about Center Point’s facilities and policies, as well as for the three care areas: substance abuse, mental health, and emergency mental health.

In addition to their work as mental health care practitioners, Center Point’s worker-owners frequently offer trainings and support to other worker cooperatives. Center Point’s therapists emphasize teaching the “soft skills” of worker ownership, like how to build a cooperative culture based on participation and trust, as a complement to technical and financial trainings most frequently offered by coop developers.

### Challenges during conversion

Center Point workers are employed in a range of occupations that earn varying incomes, which presents a challenge for universal worker ownership. Sharing worker ownership amongst employees with very different incomes and job roles has proven difficult to reconcile with democratic member control. Doctors, in particular, earn more than the cooperative’s other employees, which has resulted in Center Point’s doctors most

<sup>87</sup> The ICA’s seven cooperative principles are as follows: 1) voluntary and open membership; 2) democratic member control; 3) member economic participation; 4) autonomy and independence; 5) education, training and information; 6) cooperation among cooperatives; 7) concern for community. These principles are published on the ICA’s website, <http://ica.coop/en>.

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frequently working at the cooperative part-time, as non-owner employees. In the future, Schmidt says, the cooperative hopes to welcome more doctors as worker-owners, but the members have not yet found a strategy to mitigate the income inequality barrier.

The capital investment required to become a worker-owner is another challenging question for Center Point. Initially, the cost of each membership share was set intentionally low, at \$100, to prevent the capital investment requirement from being prohibitive. When members became interested in increasing the price of common stock to better reflect the value of the cooperative, they needed to find a way to do this without being unfair to prospective worker-owners. To circumvent unwanted hierarchy caused by requiring new worker-owners to pay a higher capital investment than current worker-owners, the worker-owners decided to increase the price of common stock for new members to \$2,000, but to also pay the new value themselves, alongside new members. Some other worker cooperatives, like Namaste Solar, report similar difficulties with maintaining fairness while increasing the capital investment required of members over time, and recommend thinking deeply about how membership share costs may change when initially writing the cooperative's bylaws and other foundational documents.

### Key lessons / effective practices

Several aspects of Center Point's particular context helped the cooperative's new worker-owners transition smoothly into operations as a worker cooperative.

First, because many of the worker-owners had already been working together for years before deciding to leave their former organization and start Center Point together, the members had long track records of how to be supportive of one another. This history of collective support meant that the cooperative's decision-making processes were naturally participatory and intimate from the start. Creating a participatory democracy is a critical part of worker ownership, and Center Point's members had already been collaborating effectively for years. Although Center Point was fortunate to start out with a pre-existing cooperative culture, Schmidt notes that the coop's members are conscientious about maintaining and deepening Center Point's democratic culture in their everyday operations.

Second, according to Schmidt, Center Point's mission as a mental health care facility—to care for people—complements the principles of democracy and fairness that are foundational to worker cooperatives. Schmidt believes that this characteristic of the health care industry in general makes the worker cooperative model an excellent fit for health care organizations.

Third, the high density of cooperative businesses in the area meant that the cooperative model was already well known and accepted, which Schmidt says greatly facilitated the establishment of the Center Point cooperative. Worker cooperatives are little known in much of the United States, which can lead to difficulty securing financing and technical advising. Knowledgeable local advisors, willing lenders, and a base of community support are often essential ingredients of successful conversions. For these reasons, conversions like Center Point's that occur in areas where other cooperatives already exist may be more easily accomplished.

Another lesson to be learned from Center Point's experience stems from the cooperative's dedication to helping other cooperatives. Schmidt reports that Center Point is

frequently contacted by individuals interested in starting their own worker cooperatives, or in converting an existing business into a worker cooperative. Some of these do successfully come to fruition with Center Point's help; those that do not most often fail, says Schmidt, because they lack feasible business models. Successful worker cooperatives, like any other business, must begin with a solid business model. As Schmidt noted, individuals are frequently enamored of the idea of a worker cooperative, but fail to think through the logistics and feasibility of the business itself. Center Point's experience with false-start conversions is a powerful reminder that worker ownership is not a "silver bullet" for business success, and that worker ownership conversions require significant business acumen, patience, and often a bit of creativity to come to successful fruition.

## → Collective Copies

Type IV Conversion

### COLLECTIVE COPIES

Printing and copying  
Amherst, Massachusetts

**Date of conversion:** 1983

**Number of workers as of March 2015:** 11

**Conversion type:** Type IV

*Based on Project Equity's interviews in July 2014 and March 2015 with Adam Trott, who has been a worker/member at Collective Copies since 2004, and on two comprehensive case studies of Collective Copies. The first was published in 2004 by The Northcountry Cooperative Foundation's Center for Cooperative Enterprise and Innovation,<sup>88</sup> and the second was published in 2014 as part of *Building Co-operative Power: Stories and Strategies from Worker Co-operatives in the Connecticut River Valley*.<sup>89</sup>*

### Background

Collective Copies was founded in 1983 after an existing store of a copy shop chain—Gnomon Copies—was forced to close. Gnomon Copies' employees were unhappy with working and health conditions at the store, and when the owners were unresponsive to their needs, they sought out union support. They ended up finding alignment with the United Electrical Radio and Machine Workers of America. United Electrical Local 264 helped them through the strike and ultimately with the opening of the new store.<sup>90</sup> Collective Copies' locations in Amherst, MA (its original location) and Florence, MA enable it to serve the nearby college markets.

### Why it became a coop

After unsuccessfully attempting to negotiate with the new owners, they decided to strike in September of 1982. Their strike lasted into spring, and ultimately they were able to come to an agreement or contract with Gnomon. However, shortly thereafter, the building owner evicted Gnomon copies, due to the disruption of the strike itself, leaving all of the employees without jobs.<sup>91</sup>

88 Kerstin Larson et al. "Using worker-owned cooperatives to enhance the economic well-being of rural residents: A Report for the United States Department of Agriculture." Northcountry Cooperative Foundation's Center for Cooperative Enterprise and Innovation: Minneapolis, 2004. <http://community-wealth.org/content/using-worker-owned-cooperatives-enhance-economic-well-being-rural-residents-report-united>

89 Cornwell.

90 Phone conversation between Adam Trott and Project Equity on 3/11/15

91 Email exchange between Adam Trott and Project Equity on 3/17/15