Case Studies: Business Conversions to Worker Cooperatives

NEW ERA WINDOWS COOPERATIVE
Window manufacturer
Chicago, Illinois

Date of conversion: 2012
Number of workers at time of conversion: 17
Number of workers as of summer 2014: 15
Conversion Type: Type IV

Based on Project Equity’s interview with Brendan Martin, Founder & Director of The Working World, and Steve Wong, Communications and Investment Agent at The Working World in August 2014. The Working World is a non-profit organization that provides investment capital and technical support for worker cooperatives, and is an advisor to New Era Windows.

Background

The New Era Windows Cooperative is a Chicago-based windows manufacturing company specializing in energy-efficient vinyl windows. Founded in 2012 by a group of former employees of the Republic Windows and Doors factory, which declared bankruptcy and laid off its entire factory workforce, the New Era Windows story is partially that of a business conversion to worker ownership, and partially that of a start-up cooperative business.

Why it became a coop

In 2008, after many decades of operation, Republic Windows and Doors abruptly shut its doors, laying off its entire workforce. Two hundred seventy-nine union members, as well as 21 managers, suddenly lost their jobs. The workers decided to occupy the factory in protest, and staged a six-day sit-in that attracted tremendous support from the community. The protests were successful in winning the compensation owed to workers by Republic Windows and Doors, and shortly thereafter, a “green” construction company named Serious Energy took control of the factory and partially reopened it.

The re-opening didn’t last; Serious Energy soon decided to close the factory once and for all. For the workers, this was the final straw – they decided to take control of the situation and re-employ themselves. According to a statement from the New Era Windows Cooperative, after losing their jobs again, “Everyone decided enough was enough. If we want to keep quality manufacturing jobs in our communities, perhaps we should put in charge those who have the most at stake in keeping those jobs – the workers. The plan to start a new worker-owned cooperative business began.”

Conversion logistics

In an interview with Project Equity in August 2014, Brendan Martin and Steve Wong of The Working World—a non-profit organization that provides investment capital and technical support for worker cooperatives—described how three of the former factory workers reached out to The Working World to ask for guidance on how they might form a worker cooperative out of the ashes of the former Republic Windows and Doors factory. At the same time, the three former factory employees began drawing upon the organizing power of their union, the United Electrical Workers Union, and called in the help of the Center for Workplace Democracy, a Chicago-based organization dedicated to supporting workplace democracy and employee ownership, to move forward with their plan to start a new worker-owned cooperative business. After an initial consultation meeting with The Working World, the three union members decided to “green-light” the conversion, as Brendan Martin described it, and began recruiting other former Republic employees to join the new worker cooperative.

Martin notes that the leadership and dedication of these three union members was critical in the early stages of the New Era conversion. Their leadership enabled the former Republic employees to win the struggle to claim their right to a place at the negotiating table, and then to successfully purchase the factory and the necessary equipment to start the worker cooperative. The funding for the purchase of the factory and equipment came from a $665,000 investment raised by The Working World.

To prepare the new worker-owners of the New Era Windows Cooperative for the responsibilities of worker ownership, The Working World and the Center for Workplace Democracy led weekly educational classes for the worker-owners during the lead-up to the purchase of the factory. The classes provided information and ideas about how New Era might choose to structure the cooperative (e.g. how to choose who would sit on the board). But because the conversion moved very quickly—the entire formal transaction happened within a month—there was limited time to prepare the worker-owners for cooperative ownership before full-time work began. This meant the educational approach was, in Brendan Martin’s words, more “opportunist” than “theoretically perfect.” The pressures of starting a new business put the educational classes on hold for several months after full-time work began, but The Working World and the Center for Workplace Democracy resumed trainings for worker-owners in the winter of 2013. Classes have since ended, though Martin notes that recently (as of summer 2014) there is talk of re-launching the training sessions.

Throughout New Era’s ongoing conversion process, The Working World has remained very involved in the day-to-day operations of the cooperative; the organization is part investor, part advisor, and part incubator to New Era. Because the factory made the transition to cooperative ownership with factory floor workers but without management or office workers, staff members from The Working World have been physically in the factory most days since the new cooperative opened to help fill these roles.

As of 2014, the New Era conversion has been in progress for two years. The Working World expects that the conversion will need another three years to reach completion.
Coop logistics

The New Era Cooperative set a $1,000 equity investment requirement for the initial worker-owners, but plans to require a higher (though yet undetermined) investment from future worker-owners. The purpose of increasing the future buy-in requirement for new worker-owners is to provide “founders’ compensation” to the original worker-owners who put in the sweat equity to carry the cooperative through the conversion process, and partially to reflect the increasing profitability of the company. In addition to the equity investment requirement, future prospective worker-owners will be required to observe a one-year probationary period before they are permitted to join the cooperative as full members.

As of August 2014, the management structure of the New Era Windows Cooperative is in a state of evolution. The first management structures put in place after work began were executive committees, and thus far, New Era has continued to operate under a participatory management structure. The still-small size of New Era’s worker population—15 workers—allows for direct participatory management to function efficiently, according to Brendan Martin and Steve Wong of The Working World. As the company continues to grow, it may choose to implement more traditional management if the direct participatory structures become unwieldy. Though workers are open to the idea of bringing in outside management, Martin notes that a decision has not yet been made, nor is the company yet profitable enough to be able to bring in management if it so chooses. Either way, New Era intends to keep control of the company’s direction in the hands of worker-owners.

Challenges during conversion

Martin and Wong report that the financial limitations have been the primary challenge throughout New Era’s conversion. Though The Working World was able to raise $665,000 in investment for the purchase of the factory and initial start-up costs, this has proven to be a tight budget for the conversion. In part, the extremely short timeline of the conversion limited the amount of funding The Working World was able to secure for New Era, but the primary barrier to raising start-up funding for the New Era conversion was the lack of a financial “market,” as Martin put it, for cooperative conversions and/or cooperative start-ups.

The short timeline for the New Era conversion also limited the degree to which The Working World and the Center for Workplace Democracy were able to prepare worker-owners for cooperative ownership, according to Martin and Wong. There is interest in resuming training sessions now that the initial start-up pressures have begun to lighten.

Management has proven to be another challenge for New Era thus far. Because the cooperative started up without experienced managers, staff from The Working World took the lead in “filling holes” and completing administrative tasks with which the factory floor workers were unfamiliar. Brendan Martin, for example, was voted in as factory floor manager, and is currently (as of summer 2014) acting in the role. The decision about whether or not to bring in outside management once New Era becomes profitable enough has become an internal debate for New Era and The Working World. On the one hand, New Era needs workers who can take on office management roles, which the current worker-owners are not equipped to do; but on the other hand, the strong sense of ownership felt by current worker-owners over the cooperative may be
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jeopardized by bringing in outside management if not carefully handled.

Key lessons / effective practices

The New Era Windows conversion has been widely heralded by the media as a success story of workers winning a battle against predatory management, and for good reason. Against tremendous odds, New Era has been able to transform a massive, unforeseen lay-off into an opportunity to build secure jobs and a company that is responsive first and foremost to its workers.

Several factors have been integral to New Era’s continued success in converting to / starting up a worker cooperative. First, the importance of The Working World’s support as investor, advisor, and incubator to New Era cannot be overstated. In addition to providing the initial investment necessary for New Era to purchase the former Republic factory, staff members from The Working World have literally been on the factory floor alongside New Era worker-owners nearly every day since the conversion began in 2012. The decision of the three union members who conceived of the cooperative idea to seek this kind of skilled outside help has proven invaluable in facilitating New Era’s conversion process.

Equally important in ensuring New Era’s success thus far has been the strong leadership exhibited by the three union members responsible for driving the conversion forward. In addition to launching the conversion process, the original three union members took charge of recruiting additional worker-owners. The fact that the founding New Era worker-owners were members of the United Electrical Workers Union doubtless paved the way for the conversion as well by providing a built-in sense of collective will and trust amongst the founders. Additionally, because the conversion rolled a group of unionized former Republic employees over into worker ownership at New Era, all of New Era’s worker-owners had previous experience working in the window manufacturing industry; this minimized operations start-up costs and allowed the cooperative to focus on investing in cooperative ownership.

The strength of ownership that the New Era worker-owners feel over the company has also been identified by Brendan Martin and Steve Wong as a key contributor to the success of the cooperative’s ongoing conversion. This has offset the company’s early struggles with a lack of experienced management and with insufficient time for fundraising and for training.