

Social Enterprise & Worker Co-ops: Relatives in the Social Economy

PRESENTATION FOR THE 2018 CANADIAN WORKER CO-OP FEDERATION
CONFERENCE ON NOV. 2, 2018 BY:

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Agenda

Introductions

Comparing models within the social economy

Case study: Diversity Food Services

Discussion

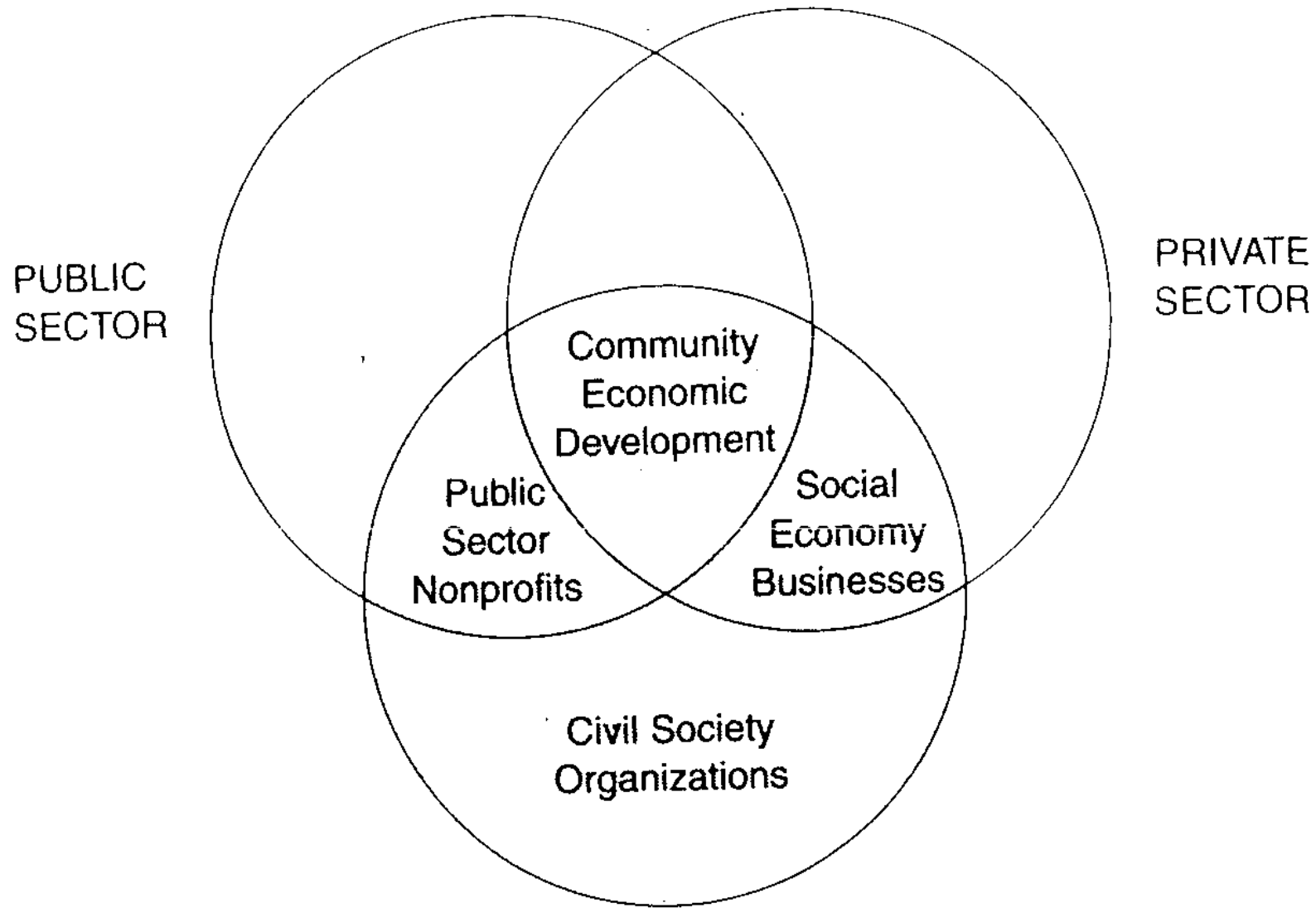
INTRODUCTION

QUICK!

Name, affiliation, 1 word coming to mind as you consider this workshop

Worker Co-operatives and Social Enterprises

- Both are social economy businesses and exist and operate in the Social Economy



 SOCIAL ECONOMY

Principles of the Social Economy

- the aim of serving members or the community, rather than generating profit;
- an independent management;
- a democratic decision making process;
- the primacy of people and labour over capital in the distribution of income.

Social Enterprises and Worker Co-ops Similarities

- ◆ A continuous activity producing goods and or selling services
- ◆ Decision making power not based on capital ownership
- ◆ Profits/surpluses are for the benefit of the enterprise or its sponsoring non profit organization, not for individual shareholders
- ◆ Social objectives are the main reason for the business (benefit to the community)
- ◆ Pursue blended return on investment between financial and social

Social Enterprises and Worker Co-ops Differences

- ◆ Corporate Structure
- ◆ Tax structure
- ◆ Membership/Ownership
- ◆ Co-op principles (seven)

- Many Worker Co-ops are considered to be social enterprises especially when they have significant social and or environmental objectives.

Worker Co-op Social Enterprise

◆ La Siembra Co-op (Ottawa) 1999

www.lasiembra.com



Worker Co-op Social Enterprise

- ◆ **Just Us Coffee Roasters Co-op** (Wolfville) 1995
- ◆ **Neechi Foods Co-op** (Winnipeg) 1989

Social Enterprise Examples

- ◆ **Aki Energy** (Winnipeg) 2013
- ◆ **Potluck Café Society** (Vancouver) 2002
- ◆ **Mother Earth Recycling** (Winnipeg)
2013
- ◆ **Embers Staffing Solutions** (Vancouver)
2008
- ◆ **BUILD** (Winnipeg) (2004)



Diversity Food Services Inc. Case Study

A SOCIAL ENTERPRISE INVESTIGATING THE COOP MODEL

LOUISE SIMBANDUMWE

CO-DIRECTOR, SEED WINNIPEG INC.

DIVERSITY



A Social Enterprise owned by two non-profit community organizations:

- University of Winnipeg Community Renewal Corporation (UWCRC)
- Supporting Employment and Economic Development Winnipeg (SEED)



The University of Winnipeg
Community Renewal Corporation

Renewing the Fabric of Downtown



- Separately incorporated not-for-profit, charitable organization
- Mission is to create a sustainable university community
- Culture of a small Community Economic Development organization
- Centre for partnership development & implementation of development strategies

SEED works to reduce **poverty** through providing Financial Empowerment Programs and Services.

We do this through:

- Business Development
- Asset Building Programs



DIVERSITY

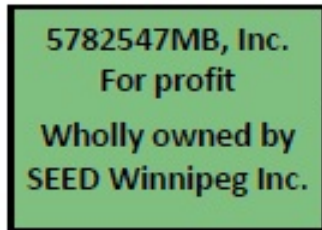
food services



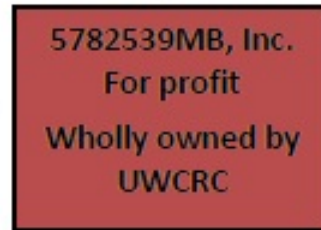
A joint venture that produces multi-ethnic, high quality, nutritious, and flavourful food in an **environment** that champions the farmers, the chefs, and the employees.



Non-profit



Non-profit



DIVERSITY

 food services

	Traditional Business	Social Enterprise
Income	Income is earned by selling a good or service	Income is earned by selling a good or service
Ownership	Owned by private investors	Owned by community organization or a group of community members
Goals	Financial goals are the most important Profits go to the owners	Financial goals and social goals are both important Profits are used to benefit the community by supporting the social goals of the organization or the business



The University of Winnipeg
Community Renewal Corporation

Renewing the Fabric of Downtown


seed
WINNIPEG INC. **Supporting Employment & Economic Development**

DIVERSITY



Financial Goals

- Self-supporting
- Profitable
- Can support social goals

Social Goals

- Local & organic, fair-trade, healthy
- Hiring from community
- Quality of job
- Share ownership



The University of Winnipeg
Community Renewal Corporation

Renewing the Fabric of Downtown



- Managing ebbs and flows of academic cycle
- Cash Flow (Feast and Famine cycle)
- Economic viability of buying local & organic, as well as sustainable packaging.
- Securing local quantity and quality (at start up phase)
- Social finance is only emerging in Manitoba
- Meal plan (is a plus and a minus)





A Balancing Act



- Costs and efficiencies
- Social and business goals
- Management fit & skills
- Multiple stakeholders

Why Consider the Co-operative Model?

- Increase involvement & **commitment**
- Democratize **decision-making**
- A way to **share profit**
- Create opportunities for learning: food industry, business **ownership**, cooperatives



Cooperative Initiative #1

To sell shares in Diversity to a democratic cooperative that is owned by the workers of Diversity

Diversity would then have three owners

Cooperative Initiative #1

(Based on number of shares)

Board of Directors

SEED Winnipeg (2) UWCRC (2) Coop (1)

Management Team

All Workers of Diversity Food Services

Cooperative Initiative #1

Important decisions for a democratic cooperative:

- ✓ Membership criteria
- ✓ Distribution of profits

Cooperative Initiative #1

Proposed Membership Criteria

Cost of membership – \$500

- **affordable** and allows group to buy more shares if they wanted a higher ownership stake
- \$20 gives voting rights then pay by payroll deductions over one or two years

Eligible to join after end of probationary period

- Based on hours worked (ensure commitment)

Attends coop education

Cooperative Initiative #1

Proposed distribution of profits based on :

- Hours worked at Diversity
- Attendance at cooperative meetings
- Attendance at **educational** workshops

Higher value would be placed on the last two points because employees have control over them

Cooperative Initiative #1

Risks

- Making **decisions** with others can cause tension
- Meetings take time
- Employees can lose money if the co-op isn't profitable

Benefits

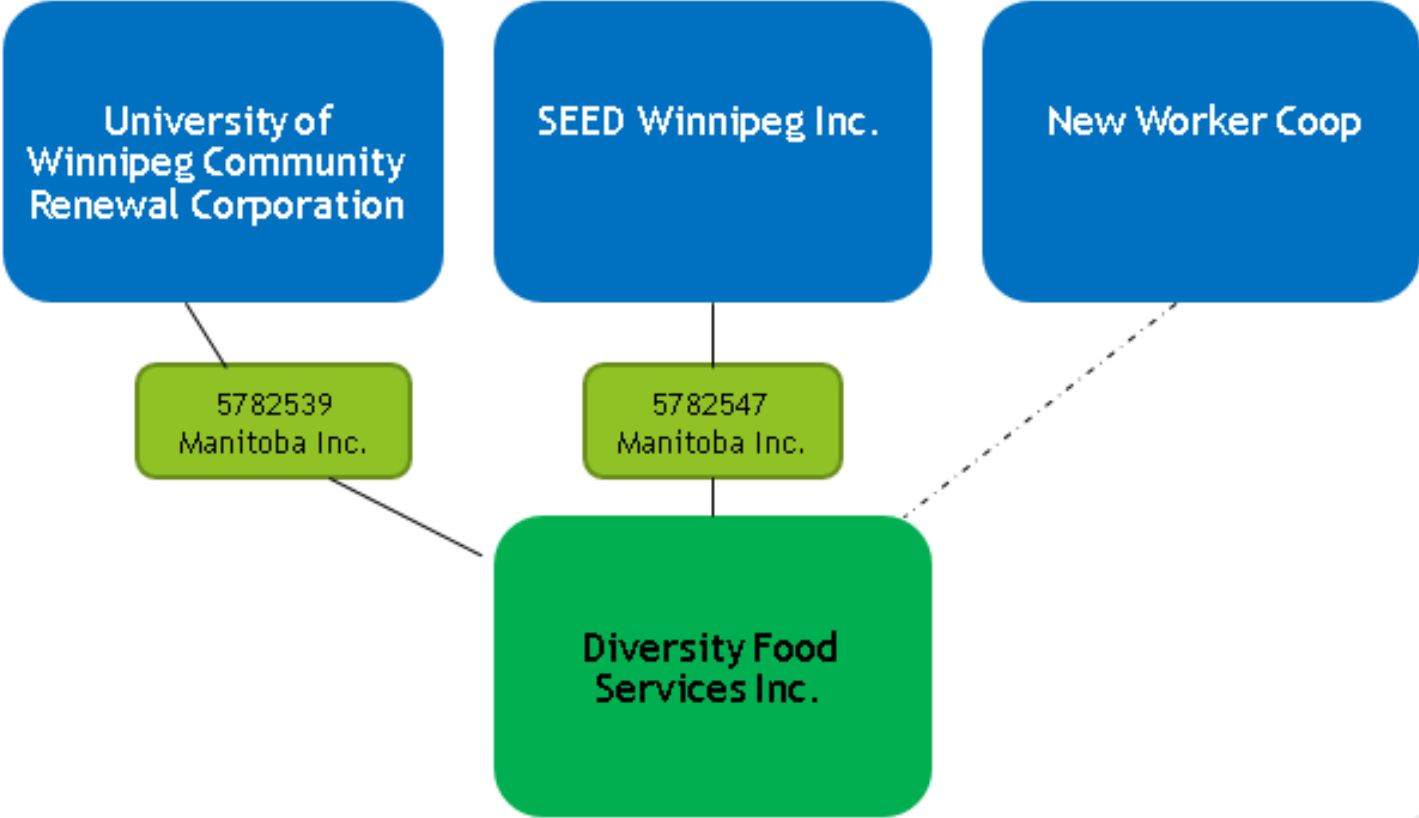
- Have a say in policy decisions
- Opportunities to **learn**
- Employees can share a portion of any profits

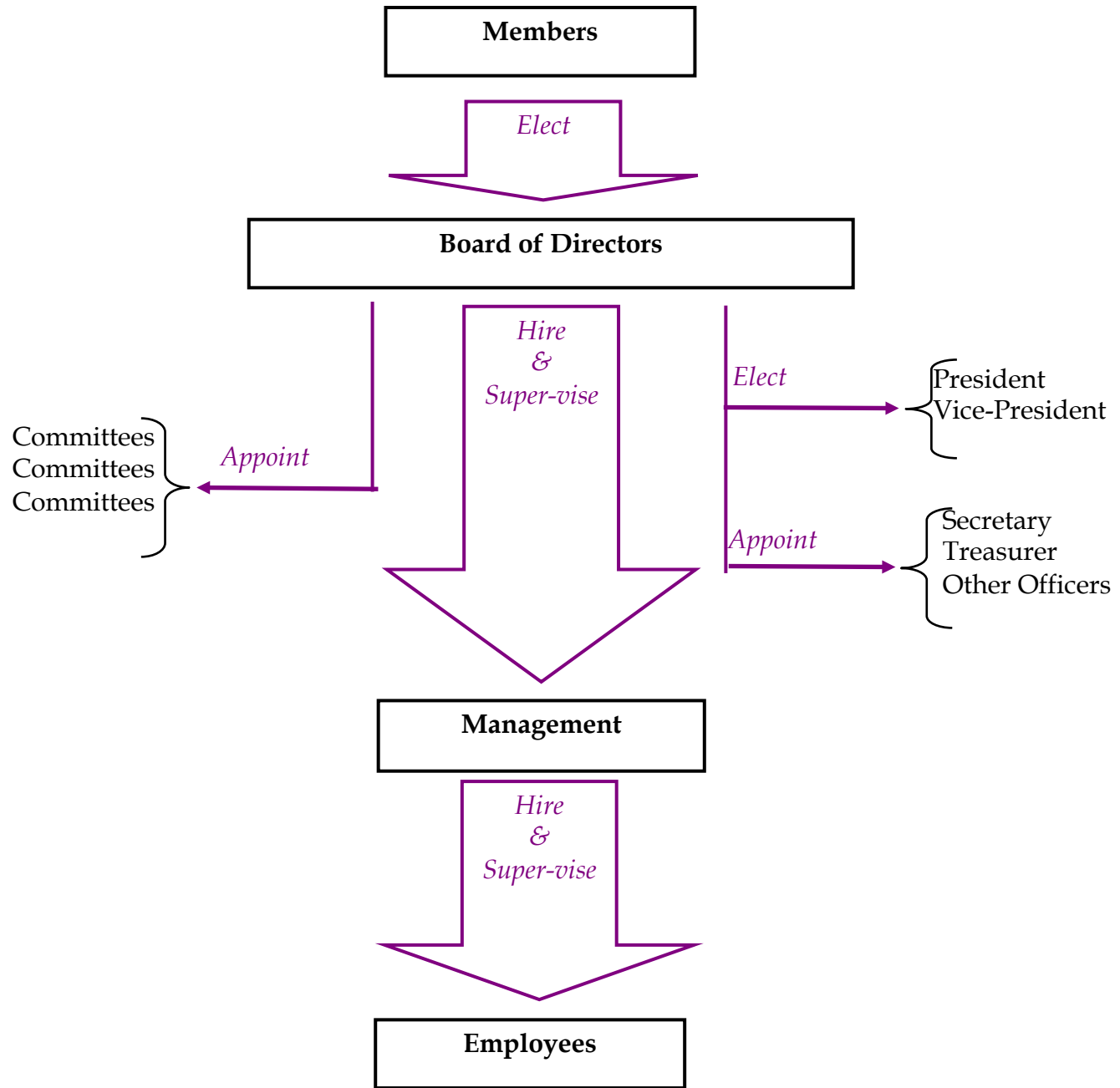
Reason why....

To invest in Diversity Food Services to ensure the long-term viability of employment opportunities for members and to participate in the success of the business

Original goal of parent organization(s) to offer share ownership

Proposed New Ownership Structure





The Outcome

Management and employees did not want to move forward

Diversity was in early stages of growth

Diversity was not making a profit

Coop idea was not employee or management driven

No management or employee champion

Language barriers and lack of understanding of new hybrid structure

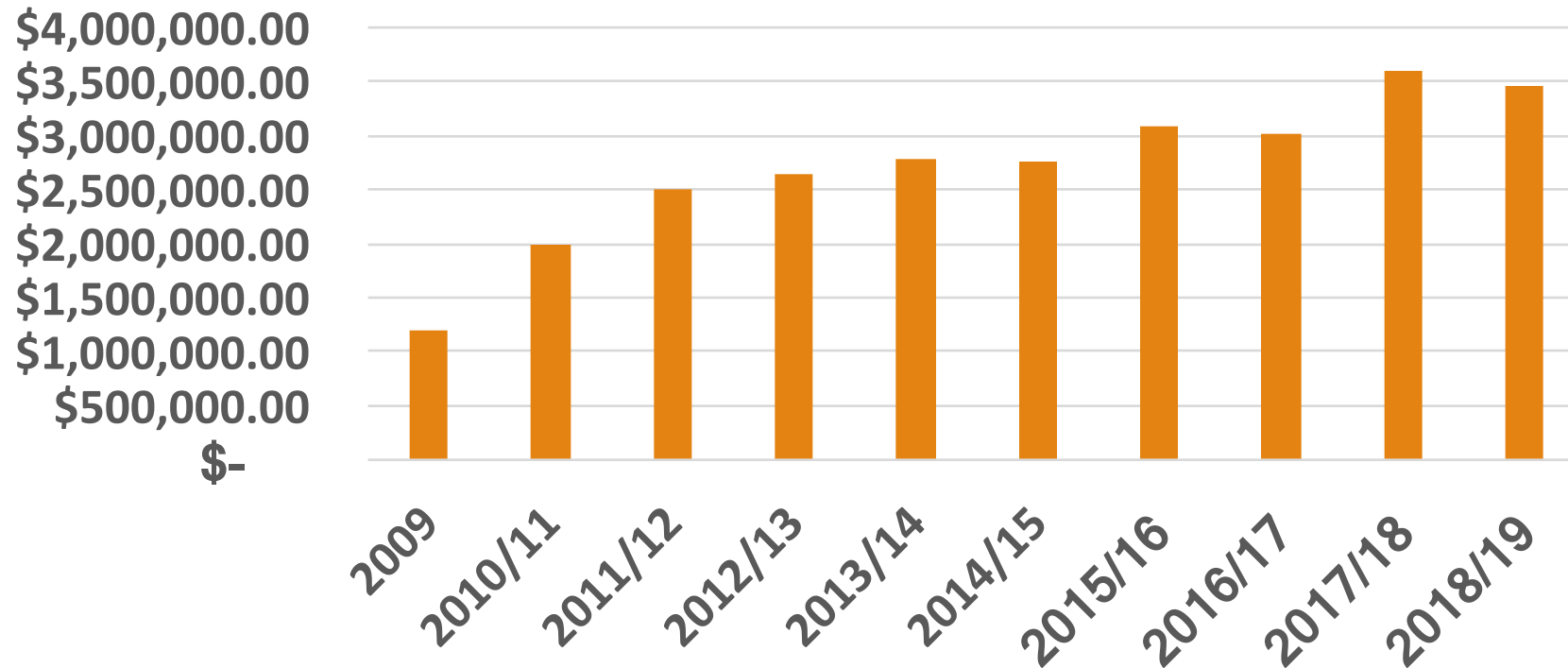
Time and resource intensive

Throughout the process needed to mitigate against undue influence from parent organization (external professionals were required eg: MCA, Lawyer, ESL)

DIVERSITY

food services

Gross Total Revenues



DIVERSITY

 food services

People

- Management Team
- 100+ staff
- Full time, year round employment
- Strong Board of Directors

Business

- Pangea's Kitchen
- Café Bodhi
- The Malecon
- Elements
- Buffalo Stone Café
- Players Golf Course
- Tony's (Leatherdale Hall)
- MacDon Industries
- Diversity to Go
- Catering

Impacts

- Job Creation
- Less reliance on social services
- Self Employment
- Skill development
- Environmental improvements
- Changing the NORMS

Emergence of Cooperative Idea #2

Employee ownership remained a latent goal from 2011/12 to 2015/2016

Multi-stakeholder legislation in Manitoba opened up the conversations again at board level

By 2016/2017 Diversity is **profitable**

Operations have stabilized

Successfully managed expansions

New management and additional employees

Executive management (group of 3) expressed some interest in learning more about coop and employee ownership options

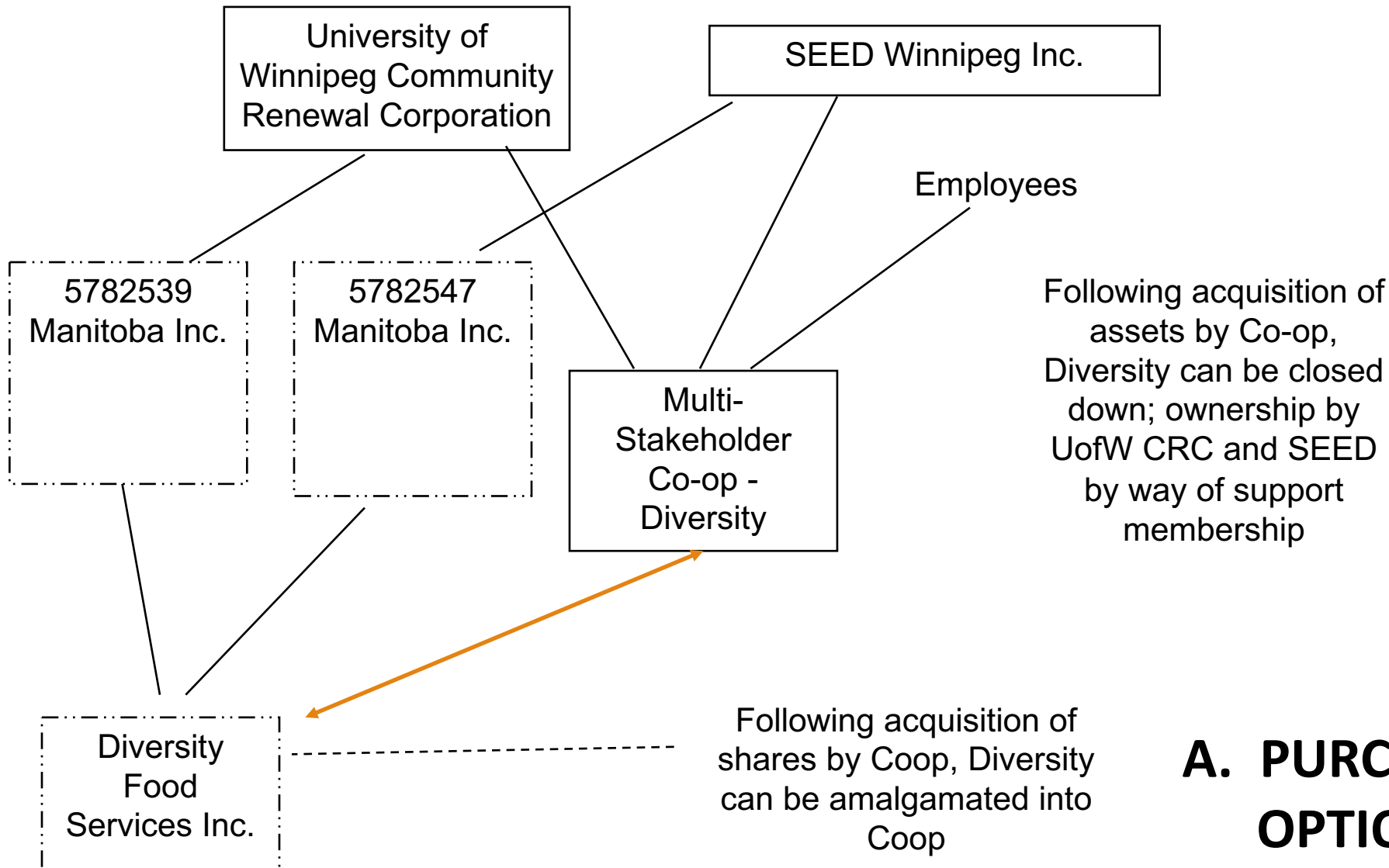
What Has Happened to Date?

Executive Management has been provided with **READINGS (and more READINGS) and MEETINGS with coop developers/experts**

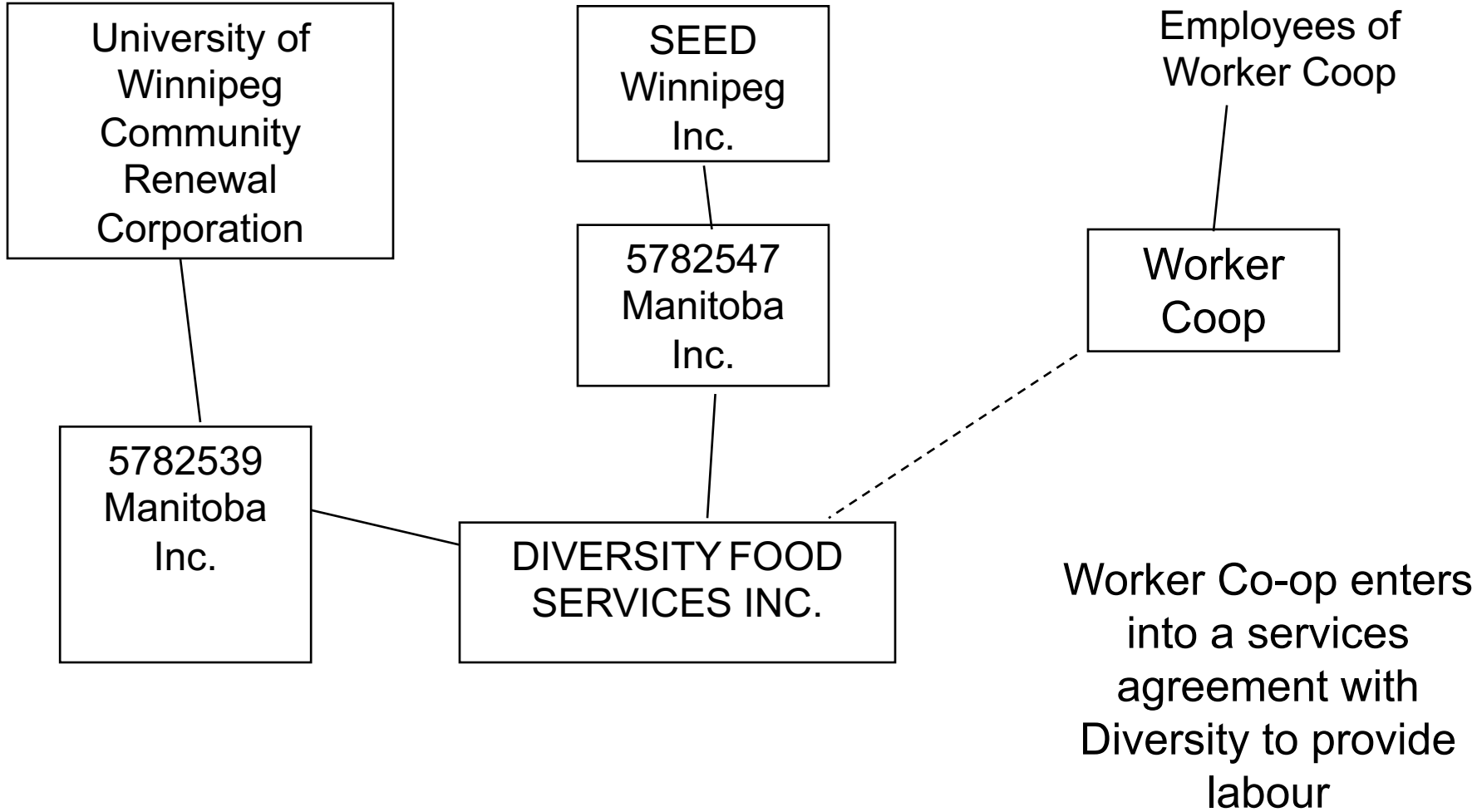
Connected and meetings with lawyer at Taylor McCaffrey

Learning about Multi-Stakeholder Model

Ownership structure options designed by lawyer and provided to Executive Management for consideration



A. PURCHASE OF ASSETS OPTION



B. SERVICE AGREEMENT OPTION

What Next?

The Executive Management team needs to decide if they want to move forward with a coop proposal

Considerations:

- WHY? Values
- Diversity employees
- Time and Resources
- Diversity Board Succession

Discussions with Diversity Board of Directors/current owners

Consultations and education with Diversity employees & lawyer

Determine structure

Paperwork/legal work

Coop development & education

LIKELY 1 to 2 years away (while Diversity continues to operate)

Discussion & Reflection

On your own for 1 minute --- what did you learn?

In small groups for 10 minutes

1. Share your highlights of learning (i.e. key reflections, insights) and discuss any trends
2. Raise any new questions that the presentation raised for you
3. Discuss how this information might inform your work going forward

In the big group, each small group offer 1 highlight of learning and 1 way this might inform future work

Open Q&A for remaining time

THANK YOU!

Find us to follow up

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Social Enterprise Council of Canada

<http://secouncil.ca/>

SEED Winnipeg & Diversity Food Services

<http://seedwinnipeg.ca/> <https://www.diversityfoodsolutions.com/>

Canadian CED Network

<https://www.ccednet-rcdec.ca/en>