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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SARAH LEESON-KLYM, CCEDNET – MANITOBA REGIONAL DIRECTOR
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
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.
A Social Enterprise owned by two non-profit community organizations:

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

Joint Venture Agreement

For profit
Wholly owned by SEED Winnipeg Inc.

Diversity Food Services, Inc.

License Agreement

For profit
Wholly owned by UWCRC

The University of Winnipeg Community Renewal Corporation Renewing the Fabric of Downtown
<table>
<thead>
<tr>
<th></th>
<th><strong>Traditional Business</strong></th>
<th><strong>Social Enterprise</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>Income is earned by selling a good or service</td>
<td>Income is earned by selling a good or service</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Owned by private investors</td>
<td>Owned by community organization or a group of community members</td>
</tr>
<tr>
<td><strong>Goals</strong></td>
<td>Financial goals are the most important Profits go the owners</td>
<td>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</td>
</tr>
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</table>
Financial Goals
- Self-supporting
- Profitable
- Can support social goals

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

- 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

- University of Winnipeg Community Renewal Corporation
- SEED Winnipeg Inc.
- New Worker Coop

- Diversity Food Services Inc.

Incorporated in:
- 5782539 Manitoba Inc.
- 5782547 Manitoba Inc.
Members

Board of Directors

- Elect

Hire & Supervise

Committees

- Appoint

Management

- Elect

- Appoint

President Vice-President

Secretary Treasurer Other Officers

Employees

Hire & Supervise
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)
Gross Total Revenues

Year | Revenues
---|---
2009 | $500,000.00
2010/11 | $750,000.00
2011/12 | $1,000,000.00
2012/13 | $1,250,000.00
2013/14 | $1,500,000.00
2014/15 | $1,750,000.00
2015/16 | $2,000,000.00
2016/17 | $2,250,000.00
2017/18 | $2,500,000.00
2018/19 | $3,000,000.00

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- 2009: $500,000.00
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- 2016/17: $2,250,000.00
- 2017/18: $2,500,000.00
- 2018/19: $3,000,000.00
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<thead>
<tr>
<th>People</th>
<th>Business</th>
<th>Impacts</th>
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<tr>
<td>Management Team</td>
<td>Pangea’s Kitchen</td>
<td>Job Creation</td>
</tr>
<tr>
<td>100+ staff</td>
<td>Café Bodhi</td>
<td>Less reliance on social services</td>
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<tr>
<td>Full time, year round</td>
<td>The Malecon</td>
<td>Self Employment</td>
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<tr>
<td>employment</td>
<td>Elements</td>
<td>Skill development</td>
</tr>
<tr>
<td>Strong Board of</td>
<td>Buffalo Stone Café</td>
<td>Environmental improvements</td>
</tr>
<tr>
<td>Directors</td>
<td>Players Golf Course</td>
<td></td>
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<td>Tony’s (Leatherdale Hall)</td>
<td>Changing the NORMS</td>
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<td>MacDon Industries</td>
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<td>Diversity to Go</td>
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<td></td>
<td>Catering</td>
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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

Following acquisition of shares by Coop, Diversity can be amalgamated into Coop.

Following acquisition of assets by Co-op, Diversity can be closed down; ownership by UofW CRC and SEED by way of support membership.
B. SERVICE AGREEMENT OPTION

Worker Co-op enters into a services agreement with Diversity to provide labour.
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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Sarah Leeson-Klym – sleesonklym@ccednet-rcdec.ca

Social Enterprise Council of Canada
http://secouncil.ca/
SEED Winnipeg & Diversity Food Services
http://seedwinnipeg.ca/ https://www.diversityfoodservices.com/
Canadian CED Network
https://www.ccednet-rcdec.ca/en