

## Capturing the Imagination of Future Social Entrepreneurs: A Robust University Based Anchor Institution-led Development Model

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**There aren't very many** worker cooperatives in the United States. Even by the most charitable and inclusive definitions, the number is less than 500. In a country with more than 7 million businesses, our numbers barely constitute a rounding error. If we maintain the presumption that we are a movement, we probably reached our high water mark in the 1870's when the Knights of Labor created some 334 industrial and craft coops. That effort had a compelling narrative ("cooperative commonwealth") and a sense of mission. Those cooperatives failed for all the reasons that most small businesses fail – the absence of some combination of money, markets and management.

The few successful worker cooperative movements worldwide (Mondragon, Italy, etc.) have also adopted a compelling, driving narrative (in the European examples it was anti-fascism) and have worked assiduously to build the infrastructure to address both the small business challenges (money, markets, management) and the design, governance and education issues associated with the cooperative model being overlaid on the small business start-up. The only modestly successful North American movement – in Quebec – displays many of these same characteristics, while being driven by a narrative of political and economic nationalism.

This is not to say that our efforts in English-speaking North America over the past forty years have simply been a litany of failure. We have tried to learn from what didn't work and tried not to make

the same mistakes over again. Much thought has been given to extracting the most salient elements of the Mondragon model, if not the Mondragon context, and applying them in North America. These efforts generally focused on a range of infrastructure and business development strategies.

Non-profit technical assistance/development organizations (including PACE and ICA) were established in the late 1970's. These were followed by some state funded centers (i.e. Ohio Employee Ownership Center). A proliferation of community development loan funds sprang up, including some with a partial or complete focus on worker cooperatives.

Sectoral strategies, beginning in the 1980's, attempted to build on industry expertise, economies of scale and valued industry partners.

The O & O Supermarkets developed in partnership with UFCW Local 1776 and created in response to the shutdown of the Philadelphia and Scranton divisions of A & P food stores are one example I know well, having played a lead role in their development. In addition to creating a network of worker cooperative supermarkets, the project embedded infrastructure for future development, including rights of first refusal for workers, an investment vehicle funded through collective bargaining with the corporate successor to the A & P stores, and widespread participative management within the sector. More sophisticated sectoral

initiatives added a policy element, using the cooperatives as yardstick businesses to impact the quality of jobs for workers across the entire sector. These continue on a modest scale in the childcare sector (Childspace and CCDI), and on a grander scale in the home care sector (Cooperative Home Care, ICS, and PHI), with significant policy victories as well as business success. West Coast sectoral models in the 1990's and 2000's, including Arizmendi bakeries and WAGES green cleaning cooperatives, also continue to enjoy business success and growth as worker cooperatives.

Efforts to create supportive venture capital pools were focused in Canada in the 1990's. Several provincial labour sponsored investment funds (the Crocus Fund in Manitoba, the First Ontario Fund, and Fondation CSN in Quebec) directed a portion of their investment capital in support of worker cooperatives and other worker owned business enterprises.

There have also been efforts to incorporate worker cooperative or democratic enterprise development in larger economic and social justice strategies. Examples include the InterValley Project and the Center for Community Self-Help.

Each of these efforts should be studied and understood. Each had some degree of success in advancing one or a number of critical elements required for the successful development of worker cooperatives. Some continue to grow as business networks and as worker cooperatives. These business networks continue to impact critical labor and job quality issues in their sectors, often disproportionately to their size. Their accomplishments are exceptional and have positively impacted the lives of many workers, who would otherwise be relegated to "dead end" low-road jobs.

What they have not been able to do, despite their objective success, is to take the development of

cooperatives to scale or ignite a cooperative movement. The \$64,000 question is "Why not?" We have clearly evolved the tools and infrastructure necessary to foster business success. Sectoral initiatives, which were once considered pariahs in the worker cooperative world, clearly work and have earned tremendous, if sometimes begrudging, respect from corporate competitors within those sectors. What they have not done is found a compelling political narrative to align them with political movements of the day. Nor have they created a vehicle for the next generation of social entrepreneurs to learn the skills and obtain the competencies to lead the next round of initiatives. The leaders of my generation were driven, tireless, fearless, self-taught, and often very alone. They amount to a very tiny needle in a very large haystack.

More recently, the anti-Wall Street narrative of the Occupy Movement, which had broad resonance for a time, has a narrative into which worker cooperatives can fit, and rekindled modest interest in the cooperative alternative, but this interest has not yet translated into any substantial enterprise development.

The anchor-based institution-led development model, is a more intentional effort to take worker cooperative development to scale with broad mainstream support. This model is built on the assumption that anchor institutions (universities, hospitals, etc.) can provide many of the solutions to mitigate enterprise development risk, including leadership, investment capital and protected markets.

Leadership would include efforts to define a compelling narrative for the initiative which resonates within the institution and to the broader public, relationships with other partners to increase the likelihood of success and a commitment to the business model which assures that newly created enterprises have a strong likelihood of addressing

the governance, management and education challenges required for a successful cooperative enterprise.

In this model, investment capital would come from local foundations, CDFIs and through federal grants brokered by the city. Protected markets are provided by the hospitals and universities that sign procurement contracts with the cooperatives.

To date, the only profiled “poster child” for this model has been the Evergreen Cooperatives in Cleveland, so much so that funders and some developers are seeking to replicate it without a thorough and critical evaluation of the model. It would appear to me that Evergreen has experienced a number of critical challenges in achieving its defined objectives of an anchor institution-led model and the commentators extolling its virtues have not taken the time to assess its business performance or its potential to ignite a movement. It would appear that the real leadership for the Evergreen initiatives has come from outside the anchor institutions. While senior institutional executives have agreed to serve on oversight boards, they appear to have limited knowledge of how cooperatives are supposed to work. More significantly, they do not appear to have been sufficiently engaged to translate the primacy of the mission to their procurement officers, which may limit or deny the institutional market anticipated by the new cooperative enterprises, or cut them off rapidly when initial expectations are not met.

In some instances it would appear that there is not the strongest match between the needs of the anchor institution and the new enterprise. For example, is the commercial laundry at Evergreen equipped to service hospital needs? Is the agriculture greenhouse able to sell directly to an anchor institution or is its product being procured by a food broker? While anchor institutions have provided some investment capital for the Evergreen cooperatives, most has come from third parties (for

example, the Cleveland Foundation in the Evergreen case) so anchor institutions may have insufficient skin in the game to keep them engaged when challenges arise. Unless these elements can be rectified, the conventional business risks for these cooperatives as start-up businesses have not been lessened by the institutional associations.

The University of Winnipeg has attempted to develop an anchor institution led development model in which:

- the development vision is part of the institutional mission;
- the defining narrative of the development process resonates broadly across the University community;
- focused leadership is provided by the President;
- specialized infrastructure is developed which brings the required development competencies; a self-sustaining financial plan assures adequate investment capital for specific development initiatives being undertaken; and
- a new generation of social entrepreneurs is being trained in a business school embedded within a pedagogical and development environment in which social enterprise and cooperatives are core, not “bolt-ons”

Winnipeg is a mid-sized Midwestern Canadian city with a surprisingly diverse multi-ethnic and multi-racial population of approximately 700,000. The University is directly west of the downtown and is surrounded on its north, west and south sides by communities with lower income levels and a higher proportion of New Canadian and Aboriginal families than the city generally. A primarily undergraduate institution known for its academic excellence and small classrooms, the University has grown rapidly over the past 10-15 years to more than 10,000 students. The University has been committed to access, particularly for those with

traditional barriers to education, and has taken many steps to become a welcoming place. The proportion of non-sequential students is quite high, including a large number of 25-35 year olds, families and particularly mothers with young children.

The re-imagining of the University's development vision began nine years ago with two initiatives which were not immediately directly related. The new University President, Dr. Lloyd Axworthy, committed the University to a plan for environmental sustainability, including compliance with Kyoto protocols. To advance that goal, the University established a sustainability office, which has spearheaded a number of innovative environmental initiatives and facilitated the University's achievement of its Kyoto objective. This is an incredible accomplishment in its own right, but is all the more so when done during a period of rapid capital development, dramatically increasing the overall University footprint.

The University Board of Regents also authorized the creation of a special purpose development corporation (The University of Winnipeg Community Renewal Corporation) to facilitate an expanded capital development plan. UWCRC was intended to be mission focused on sustainable development (in contrast to the Board of Regents itself which would have multiple priorities), expertly governed and managed to achieve its mission, and nimble. I was asked to serve as the founding managing director of the corporation and have remained in that role for the past nine years.

This is a unique development model among Canadian universities. UWCRC is a separately incorporated non-profit and has received charitable status from the Canada Revenue Agency. It has a sixteen member board. Half are drawn from the University community, including the President, who serves as chair, a representative from the Board of Regents, a representative from the University's foundation, senior administrators, as well as faculty

and student representatives. The balance of the Board is drawn from the community, including representatives of neighbourhood development organizations from the low income communities around the University, an anti-poverty organization promoting enterprise development and asset building, public and private developers, architects, landscape architects and others who can assist the development process. The organization's stated mission is to build a sustainable University community.

For the first 18 months of its existence, UWCRC undertook a broad range of community consultations, both within the neighbourhood community and the University community, in advance of a comprehensive campus and community development plan. That plan identified eight guiding development principles – including University as academic excellence; University as an accessible place; University as an Aboriginal home; University as a village in the City; University as environmental sustainability, etc.

More significantly it began the process of embracing a four pillared concept of sustainability – not just environmental sustainability, but social, cultural, and economic sustainability as well. While these concepts had first been conceptualized at the Bruntland Convention in 1989, I had become familiar with them as a participant in the Prime Minister's Economic Advisory Committee on Cities and Communities, a small Canadian task force appointed by the Prime Minister to create a vision for Canadian communities fifty or more years into the future. The guiding frame for that work was the four pillared sustainability framework.

The most challenging pillar to define is economic sustainability. For many it is simply seen as economic viability, a counterpoint to the other three more values-laden concepts, but an obvious necessity for the other pillars to be achieved. For those of us committed to economic democracy and

cooperatives, a more refined definition is essential. Our committee ultimately reached a consensus in defining economic sustainability as shared wealth creation. This can be accomplished through employee ownership or cooperative structures, or through a Fair Trade concept which establishes a floor price for growers. In the absence of economic sustainability, the wealth gap continues to grow, creating economic challenges in its own right and making achievement of the other sustainability pillars more difficult.

The four pillared sustainability concept which undergirded the University's development plan became the template for a \$200 million capital development agenda led by UWCRC. The overall vision is to build a sustainable campus which reflects all four pillars. Individual projects will reflect some, but generally not all, of the pillars, but in the aggregate they advance the four-pillared vision.

All new buildings are designed to achieve LEED Silver or LEED Gold status. The new residence, McFeetors Hall: Great-West Life Student Residence combines dorms with affordable apartments and reserves half of the units for community residents. The new UWSA Day Care serves children from the University community as well as children from the local neighbourhood. The Buhler Centre which houses the Faculty of Business and Economics and the Professional, Applied and Continuing Education program, is a joint venture between the University and the Plug In Institute of Contemporary Art. The Richardson College for the Environment & Science Complex includes a multidisciplinary centre for sustainability as well as state-of-the-art teaching and research laboratories. The UNITED Health and RecPlex, under construction, will guarantee significant community programming and access through a community charter. Both McFeetors Hall (2010) and the Richardson College for the Environment & Science

Complex (2012) are also recipients of the City of Winnipeg Accessibility Award.

In addition to property development, UWCRC pursues two other major areas of activity. UWCRC supports business development for First Nations associated with the University's Master's in Development Practice program. Initiatives include a land acquisition plan utilizing Treaty Land Entitlement funds, and an organic fertilizer facility using fish polluting Lake Winnipeg.

UWCRC also manages business units, including housing and the University bookstore. Most significantly, UWCRC has partnered with a community economic development organization, SEED Winnipeg, to create a unique campus food service, Diversity Foods, a social enterprise which provides affordable, nutritious, locally sourced, organic, multi-ethnic food. Diversity was created in response to the continually poor quality, overpriced food and unsustainable practices of previous corporate institutional food service providers, often resulting in the University's food service being ranked at the very bottom among Canadian Universities. A newly constructed student and community residence, with a mandatory meal plan in the dormitory portion, was the immediate compelling driver for change.

Diversity operates three University cafeterias, a restaurant, provides on and off campus catering services from simple to gourmet and prepares retail food offerings sold at local health stores. Of all the UWCRC projects, Diversity comes closest to incorporating each of the four pillars within a single project.

From an environmental perspective, Diversity chefs have developed relationships with local farmers and producers to maximize local sourcing of ingredients. Seafood, most of which cannot be sourced locally, meets Ocean Wise standards. All packaging material is compostable.

With regard to social sustainability, Diversity provides significant job opportunities for new Canadians and Aboriginal people. At least two-thirds of the workforce is drawn from these demographics with more than two dozen nationalities represented. All employees receive extended health care benefits, a rarity in this sector.

Diversity also encourages cultural sustainability. Diversity's menu makes it a provider of choice for many events serving Manitoba's large Aboriginal community, including Truth and Reconciliation hearings and the First Nations' pavilion at Folkarama, Winnipeg's celebration of multiculturalism.

Diversity also has a commitment to shared wealth creation (economic sustainability). Virtually all chocolate, coffee, tea, and sugar is Fair Trade. With regard to its internal ownership, Diversity is presently owned by two non-profits, UWCRC and SEED Winnipeg, each of whom made a significant capital investment of start-up funds and arranged for other grants and loans from community based sources to capitalize the enterprise. UWCRC is the majority owner (52%) and holds 3 of 5 board seats. This assured initial control by a University affiliated entity, making Diversity a University self-operated business, and therefore not subject to competitive tender requirements. In forming Diversity, the non-profit partners contemplated a third stakeholder, a worker cooperative, which would share ownership pursuant to a multi-stakeholder model. SEED Winnipeg agreed that it would initially reduce its board representation to one, with the workers holding the fifth seat. This plan is contained within the organizing documents of the company. The current Diversity partners have undertaken significant research on the Manitoba multi-stakeholder legislation for cooperatives to identify a range of possible legal models.

In discussions with both management and employees of Diversity at the time of inception, they

indicated little interest in becoming a cooperative. The drive was coming from the founding organizations, not from the potential members. Consequently, the founding non-profits determined that additional time was needed for prospective worker owners to get to know one another better and to better understand the cooperative option. Discussions have been re-invigorated regularly, including the retention of legal resources for the workers, but with the understanding that the drive for implementation will need to come from them, not from the non-profit owners.

Diversity has experienced significant business success. The University President has been an outspoken supporter of the initiative and virtually all University events are catered by Diversity. In less than four years Diversity has tripled sales of any previous University food service provider. Diversity is presently contemplating expansion beyond the University and is actively being courted by museums and hospitals among others. The success of Diversity has prompted the University to consider the development of similar enterprises in other sectors providing service to the University community.

UWCRC is also pursuing cooperative development in the housing sector. Building on the success of student and community housing at McFeetors Hall for student families, UWCRC is presently developing a new housing development for student families (for both University of Winnipeg students and students at other post-secondary institutions) with more than 100 one, two and three bedroom apartments, which will be structured as a housing cooperative.

The University has buttressed this support for cooperatives by creating a Chair in Co-operative Enterprises in its business school. Leadership in creating the chair has come from the provincial cooperative association, community development organizations supporting cooperatives, larger

cooperatives within the local movement, as well as the Provincial Government and the University itself.

In evaluating the work of the University and its development arm, UWCRC, it is significant to note that the narrative driving this work resonates deeply within the student body at both a general and specific level. In the 2013 Globe and Mail Canadian University report, University of Winnipeg students ranked the University among the highest in Canada in environmental commitment and quality of food service.

It is also increasingly clear that the comprehensive University and UWCRC agenda has had a transformative impact in building a sustainable campus community and facilitating the embrace of a broad sustainability agenda. Moreover, the University and UWCRC seem poised to successfully address the daunting pillar of economic sustainability, in enterprise development, housing development and business education. But we are not there yet. The slower pace of success in this area underscores the difficulty of the challenge.

In summary, there are a number of strengths associated with the UWCRC model:

1. There is an engaging narrative for the University and larger community (a four pillared concept of sustainable development) which has broad resonance and acceptance.
2. The development engine (UWCRC) is sufficiently independent to allow it to be extremely entrepreneurial and develop multiple community partnerships, but sufficiently embedded to be embraced by the University as its development arm.
3. University leadership, and particularly the President, is publicly identified as the champion of the development mission and through his role as chair of the UWCRC

board, deeply involved in all details of the development initiatives

4. Funding for development initiatives (both from internal and external sources) is funneled through various anchor institution entities (UWCRC, University of Winnipeg Foundation, the University itself) such that the University has a direct financial stake in each development project or business initiative.
5. Procurement agreements for enterprise services (housing, food services, etc.) are negotiated at the outset between the University and UWCRC and are long-term, both assuring the availability of protected markets and allowing for some “growing pains” as the enterprises mature.
6. The work of UWCRC is complimented by other elements within the University (Sustainability Office, Master’s in Development Practice, etc.) which support its vision and its work.
7. The Chair in Co-operative Enterprises is the first such chair embedded in an already progressive business school and provides a locus of learning for social entrepreneurs interested in leading cooperatives, social enterprises and other democratic economic institutions.

The University of Winnipeg/UWCRC model contains within its vision many of the necessary components of infrastructure and narrative for a successful anchor institution led cooperative development model, with movement generating potential. Now almost ten years into its work on institutional formation, it has seen leading edge successes in sustainable development and some modest successes in becoming a centre for cooperative development. That being said, while hopes for Diversity remain high, there is not yet a single worker cooperative serving the University community.

Is this model the answer to the movement question? Alone, I doubt it. Going to scale requires social entrepreneurs driving the development of sectoral initiatives. What this model offers, especially in a University, is a setting in which social entrepreneurship can ripen from an exciting idea to a life mission. Done well, the University of Winnipeg model creates a learning laboratory which provides to a young person with a commitment to a sustainable planet:

- a narrative in which to positively place a desire to learn to create or manage a cooperative business;

- a business degree program which provides the management and leadership tools within its core; and
- living models of cooperative enterprise to envision how theory is converted into practice.

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**Sherman Kreiner** has been a community economic development practitioner for over 35 years. He has worked extensively with business, labor unions and state and provincial governments in developing strategies for employee ownership and labour capital formation. In the late 1970's, he founded and served as executive director of the Philadelphia Association for Cooperative Enterprise (PACE), which grew into one of the largest organizations of its kind in North America. During the 1980's PACE played a leading role in saving more than 2000 jobs in the food retailing sector in Philadelphia, following the shutdown of A & P, including the re-opening of most stores under the Super Fresh banner, and the creation of a small network of worker cooperative supermarkets (the O & O Supermarkets). He also played a significant role in establishing successful, large-scale worker co-ops in the child care sector (Childspace) and in the initial replications of the successful Cooperative Home Care Associates model in other northeastern cities.

The challenges associated with sourcing equity for large scale worker cooperatives led to his association with the Manitoba Federation of Labour in creating and managing the Crocus Investment Fund, a labour sponsored venture capital fund focused on facilitating business transitions to employee ownership.

Mr. Kreiner began his involvement with the University of Winnipeg as a member of the Board of Regents from 2000 – 2005, and served for several years as Deputy Chair. He is one of the founding directors of the University of Winnipeg Foundation. In 2005, he was appointed to the Board of the University of Winnipeg Community Renewal Corporation (UWCRC), the development arm of the University of Winnipeg, and has served as its Managing Director since inception. In 2012, he also assumed the role of Vice-President, Student Life. UWCRC is mandated to build a sustainable University community, one which incorporates four pillars of sustainability – environmental, social, economic and cultural. UWCRC has undertaken the design and implementation of a comprehensive campus plan, including the construction of five LEED Silver or Gold facilities: McFeetors Hall, Great-West Life Student Residence; UWSA Day Care; Richardson College for the Environment and Science Complex; Buhler Centre; and the United Health and RecPlex, presently under construction. The UWCRC, in partnership with a community





based economic development organization (SEED Winnipeg), also created a new University food service called Diversity Food Services offering local, organic and ethnically diverse foods, while employing new Canadian and Aboriginal workers.

Mr. Kreiner also founded a non-profit enterprise development corporation focused on Winnipeg's low-income communities, and serves on its board and the board of one of its successful social enterprises, Inner City Developments Inc. – a housing renovation company employing individuals from Winnipeg's inner city Aboriginal communities.

In 1986, Esquire Magazine named Mr. Kreiner one of the "Men and Women under 40 who are changing the Nation". In 1999, Mr. Kreiner received the Ohio Employee Ownership Leadership Award for his lifetime commitment to worker ownership and pioneering work combining regional investment funds with employee ownership.

Mr. Kreiner served on the Premier's Economic Advisory Council from 2001-2005. Mr. Kreiner also served on the Prime Minister's External Advisory Committee on Cities and Communities, which focused on a long-term vision of cities and communities that are economically, socially, environmentally, and culturally sustainable. The committee's report, "From Restless Communities to Resilient Places: Building a Stronger Future for All Canadians" was published in June, 2006.

He is the author of numerous publications on employee ownership and supportive infrastructure and he has spoken at conferences around the world. He is a graduate of Swarthmore College, and the University of Pennsylvania Law School.