

Owning Our Future: Building a Sustainable, Inclusive Local Economy

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Real Pickles in Western, Mass.

This small local food business in Western MA preserved its social mission by transitioning ownership to workers.

- **Ownership structure:** worker cooperative.
- **Innovative financing:** Direct Public Offering – community investment campaign.
- **Raised \$500,000** from 77 investors in 2 months.



In a worker cooperative, each worker has one share of ownership, one vote in governance.

Real Pickles' social mission

Real Pickles is committed to:

- Promoting human and ecological health. Eg. 100% solar-powered.
- Providing people with delicious, nourishing food.
- Working toward a regional, organic food system.

Its ownership and financing design protects and preserves this mission.



Why does local ownership matter?

- **Locally rooted, broadly held ownership helps create loyalty to people and place.**
- Local owners are less likely to shut down and leave the community.
- Ownership means capturing the flow of benefits from assets over time.
- Preserving local ownership can mean preserving local jobs.
- Wealth from local ownership recirculates locally, enriching many.
- Broad-based ownership of wealth creates enduring, stable income for a broader group.



Absentee ownership led Ruth's Chris Steakhouse to abandon New Orleans.

Evergreen Energy Solutions – Cleveland

- **Worker-owned cooperative company**, in network of 3 Evergreen Cooperatives.
- **Employees drawn from inner city** – area with high poverty and unemployment
- **Solar arrays are part of transition to new energy economy**, preserving ecological wealth.
- **Purchases by large anchor institutions** – nonprofit hospitals, universities – support the company.
- **Low-income community members benefit** from stable jobs that will not leave town.
- **Many kinds of local wealth are created:** financial, social, ecological.

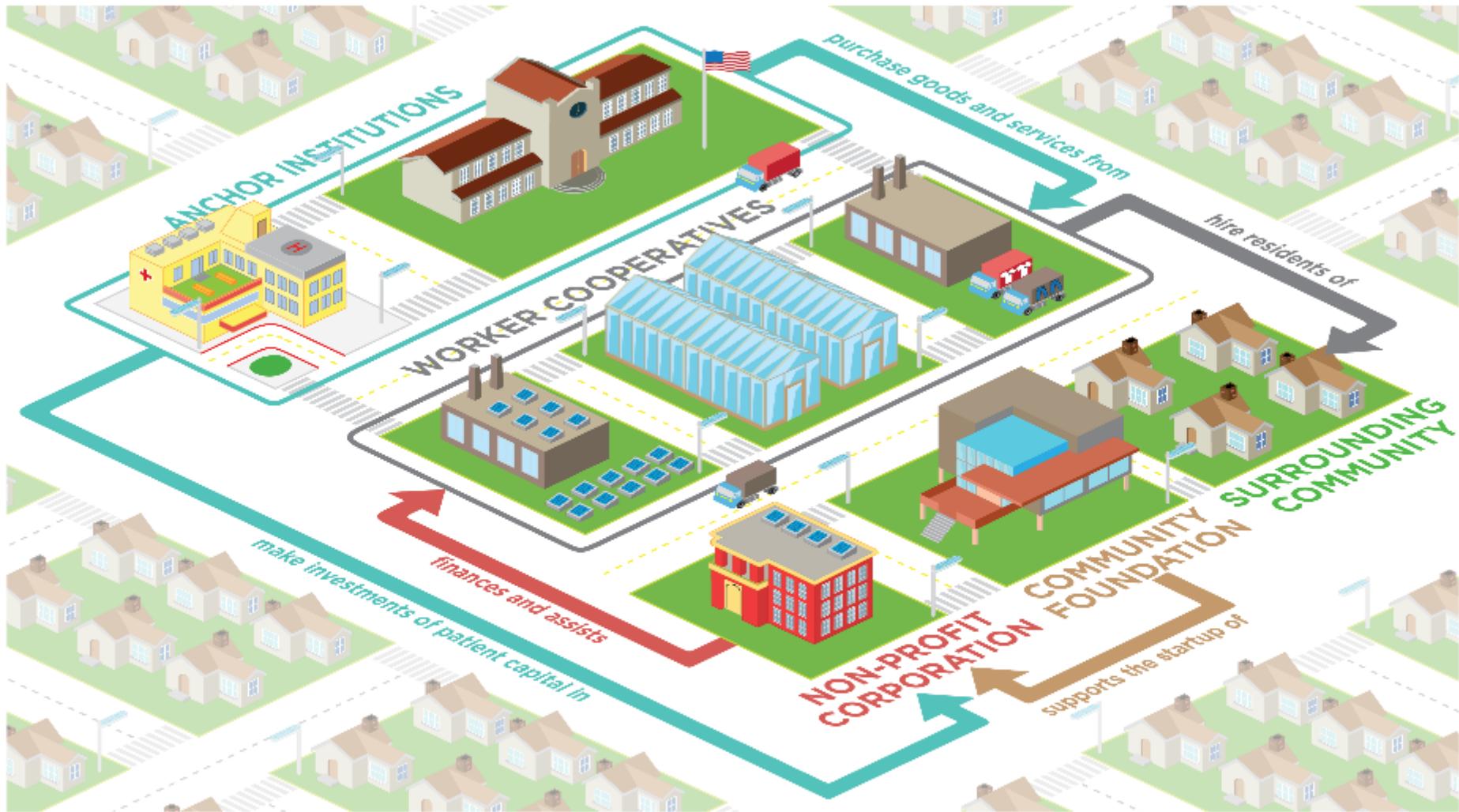


The Evergreen Cooperatives: network of companies

- **Integrated network of 3 businesses:**
 - Evergreen Cooperative Laundry.
 - Evergreen Energy Solutions.
 - Green City Growers (greenhouse).
- **Networked ownership.**
 - Central holding company.
 - Shared services company – Evergreen Business Services.
 - Revolving loan fund – Evergreen Cooperative Development Fund.
- **Supportive ecosystem:**
 - Cleveland Foundation funded startup.
 - Anchor institutions buy products and services.
 - The Democracy Collaborative, others, helped in launch.

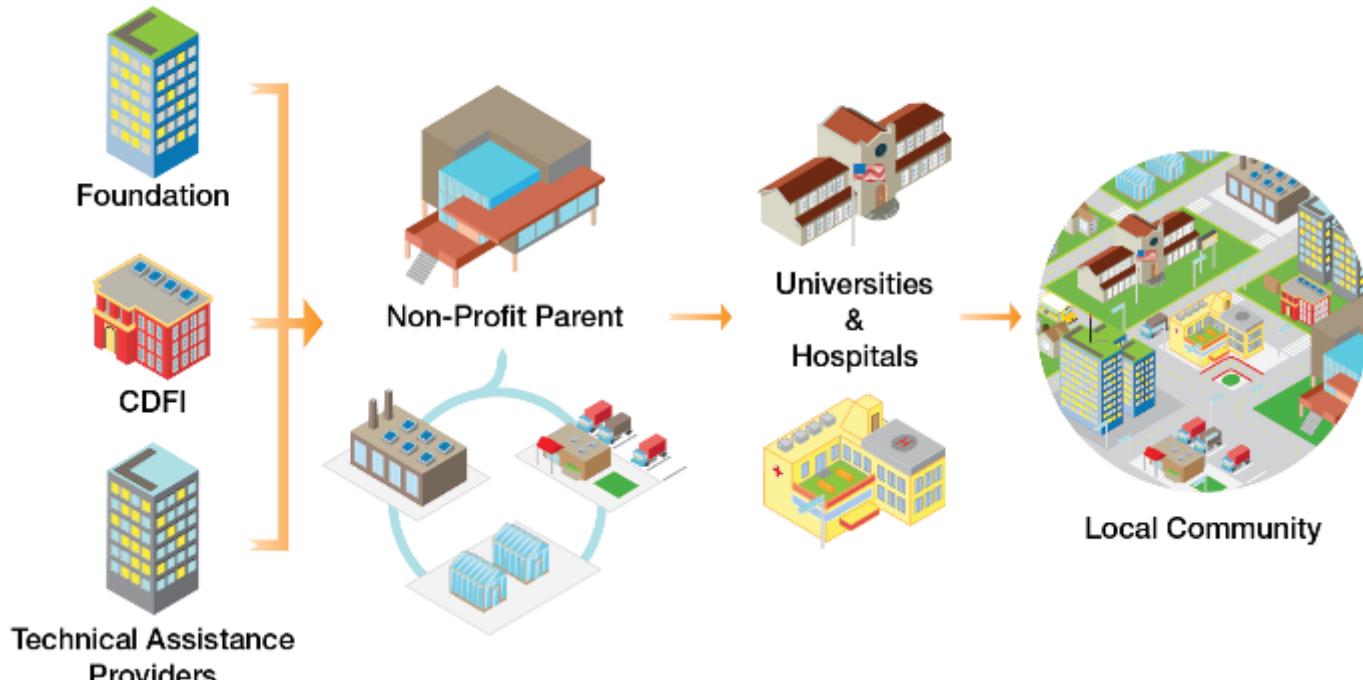


The Cleveland Model



The Cleveland Foundation led the launch of the Evergreen Cooperatives, a network of three worker-owned cooperatives employing low-income residents from Cleveland's inner city. These cooperatives are networked together with a central nonprofit corporation holding company, which helped to finance them and offers ongoing management assistance. The cooperatives are supported in part by purchasing from local anchor institutions like nonprofit hospitals and universities. This example of community-benefiting enterprises has been visited by many community foundations, and a few are beginning to adapt it for their own areas. The Democracy Collaborative played a leading role in the design and development of the Evergreen Cooperatives.

Social Enterprise Ecosystem



Foundations, CDFIs, and Technical Assistance Providers support social enterprise development.

Non-Profit Parent creates linked social enterprises...

...which provide goods and services to anchor institutions...

...creating good jobs and a stable local economy.



What's at work is more than locally owned enterprise.

It is an emerging new approach to economic development called *Community Wealth Building*.

Community wealth building:

- 1. Begin with values:** Sustainability, inclusiveness, respect for place.
- 2. Develop community assets** (people, place, ideas): Create many forms of wealth.
- 3. Grow enterprises:** Support inclusive, local, values-based businesses.
- 4. Link to high demand:** Include anchor institutions.
- 5. Strengthen support networks:** Make finance and technical assistance available.
- 6. Anchor ownership in community:** Aim for broad ownership.
- 7. Keep wealth local:** Increase local circulation of dollars.



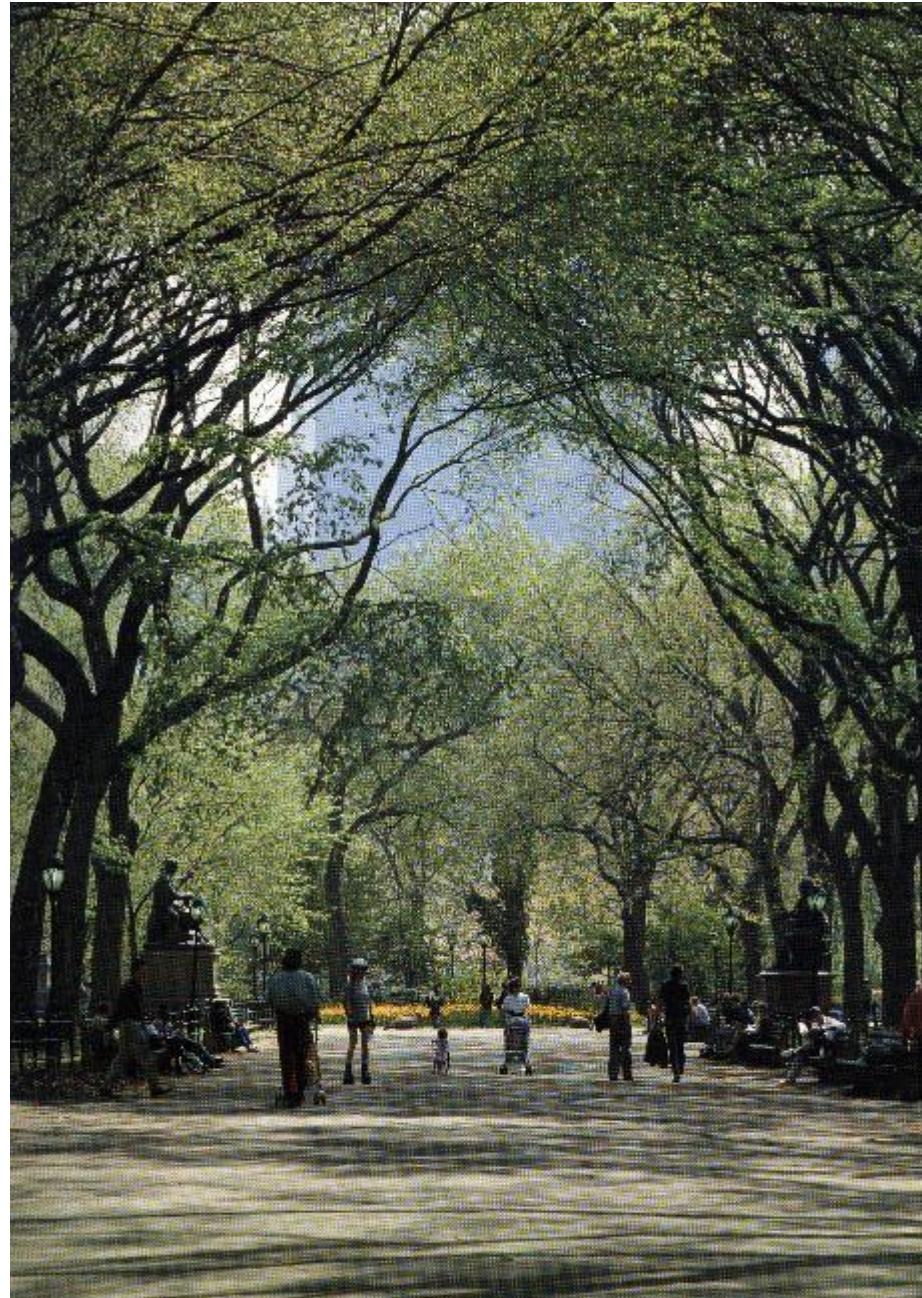
System structure is the source of system behavior.



1. Begin with values.

“Cultures are, in the final analysis, value-guided systems.”

-- Ervin Laszlo, The Systems View of the World



Values are goals which behavior strives to realize.

Economic institutions invisibly carry a set of values.

- We're out only for ourselves.
- We're all in this together.



Community Wealth Building is about shared values of sustainability, inclusiveness, respect for place.

2. Develop community assets.

There are many forms of assets.

1. **Natural capital:** Healthy natural resources.
 2. **Individual:** Skills, health.
 3. **Social:** Trust, networks.
 4. **Financial assets.**
 5. **Built capital:** infrastructure.
 6. **Political:** Voice in decisions.
 7. **Cultural:** Traditions, customs.
 8. **Intellectual:** Models, concepts that can be replicated.
- .



Rural Arkansas: Liabilities and Assets

Liabilities:

1. 1 in 4 live in poverty.
2. Many towns have lost 10-30% population.
3. Recession forced business closures.
4. Small farmers can't compete with corporate ag. Jobs/profits leave region.

Assets:

1. Rich agricultural history and experience.
2. Willingness to try something new.
3. Land fallow in winter.
4. Colleges working on energy, new crops, new technology.

AGEN Farm to Fuel project: Arkansas Green Energy Network

- Alt.Consulting creating 3 locally owned micro-refineries to make biofuel for local consumption.
- Inputs: waste vegetable oil and Camelina grass.
- Uses 870,000 acres of land fallow during winter. 10 farmers growing.
- Many local businesses being started.
- College developed technology, doing training.





Local Demand



Regional Demand

Local farmers
and community
to local refinery
to...



meet
local demand
and regional
customers.

Micro-Refinery

Camelina Oil



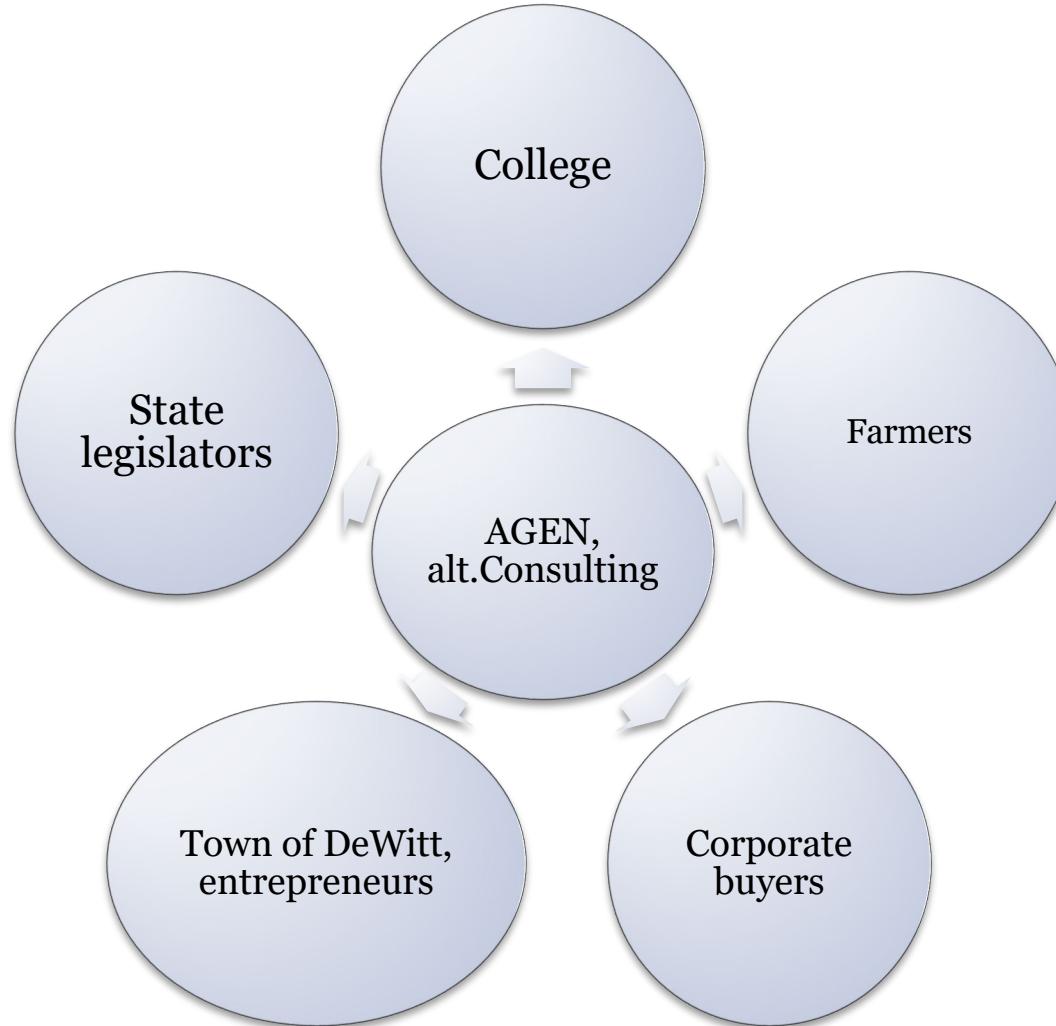
Waste
Vegetable
Oil



Camelina



Arkansas Green Energy Network: Regularly convening 25 active players.



Multiple forms community wealth created:

- **Individual capital:** African-American farmers learning new skills.
- **Natural capital:** DeWit setting up waste oil recycling; will be converted into fuel.
- **Social capital:** alternative energy network formed.
- **Financial capital:** income to towns and farmers.
- **Political capital:** state energy plan now includes small-scale biofuel.
- **Built capital:** 3 micro-refineries being built: city-owned, cooperative, entrepreneur-owned.

3. Grow inclusive local enterprises.

Tool: Businesses accelerator

Example:

After shooting of unarmed black youth by Cincinnati police in 2001, the community came together to create a **Minority Business Accelerator**.

MBA since 2003:

- Secured spending commitments from 40 corporations, nonprofits.
- Created nearly 2,000 jobs.
- Helped portfolio firms grow; average revenue now \$29 million.
- Launched \$2 million loan fund.



Task force found lack of wealth in African-American community was contributing factor to unrest.

Alberta Social Enterprise Venture Fund

Tool: Venture fund.

Example: In 2013, Edmonton Community Foundation partnered with City of Alberta to create Alberta Social Enterprise Venture Fund. The City invested \$2.5 million, which the foundation matched over three years. It funds social enterprises, affordable housing.



Community owned enterprise

Tool: Municipal or community ownership of enterprise.

Examples:

- **Hull Wind:** Owned by town of Hull, Mass. First commercial-scale turbine on E. Coast, put up 2001.
- **Community solar farm** – individuals pool capital to create solar array that is collectively owned.
- **Cooperative banks.**
- **Cooperative groceries.**



4. Link to high demand.

Tool: contracts with anchor institutions.

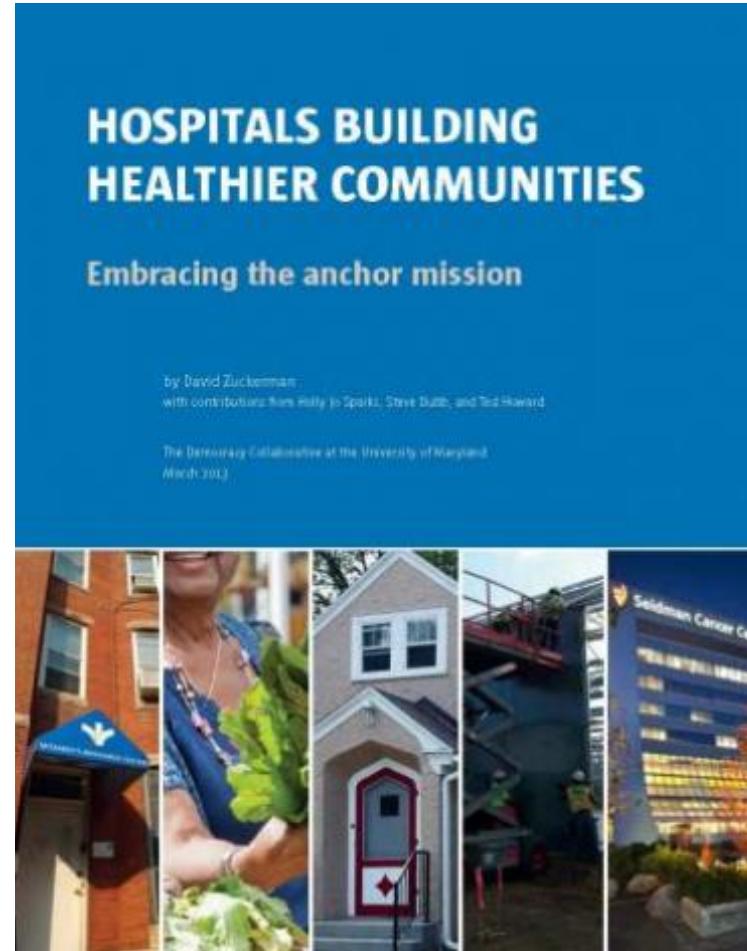
Example:

University Hospitals, Cleveland, Vision 2010 program:

- Hospital was spending \$1.2 billion to build five medical facilities -- \$750 mil. for construction.

2005, hospital committed to:

- Include many local, minority, and woman-owned businesses.
- Achieve economic multiplier by directing spending in region.
- Pioneer a “new normal” for how anchor institutions should conduct business.



Anchor Mission: Vision 2010, University Hospitals

Contracts awarded to women-owned enterprises:

Goal: 5%

Result: 7%

Contracts to minority-owned enterprise:

Goal: 15%

Result" 17%

**Goods and services procured from local
and regional firms:**

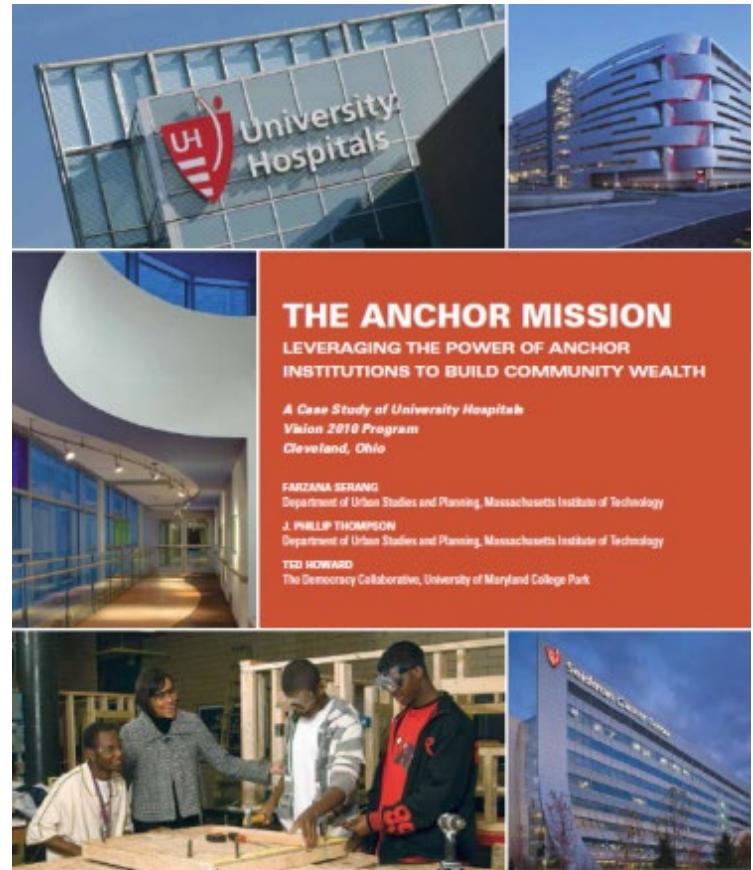
Goal: 80%

Result: 91%

Construction workers who are city residents:

Goal: 20%

Result: 18%



Anchor procurement strategies

- Mayors in **New Orleans, Baltimore, Chicago**, elsewhere initiating economic development strategies where anchor institutions are central.
- In many cities, eds and meds are among largest employers. Nationally, universities and hospitals represent **more than \$1 trillion of economic activity annually, 6% of GDP.**
- **University Community of Practice** – new project by Democracy Collaborative involving six universities.
- City of Toronto, Ontario, Canada – Democracy Collaborative project launching **Community of Practice for Public Sector Social Procurement**. Meeting 4x/year to share best practices; how scale up “social procurement”?





Assets become opportunities when you add demand.

An asset becomes a business opportunity when it is something a buyer wants. Don't start with what you have to sell.

Ask instead: what are the big buyers buying?

5. Strengthen support networks.

There are many kinds of support networks at play in these examples:

- **Real Pickles:** network of impact investors through DPO.
- **Evergreen Cooperatives:** Greater University Circle network of anchor institutions; supportive organizations included Cleveland Foundation, Democracy Collaborative, others. Worldwide network of cooperatives.
- **Arkansas Green Energy Network:** convenings of 25 players.
- **Minority Business Accelerator:** launched by community task force; involved spending commitments by 40 institutions.

Vermont Farm to Plate Initiative

State legislation created framework to increase economic development in food and agriculture.

100 organizations involved in working groups. **Vermont Community Foundation** funded 10-year plan.

Farm to Plate Network is collaborative working to increase food/ag jobs and improve healthy food access.

Farm to School Network aims to create programs at all schools by 2020.



Vermont Smoke and Cure, a locally owned smokehouse using local meats, got investment from VT Community Foundation, which invests 5% of all funds in Vermont.

Why emphasize collaboration and networks?

- *Isolated companies face greater risk of failure.*
- We can't do this work alone.
- No organization has all the skills needed.
- *Fundamentally this is about community.*
- Together we can do what seems impossible.



The Learning/Action Lab – co-learning project, led by Democracy Collaborative's Marjorie Kelly, is helping five Native American organizations launch social enterprises and employee-owned companies.

6. Anchor ownership locally – and broadly.

The ultimate community wealth business network: Mondragon cooperative in Spain

- \$15.66 billion revenue.
- 257 businesses and cooperatives.
- 74,000 employees.
- 15 technology centers.
- When a business struggles, the group shifts jobs to avoid unemployment.
- The group has its own bank, financing startups.
- **Has created lower unemployment in Basque region of Spain (15%), compared to country at large (25%).**



An employee ownership transition: a major opportunity

- Opportunity: the aging of Baby Boom entrepreneurs.
- 7 in 10 business owners are over the age of 45.
- Only one in 7 of these expect to pass the business to family members.
- Baby Boomers may want to sell 150,000 to 300,000 businesses in next few years – these are well-suited for ESOP strategy.
- **This transfer of ownership is a \$5 trillion dollar opportunity over the next 20 years.**
- With the right supportive ecosystem, many of these businesses could transition to employee ownership.



Employee ownership benefits owners, communities, employees.

- For owners, this exit strategy has substantial tax benefits: savings in capital gains, state, and other taxes can reach 25%.
- Employees think like owners – boosting productivity. People work harder. Lower turnover. Greater loyalty.
- Can create greater innovation, as smart ideas surface more frequently.
- For community, greater firm stability, fewer insolvencies.
- For employees, more financial security: Have retirement accounts 2.5 times greater than at comparable companies. Greater job security.

7. Keep wealth local.

Increase local circulation of dollars within the community.

When you buy through a farmer's market or CSA – compared to buying at an absentee-owned supermarket – **twice as much money stays in the community.** (*NEF study*)

Per capita job growth is positively related to **small business.** (*Harvard Business Review*)

Income growth is correlated not just to small, but also to **locally owned business.** (*Penn State study*)



Structure is purpose expressed through design.



We live now with an *extractive economy*, designed for maximum extraction of financial wealth.

We can create a *generative economy*, designed to create the conditions for life to thrive.

No one doing this work knew how when they began.

***Welcome to the world of not knowing
what you're doing.***

**You don't have to know it all before you jump in.
The key is to convene the players who know
the various pieces.**





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Community wealth building design principles

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Getting Started

Inventorying Assets

Planning Your Approach

Continuous Improvement



Securing Stakeholder Support

Piloting a Project



DEMOCRACY
COLLABORATIVE

1. Inventorying Your Community's Assets

Productive Assets:

- What do you love about your community?
- What are the strengths you think you can build on?
- What key relationships can you build on?
- List all potentially usable assets you can think of – any type.

Assets needing investment:

- What could be improved in your community?
- What needs attention?

2. Building stakeholder support: Who do you need at the table?

The Evergreen Cooperatives:
created by a network of developers

- Leading role of Cleveland Foundation.
- Created **Greater University Circle Initiative.**
- **The Democracy Collaborative** – feasibility study and led the development.
- **Ohio Employee Ownership Center.**
- Anchor buyers – **include Cleveland Clinic, University Hospitals.**
- Other partners: **City of Cleveland, Case Western University.**



Building stakeholder support: How do you reach out to anchor institutions?

- Who will top executives listen to?
- Who can bring an executive vice president for procurement to the table?
- What are anchor institution needs and interests? Listen closely for language and mirror it back.
- What kind of convening can you create that will make them feel – I need to be at the table?



Cleveland Mayor Frank Jackson and India Pierce Lee of Cleveland Foundation.

3. Planning your approach: Business questions

- 1. Which sectors** are important in our region or emerging in the economy that might offer opportunity?
- 2. What products** do we – or could we – produce?
- 3. What market trends** are changing what customers buy or want in the world?
- 4. Where do we have anchor buyer relations** that might generate significant demand?



Planning your approach: Community questions

- 1.** Which opportunities best **include the excluded?**
- 2.** Which opportunities best **respect the Earth?**
- 3.** Which opportunities generate the **most community excitement and energy?**
- 4.** Which opportunities have the most **wealth-building potential** – the potential to develop community assets?

