



New Breed

Community Ownership Solutions & the for-profit approach to community economic development

BY MARTY DONKERVOORT

Manitoba's Community Ownership Solutions Inc. (COS) is a new breed of community economic development corporation with a broader and deeper impact than many traditional employment and business development initiatives. Its distinctiveness lies in sector-based business strategies with an abiding focus on quality employment and on linkage to mainstream business networks.

COS is based on the principle that a quality job in a well-run enterprise results

in quality service, which over time will increase the firm's market share. This then positions the firm as a market leader, with a positive impact on all workers in that sector.

Consequently, COS' main goals are to provide quality jobs to low-income Manitobans and to contribute to the alleviation of poverty and underemployment by improving specific sectors in the local economy. To COS, a "quality job" has four attributes. It

- pays wages and benefits that are average or better for the sector in question.
- provides education, training, and career advancement opportunities.
- is based in a participative management culture.
- provides for employee ownership.

With this in mind, COS explores opportunities for new enterprise development. It does all the pre-feasibility and feasibility studies, develops the business plan, hires management, and provides the financial capital (both equity and debt). COS then incubates the start-up enterprise. It provides mentoring to managers and technical training and education support as well as on-going life support to its employees.

Although COS targets low-income inner city neighbourhoods for potential employees, it is neither a sheltered workplace nor a project of a not-for-profit community organization. To the contrary, COS realizes a dual financial and social bottom line, setting up these enterprises as for-profit corporations in a competitive marketplace and with their own boards of directors.

A New Approach to CED

COS was founded in 1998 by the Crocus Investment Fund, a Manitoba labour-sponsored venture capital corporation. Itself a creation of the Manitoba Federation of Labour in the early 1990s, Crocus was intended to pursue a number of social goals. Some had been incorporated into the Fund's operations, while others remained to be realized.

(Left) Two Inner City Renovation workers at work in the central core of the Urban Circle Training Centre, in Winnipeg's North End. Shortly after, a huge hole was cut on the floor where they stand to admit daylight straight down from the glass cone (above) to a circular gathering area in the basement. Long poles form a teepee structure from basement to roof. Photos: Milestone Project Management.



Sherman Kreiner, Crocus' CEO, began to lay the groundwork. In early 1996, Crocus invited close to two dozen leading CED practitioners from across North America to Winnipeg for a series of meetings to explore a new breed of community development corporation. By 1998, through a consultation process, this diverse group had developed the basis of what became Community Ownership Solutions Inc.

Crocus supported COS' start-up, by contributing a generous annual grant, and providing directors as well as in-kind office-space and services. The new organization spent its first years developing its board of directors and sourcing additional funding for its operations. The board included representatives from business, labour, education, Aboriginal, and CED communities, all of whom shared a strong commitment to its mandate. (Currently, Sherman Kreiner and Doug Davison, a former Crocus senior vice-president, are co-chairs and seven of the board members participated in the founding sessions in 1996.) To date, COS has raised \$1.6 million for its programs from corporations, foundations, government, and individual donors.

Inner City Renovation

COS has an ambitious agenda that includes developing one new for-profit enterprise annually, employing between 25-50 people. In its first ten years, COS aims to create 1,000 quality jobs. These new businesses will have an impact on their sector and will contribute to poverty alleviation.

Partnership development is a key component of COS' philosophy, as COS' first enterprise exemplifies. In 2002, as COS' General Manager, I wrote a business plan for a new company, Inner City Renovation Inc. ICR was to be a joint venture between charitable community development corporations and would employ low-income people in a for-profit, market-driven enterprise in Winnipeg's renovation/construction sector. COS' partners in the business were to be North End Housing Project, West Broadway Development

Corporation, Spence Neighbourhood Association, and Winnipeg Housing and Rehabilitation Corporation.

We submitted the plan to a national competition organized by Social Capital Partners, a venture philanthropy organization looking to support innovative businesses geared to employ at-risk populations. As the national winner, our proposal garnered a \$15,000 cash prize and up to \$1,000,000 in financing. Equally important, success in the national competition brought Social Capital Partners on board as a partner in ICR's

support with a professional social worker on contract with COS and social support with retreats, family picnics, and a potential baseball team. Significantly, the expressed intention is to migrate ICR to its employees as an employee-owned business once the company has completed two consecutive profitable years.

To date, ICR has completed over 18 projects, both residential and commercial. Twelve residential homes have been renovated for ICR's joint venture partners. Six commercial projects have been or are being completed for the following



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development. COS and Social Venture Partners work very closely together to support the new enterprise.

ICR started operation in August 2002. Most of its 27 full-time employees come from low-income inner city neighbourhoods like the North End, West Broadway, and Spence. Nearly two-thirds are Aboriginal. Many have been social assistance recipients with long periods of under- or unemployment and have had a tough time getting construction jobs in traditional companies.

ICR provides on-the-job learning, a participative culture, fair wages (average wage \$12.50/hour before benefits), and opportunities for apprenticeship/journeymen training. It also supplies life

nonprofit organizations: SEED Winnipeg, North End Community Renewal Corporation, Women's Health Clinic, Indian Family Centre, Winnipeg Regional Health Authority, and Urban Circle Training Centre Inc. One of ICR's most impressive projects is the Urban Circle Training Centre in Winnipeg's North End. It is a \$1.5 million contract that will convert a boarded up Woolworth Store into an aboriginal training centre for 20 staff and several hundred students.

The ICR business plan is on-track to a projected break-even point (on a monthly basis) by the end of the first year. The company has, however, run a larger deficit



in its first nine months than originally anticipated. Two major contributing factors for this loss are low productivity and tight margins.

Productivity is lower than planned due to the nature of the workforce. Low skill levels, irregular attendance, lack of proper tools, and the social problems of individual workers are all contributing factors. These compound the problem of tight margins, which are due to the nature of ICR's customer base. Residential renovation budgets are constrained by the subsidies available for housing renewal from three levels of government. Commercial budgets are constrained by the nature of nonprofit organization customers.

While many of these challenges are beyond ICR's direct control, we are being proactive. ICR is providing more employee support (through an in-house social worker) and is diversifying its customer base, sourcing wage subsidies for target-group employees, increasing the supervisor ratio, and increasing skill levels through new hires and on-the-job training. In addition, ICR has joined the Winnipeg Chamber of Commerce, formed a close tie with a leading architectural firm, and developed relationships with a number of mainstream property development and management firms. We believe these measures will position ICR as a profitable company.

The Next Stage

With its first enterprise up and running, COS is actively planning its next enterprises. We have completed a number of feasibility studies for enterprises in food processing, temporary services, and property maintenance. There is considerable enthusiasm for the idea of a partnership with Growing Prospects. This nonprofit organization has been operating a 3,000 sq. ft. hydroponic greenhouse as a training centre for challenged inner-city youth. A COS-led feasibility study will determine if a larger for-profit enterprise is viable.

COS has learned a lot from ICR, and will be applying that knowledge to future business plans. Five lessons are of particular importance.

- The position of general manager is critical to enterprise success. The general manager needs to have technical and management experience and be an entrepreneur with exceptional leadership, social, and communication skills. We've learned to avoid overloading a manager with professional development courses in the first year after start-up.
- New enterprises must attend to their skill mix. They might have to begin with a lower percentage of target-group employees to ensure the mix enables satisfactory productivity and keeps the enterprise commercially viable. It is both easier and more socially important to increase percentage of target employees over time than to reduce it.
- Recognize that target employees need assistance in making the transition to full and meaningful employment. An employee assistance program with access to a professional social worker needs to be in place from Day One of the enterprise.
- Set realistic performance expectations, including projected losses in the start-up years. Avoid disappointments or having to explain unforeseen losses to funders and lenders.
- Creating a welcoming workplace is crucial to maximizing productivity and retaining employees with long histories of weak workforce attachment. We recommend building trust

and community among employees through social and recreational activities including family picnics, weekend retreats, or entering a company team in a recreational soccer or baseball league.

COS is emerging as a major player in Winnipeg's community economic development, and is doing so in ways that challenge many assumptions of traditional CED practice. So far, we believe that our track record demonstrates that for-profit businesses can play an important role in creating high-quality jobs for low-income citizens.

In the longer term we are planning to "raise the bar" in those sectors where we are active. To date, our sector involvement is restricted to the renovation construction business, a relatively low-income, no-benefit sector. As ICR moves into profitability and eventually becomes an employee-owned renovation/construction business, we anticipate having an impact on Winnipeg's residential and commercial renovation sector. Future businesses will be designed to have similar positive impacts on their sectors. Equipped with strong and effective partnerships with community-based and not-for-profit organizations, COS is working towards making business practices an effective tool for community economic development.



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COS' major supporters include The Charles Stewart Mott Foundation, The Winnipeg Foundation, Tides Canada, Western Diversification (Industry Canada), Social Capital Partners and Manitoba's Department of Intergovernmental Affairs.

(Upper) ICR employees at play while on the company retreat in the spring. (Lower) The Urban Circle site crew on coffee break. ICR staff includes a part-time employee support worker who acts as a bridge between management and workers when personal issues disrupt job performance. The support worker also advises management on how to build employee interest and ability in workplace leadership. Photos: Milestone Project Management.