Innovation Brokering for a Community-Based Economy

Deborah Groban Olson
C2BE
Innovation Brokering for a Community-Based Economy Co-Learning Plan

Building a Strong Green Community-Based Economy through Cooperation: Innovations of the Metro Detroit Community Economy Group

By Deborah Groban Olson
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Introduction

Why is there a “Community Economy Group” in Detroit?

This is a story about the Community Economy Group (The Group) and its efforts to broker economic innovation in Detroit and Southeast Michigan. Its prime focus is to create a successful Metro Detroit-based, business group built on values of cooperation, commitment to community and sustainability, utilizing Metro Detroit’s unique resources while cognizant of the area’s challenges. The Group’s work is an ongoing effort to teach and adapt proven models of cooperative economic and social practices, based on the theory of Evolved Distributism\(^1\) to help consolidate and accelerate Detroit’s transformation to a sustainable and inclusive local economy.

The Group arose in response to the deep impact of global economic changes on Metro Detroit over the last several decades. This included the off-shoring of a substantial number of U.S. manufacturing jobs and the financial crisis that led the U.S. government to bail out Chrysler and General Motors (GM) as part of its 2008 Troubled Asset Relief Program (TARP) through a purchase of a majority interest in the stock of each company. (Zywicki, 2011)

Before delving into the current story, however, it is important to understand the historic factors that contributed to its formation.

In the first half of the 20\(^{th}\) Century, Detroit was the industrial innovation capital of the world and the Silicon Valley of its time. It was home to some of the world’s largest corporations. However by the end of the century, a global economy emerged that drastically diminished Detroit’s importance as an economic engine. Automation and overseas outsourcing have changed the U.S. economy and its ability to generate high-paying jobs for working class people. Technology and outsourcing enabled Detroit-based companies to make their products more cheaply in developing countries. Because of its dependence on the U.S. auto industry, Detroit was one of the hardest hit cities in the U.S. Its problems were greatly exacerbated by racial tension and middle class white and black flight from the city. Because Detroit hit bottom earlier than many other places, it had to develop creative responses to the challenges it faced to survive. Consequently, Detroit is home to enormous innovation and community spirit that is unusual for a large city. We believe the transformation taking place in Detroit will become a model for community-based urban economic development.

The Group saw these changes as evidence that the global economy moves work and investment resources to the cheapest source of labor. So, for any community to thrive, it must develop an economic core that is committed to benefitting the people of its community. Thus the Group decided to create a locally-committed economic core from Metro Detroit based on other successful examples. The Center for Community-Based Enterprise (C2BE), Ingenuity US L3C,

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\(^1\) Briefly, “Evolved Distributism” is the concept about participative management in worker owned companies. Its premises are that decisions should be made at the lowest possible level. That people must be educated to make such decisions well. The responsibility for leaders is to push decision making down the ladder, while providing the necessary education for lower levels to make decisions. The workers are responsible to learn skills before taking on authority to make decisions and for everyone to agree on who has the appropriate knowledge to be involved in making particular decisions. Those without sufficient knowledge should stay out of making decisions in that area. (See http://cog.kent.edu/lib/Mathews2.htm and/or the description on page 10 of this document (Mathews, 1999: 2-9))
and the Detroit Community Cooperative are the first three tangible organizations resulting from its efforts.

**Shifting the Economic Development Paradigm toward Cooperation**

Economic development innovations involve paradigm-shifting – enabling individuals or a group to see the world around them from a new perspective, revealing an important and previously unseen truth, which in turn, helps them take action to improve their circumstances. (S. Covey 2004).

These innovations are valuable because they enable economic collaboration among the less wealthy 99 percent of the population, across lines of class, race, religion, primary social focus and sexual orientation. In an increasingly global economy that primarily benefits the wealthiest one percent, the 99 percent need vehicles to enable use of collective economic power for their own benefit and that of the communities in which they live.

The global economy primarily benefits shareholders of global corporations. During the past several decades corporations have become less identified with a particular geography, subject to the laws, politics, and economics of multiple countries. (Greider 1997) Yet humans all live in particular communities and have similar needs for work, food, housing, education and environmental quality. International agreements are not yet in place to regulate global corporations and effectively protect the interests of local communities from the impact of global corporate decisions. (Olson 2006) The most practical, immediately available alternative is creation or transition of companies to local ownership that causes the owners to live with the consequences of their corporate behavior. Community-based enterprises (CBEs) serve this function. However, prior to the creation of the term Community-based Enterprise, many companies meeting these criteria were seen separately, in a variety of silos, such as cooperatives, employee-owned companies, B corporations, L3Cs, green businesses, right livelihood businesses, social enterprises, etc. Creating a more comprehensive term enables people with CBE values, who are organized under differing structures (such as cooperatives, Employee Stock Ownership Plans/ESOPs, or family-owned businesses), or focused on different aspects of their CBE nature (such as environmental, ethnic or social focus) to organize together around their local economic and social commonality. Metro Detroit’s situation requires broad collaboration across our bruised economy. We do not have the luxury to exclude potential partners who do not share all of our values.

The following story illustrates why we needed to use a broad definition of CBE in Metro Detroit. Before the Group was formed, some members participated in a meeting of the Business Alliance for Local Living Economies (BALLE). Many wonderful, progressive, green businesses participate in this organization and do excellent work, primarily in university towns. However, they also spent significant time at this meeting discussing what businesses were sufficiently local and green to be included as members. The author’s community organizer instincts found the idea of exclusion unrealistic for organizing in Detroit. The Group needed to welcome anyone who shared its values, and work with them to develop greater interest in becoming more local and green. One example in the BALLE discussion was that a McDonald’s franchise owner could never be considered a local business. That was the moment when the author realized that if the Group could find a business person in Detroit who owned a chain of McDonald’s stores and shared our values, it would be highly beneficial to our efforts. Most likely this person would be
African-American and would be interested in finding ways to assist other small, local African-American entrepreneurs if the opportunity arose. Five years later this exact thing happened. Errol Service, a Jamaican man who owns 15 McDonald’s in Metro Detroit became interested in the Group. He is also chair of the African-Caribbean Chamber of Commerce and actively works to provide business opportunities for local people, including his employees. He is very supportive of our efforts, and is interested in creating all sorts of businesses that produce local jobs and build a more livable Detroit.

Creating viable, locally-focused economic cores in a world of global corporations is a challenging task. Enabling natural allies to see and act on their commonality is an important platform for successfully building locally-focused economic cores.

**Innovation Brokering**

**Defining “Innovation Brokering”**

“Innovation brokering” for a community-based economy can best be likened to the brokering done by venture capitalists. However, since this type of innovation brokering is undertaken by an individual or group committed to cooperative and community-based ownership, there are also significant differences.

First, like a venture capitalist, an innovation broker seeks out products and businesses that meet specific criteria and finds resources to help them develop. But in the venture capitalist case, the goal is maximization of profit for the venture capital fund and its investors. It analyzes risk and seeks a high rate of return for that risk, usually obtained when the target company goes public. An innovation broker, whose aim is to be a community business developer, has more complex goals.

Unlike a venture capitalist, the intention of an innovation broker is not to take a profit from the target company when the company goes public. Rather the purpose is to create locally-rooted, democratically-owned, patient capital, controlled by committed stakeholders — not companies owned by uninvolved, outside stockholders. The exit strategy for its capital is also different, because the goal is to have at least some investors be ‘social investors’, individuals who are interested in long-term investment and a social return.

Venture capitalists generally begin by raising investment funds with a specific set of return on investment (ROI) goals, and are usually focused on an area of business or technology in which the fund managers have significant practice. Innovation brokers do not necessarily begin by creating a capital fund, although there is intention to develop one.

**Innovation brokering attracts social entrepreneurs and community business developers, who often coalesce around the goal of creating good jobs in communities with high levels of unemployment.** They look for businesses and products that meet certain social criteria. If the innovation brokering is being done by a group, group members can present potential business ideas to the other members, and if they are interested, they will assign due diligence tasks. The members get business ideas in ways similar to other entrepreneurs — by seeing or stumbling upon a business idea, a product or an inventor in the course of their other work, reading or research.
Innovation brokers often develop themselves, in the traditional entrepreneurial manner, with sweat equity, until there are meaningful sales from a successful line of products. As a social entrepreneur, individual or group social goals restrict the ability to attract start-up capital to only those willing to take a lower financial return in exchange for gaining a social return. However, there is social capital available to social entrepreneurs with strong business plans and prospects. After finding initial social investors, transactions can be created to attract and pay for market rate capital, subsidized by the lower returns of some social investors, provided the market rate capital can live within the local control restrictions of the social enterprise.

**Innovation Brokering for Community-Based Economic Development**

Most entrepreneurship education and mentoring programs focus on an individual entrepreneur and his/her business idea. The individual receives coaching, training, writes a business plan and possibly rents space in an incubator. The goal is for that individual to graduate from the incubator and become an independent business.

This system does not fill several important economic development needs. 1) It is not designed to work with individuals who are not willing or able to be individual entrepreneurs. 2) It does not focus on interdependence – the way in which diverse individuals provide mutual benefits to each other. 3) Often a community group or group of workers interested in starting or buying an existing business do not have access to a competent or complete management team. In distressed communities, where people lack education and resources, mutual self-help is a regular part of survival. Using this method for business development bridges a gap for poor and working class people who are interested in exercising more responsibility and control over their work, but are not ready to be completely in charge. 4) People who live in distressed communities have limited experiences and exposure to potential products and business ideas. Most people start businesses based on spotting an unfulfilled need and finding a way to fill it. But, if all the people you know live in poverty, you are not exposed to as many potential business opportunities – especially those

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**History and Practice of “Evolved Distributism”**

The Community Economy Group’s philosophy is based on the theory of Evolved Distributism as practiced by two existing successful models: the Mondragon Cooperative Corporation in Spain (www.mcc.es) and a large, but distinctly different worker co-op community in the Emilia Romagna region of northern Italy. There are smaller, but successful efforts to replicate these in Berkeley, CA and Cleveland, OH. The Group is also influenced by the work exchange practices of Circle Pines Center in Michigan.

At its core, Distributism is the doctrine of “subsidiarity”, which means that a higher body should not assume on behalf of a lower body functions which the lower body is able to perform for itself. It arose as an alternative to the Fabian Socialists focus on government ownership. “Evolved Distributism” is a philosophy of participative management in worker owned companies. Its premises are that decisions should be made at the lowest possible level. That people must be educated to make such decisions well. The responsibility of leaders is to push decision making down the ladder, while
that may involve high-priced and high-profit margin products or services. The community innovation broker seeking appropriate products looks to a broader market for product ideas that fit the skill set of target community, not just the target community’s needs.

There are however, many product and service ideas that have been developed, but not realized. Many of these are sitting dormant in company patent portfolios, if the potential product does not meet the company’s current priorities. Some of them have not been pursued because they do not make economic sense or because their inventors lack the resources or interest to pursue them. Others are business, engineering or design projects created by students for a class. Some of these may have promise. An innovation broker proactively searches for product ideas, inventions and business ideas that fit the capacities of the community the innovation broker hopes to serve and that provide sufficient cash flow to keep the business afloat while paying the employee-owners at least a living wage.

The innovation broker’s role is to find viable business ideas that fit their constituents or clients, and then find the financial, technical and management resources needed to realize the business. A community-based innovation broker will focus particularly on business opportunities enabling workers to own company equity and ones that will be synergistic with other such local businesses to provide opportunities to share resources and knowledge.

The Community Economy Group’s Innovation Brokering in Metro Detroit

Entities within the Community Economy Group

The Community Economy Group is a unifying, coordinating umbrella organization for local, grassroots economic activities being generated in Metro Detroit. The Group’s vision is to create a business resource center and co-operative that serves, and is made up of, community-based enterprises; enabling collaboration, sustained economic growth, and the development of patient capital for member businesses and good local jobs. The Group created the following separate, yet interconnected, entities to serve different needs, but all are focused on the same vision.

The Center for Community-Based Enterprise (C2BE)

The Center for Community-Based Enterprise (C2BE) is a 501(c)(3) nonprofit. Its purpose is to educate the public on successful global and local examples of CBE and to provide project-specific education and technical assistance to CBEs and those interested in creating them.
The Detroit Community Cooperative (DCC)
The Detroit Community Cooperative (DCC) is a platform, for grassroots economic development and job creation, enabling mutual self-reliance. DCC began as a broad-based, grassroots collaboration of community-based enterprises, worker cooperatives, local businesses, community organizations, their friends and supporters. DCC is starting as a local, mutual, trading and business development co-op that provides members with skill and resource sharing, discounts on member products and services and involves bartering. DCC is developing as an independent cooperative, but is initially being incubated by C2BE, and is discussed herein, as a program of C2BE, although more detail on it is available in Appendix B.

Ingenuity US, L3C (IUS)
Ingenuity US, L3C² (IUS) is a for-profit company whose social mission is to build “a cooperative of businesses, nonprofits and individuals founded on values, enabling a vibrant, rooted, growing, sustainable community in Detroit” (IUS brochure v. 2: 6/8/11). IUS calls itself “an Innovation Broker and Community Business Developer.” IUS has focused its attention on finding products around which it could build businesses that are environmentally and financially sustainable, which would employ Detroiter with a high school education, pay a living wage, and become employee-owned.

Deborah Olson’s law firm has specialized in creation and representation of employee owned and cooperative companies and unions nationally for over 30 years, and been active in relevant national organizations. Although the law firm is not formally part of the Community Economy Group, Olson’s law firm provides legal and technical advice to local and national CBEs. Olson has provided on a fee or pro bono basis, much of the technical assistance sought from C2BE for which C2BE has thus far not been funded.

Economic Development Innovations
IUS coined the term “innovation broker” to focus attention on both innovative products and an innovative economic development system. C2BE has brokered a number of economic development innovations, including the development of IUS and DCC. Economic development innovations are distinctly different from product innovations. Economic development innovations involve paradigm-shifting – seeing the world from a new perspective, revealing important and previously unseen truths; which in turn, helps take action to improve circumstances. (S. Covey 2004).

The Group’s economic development innovations include:

1) Creating an innovation brokering process for a community-based economy;
2) Creating the foundation for building a community-based economic core in Metro Detroit;

² L3C is the designation given to a low-profit limited liability company. The L3C is a new designation for a company that places social benefits for the community first. Companies with the L3C brand behind the name let the public know that the company is one that works to create a social benefit for the community! (Adapted from the website of the Michigan L3C Association --: http://www.mil3ca.com/what-is-an-l3c.html)
3) Conceptualizing and defining the term “community-based enterprise” (“CBE”) as “companies that are sustainable; locally-rooted; intentionally structured to provide community benefit; and committed to paying living wages” (C2BE “Building Detroit’s Community-Based Economy v.5”: 3/30/12);

4) Highlighting and showing the Metro Detroit community its existing community-based enterprises;

5) Stimulating local aspirations to build CBE examples based on the highly successful CBE communities;

6) Using a co-creative process based on evolved distributism to build the Detroit Community Cooperative as a highly inclusive organization;

7) Bringing together local CBEs to collaborate in building Detroit’s local economy;

8) Creating IUS to build sustainable, locally-committed and democratically-controlled economic core companies cooperatively owned by their members;

9) Creating DCC as a grassroots effort and a means for collaboration around CBE values and mutual self-interest between companies, non-profits, unions, churches and individuals;

10) Focusing attention on Michigan’s huge underutilized green intellectual property legacy; and

11) Creating mechanisms for unions and inventors to collaborate to create and retain jobs.

Product innovations are discussed in the IngenuityUS section below.

**Mission, Vision, Goals, Activities and Future Plans of the Group’s Entities**

**Center for Community-Based Enterprise (C2BE)**

*Definition of Community-Based Enterprise*

“CBEs” are companies that are sustainable, locally-rooted, intentionally structured to provide community benefit and committed to paying living wages.

*Mission of C2BE*

Support and connect entrepreneurs, community and resources to grow “community-based enterprises” (CBEs) and an inclusive vibrant, sustainable local economy.

*Vision*

Create a business resource center and co-operative that serves, and is made up of, community-based enterprises enabling collaboration, sustained economic growth and development of patient capital for member businesses and good local jobs.

*Goals*

C2BE provides community-based research, education and technical assistance and seeks resources to provide such services free or at reduced rates for community-based entrepreneurs, organizations, businesses, and governments. Its goals are to:

- Create a group of cooperating companies supported by an ongoing business assistance company that is owned and supported by the businesses it serves, and provides a resource
to generate locally rooted, patient capital;

- Establish an information clearinghouse, education and technical assistance center (similar to the Ohio Employee Ownership Center at Kent State University) with capacity to provide ongoing programs to grow and support CBEs and build a strong CBE network in Detroit;
- Work with the leaders and purchasing departments of local universities, hospitals, governments, foundations (“anchor institutions”) to identify products/services they use that are not currently provided by locally-owned businesses, based on the successful Evergreen Cooperative Group example in Cleveland;
- Encourage and help anchor institutions use their buying power to generate more local businesses and jobs;
- Provide feasibility studies on potential businesses that could be created locally to serve those identified local needs;
- Structure businesses that are feasible and facilitate business structures (such as employee ownership) to ensure continued local presence and incorporation of green business practices.

Recent C2BE Projects

Detroit Community Cooperative (DCC) Initiative
C2BE convened and continues to provide organizational assistance to the Detroit Community Cooperative (DCC), a broad-based, grassroots community collaboration of over 30 organizations. Its mission "is to encourage, enable and educate about cooperative action as a way to build a healthy, sustainable and inclusive local economy, and to meet members’ needs by providing quality products and services at reduced prices.” For the past year, C2BE convened and worked with the DCC constituents through an extensive co-creative process to develop the structure, membership rights and responsibilities. As of late June 2012, a multi-stakeholder structure was adopted and a management committee elected to build membership and find core vendor members to provide products and services to attract other members.

DCC held a dozen potluck dinners enabling community-based enterprises, worker cooperatives, local businesses, community organizations, their friends and supporters from around the city to begin learning about each others’ community building work, networking and sharing resources. The monthly potluck dinners are held at different member locations each month to publicize examples of grassroots Detroit community development.

DCC is described herein as one of the Community Economy Group’s three entities. Its mission and values are similar to those of C2BE and IUS, but it has a more grassroots constituency. (Therefore, detailed information on DCC Goals, Values, Membership Benefits, Obligations and Declaration of Interdependence are provided in Appendix A. Information on DCC events and the membership application is available on the DCC page at www.c2be.org.)

Detroit Sewing Co-op ("Sew Detroit")
C2BE is assisting several Michigan-based organizations and businesses to establish a 100 percent worker-owned sewing cooperative in Southwest Detroit. The cooperative will serve apparel brands (local, regional, and national), event planners, designers, retailers and local
communities by completing high-quality sewing contracts in a timely manner. This project is intended to serve as a job creator in a local community, as well as to be a catalyst for a dynamic new entrepreneurial garment industry in Detroit. C2BE’s partners include: Maggie’s Organics -- an Ypsilanti-based organic clothing company that is an early-adopter of the Fair Trade apparel sector and helped launch two other sewing cooperative projects, one in North Carolina, the other in Nicaragua; Urban Neighborhood Initiatives – a nonprofit organization dedicated to human and community development in the Springwells Village Neighborhood in Southwest Detroit; Michigan Economic Development Corporation (MEDC) -- the state's marketing arm and lead economic development agency; Center for Empowerment and Economic Development (CEED) -- a nonprofit organization committed to empowering women and minorities economically through business training, supplier certification, business-to-business networking and accessible capital assistance program.

**Business Needs Study for the North End**

C2BE performed a business services cooperative market study of businesses in the Woodward Corridor, focused on the North End and Willis/Canfield neighborhoods, for Vanguard Community Development Corporation and funded by the Fund 4 Democratic Communities and the Chase Foundation. It was called the “Community Business Backbone” or “CBB” project. Services explored included: barter, business TimeBanking, marketing, business strategy consulting; information technology; legal, accounting, payroll or other back office services; zoning and permitting; architecture/building design; or other needs identified by area businesses. Although the community development corporation that partnered with C2BE on this project did not choose to pursue the co-op model, it graciously allowed C2BE to use the study for the formation of the Detroit Community Cooperative.

**Ongoing Community Co-op Business Needs Study**

C2BE incorporated into the Detroit Community Cooperative membership application an ongoing survey to assess community business needs and the interest of service vendors in providing discounted services to co-op members. The survey is available on our website [www.c2be.org](http://www.c2be.org). Participation of others is welcomed.

**Tours of Detroit CBEs**

C2BE organized several tours of Detroit community-based enterprises (CBEs), including a June 2010 workshop and tour for the U.S. Social Forum. Businesses visited in the tour included: Avalon International Breads; Bureau of City Living; City Bird; Detroit Black Food Security Network; Flo Boutique; Green Garage; Goodwells; Grown in Detroit; Pinnacle Construction; ROC Detroit; Slows Bar BQ; Spiral Collective; Textures by Nefertiti; and Vanguard Milwaukee Junction Incubator.

**Business Self-Help Network**

C2BE launched the *withDetroit* local business mutual self-help network and informal Time Bank, in May 2010, with a volunteer fix-up project at the 5E Gallery.
Workshops on Community Wealth Building
C2BE held 19 workshops in 2009, which reached almost 1,000 people throughout Metro Detroit, featuring major successful CBE examples to inspire the creation of new CBEs and to foster collaboration among local stakeholders. These events were co-sponsored by and took place at a wide variety of universities, community centers, churches and unions throughout metro Detroit. Speakers from local CBEs included the Detroit Black Food Security Network, and Osborn Microenterprise Entrepreneurship Program, Brightmoor Alliance, Little Rock Baptist Church and UFCW Local 876. Guest speakers from afar included representatives from: Mondragon Cooperative Corporation in Spain (with revenues of 16 billion euro annually;) Ohio Employee Ownership Center; Evergreen Cooperatives in Cleveland and the employee owned Maryland Brush Company in Baltimore.

Comprehensive Survey and Directory of CBE Innovations
C2BE created a comprehensive Scan of Community-Based Enterprise Innovation and their Application to Detroit available at www.c2be.org, which included articles on examples such as Mondragon, Emilia Romagna and Evergreen Cooperatives as well as a listing of CBEs located in Detroit.

Pre-Feasibility Study for Grocery Store Coalition
C2BE performed a pre-feasibility study for the Detroit Community Grocery Store Coalition to guide their work of bringing stores providing fresh food to inner city neighborhoods. The event featured Jeff Brown, CEO of a best-practice chain of inner-city grocery stores from Philadelphia. (Mr. Brown now leads the Detroit Grocery Store Fellowship.) The event was co-sponsored by C2BE, the Detroit Community Grocery Store Coalition Force, Metropolitan Organizing Strategy Enabling Strength (MOSES) and UFCW Statewide Community Development Organization.

Ingenuity US, L3C (IUS)
C2BE members created the mission-driven, for-profit IUS to serve as a community business developer and innovation broker to realize C2BE’s vision (discussed below).

Green Construction Company
C2BE did a prefeasibility study on ways community development corporations might collaborate on creation of a green construction company and sought potential management for the company. Although several community development corporations expressed interest, funding has yet to be obtained to move this project forward.

C2BE’s Plans Moving Forward

Capacity Building
Having spent several years developing CBE education and co-op development projects, C2BE is building capacity, leadership and financial resources to become a stable resource providing technical assistance, education and business development operations required to serve those projects.
Assistant to CBEs, Worker and Producer Co-ops
C2BE leaders are in discussions with a number of fledgling worker and producer co-op projects, all of which are seeking resources to develop or launch. A funded technical assistance staff at C2BE could move these projects along much more quickly.

CBE Organizers’ Roundtable
There are active volunteer organizers working on a number of diverse Community Economy Group projects, DCC, Sew Detroit, IUS, and several other fledgling CBE development projects. They will be convened, beginning in the fall of 2012, so they may collaborate easily and influence the Group’s future direction. Some of them are already participating in a quarterly region-wide meeting of co-op organizers at Circle Pines Center.

Developing DCC Products, Services and Membership
DCC is seeking members and developing a package of discount back-office services to offer as a valuable product to small business and non-profit members.

Creating Templates for Michigan Worker Co-ops and CBEs
C2BE is working with the Wayne State University Law School Clinic and is receiving pro bono assistance from the Honigman Law Firm on a variety of cooperative legal structuring issues, to generate simple templates for creating worker co-ops in Michigan.

Developing Ongoing Co-op and CBE Education Program
A group of DCC members has organized itself into an education committee. They want C2BE to continue providing workshops similar to the ones held in 2009-2010, and to create a co-op school to provide the practical training needed by aspiring CBEs and cooperatives, and ongoing similar to those provided by the Ohio Employee Ownership Center and Cooperation Texas; and the ongoing educational and practical collaboration between CBEs provided by the Ohio Employee Owned Network of companies.

Youth Program
Develop opportunities for young people to work as interns in CBEs. Create or find appropriate curriculum and hands-on opportunities for young people to learn about cooperative economic development. C2BE has already convened such discussions between several youth development and education programs in Detroit and Circle Pines Center.

Linking Local Efforts to National Resources
C2BE advertises regional and national CBE and co-op education programs and scholarships, through its listservs, providing information not previously readily available in Metro Detroit. A number of DCC members have made use of C2BE connections and various scholarships to attend national and regional cooperative and CBE conferences and training programs. C2BE seeks resources to build its local educational program and to provide opportunities for Metro Detroiters to visit best practice CBE examples elsewhere.

Anchor Institution Economic Empowerment Strategy
C2BE is ready to work with local anchor institutions, such as hospitals and universities, to create worker cooperatives, employing neighborhood residents to supply for some of their needs. This has been done by Evergreen in Cleveland and is being pursued in Milwaukee and Atlanta.
Collaboration with Universities

The Group’s participation in the MSU Regional Economic Innovation Co-learning process has been a valuable reflection process for the Group and provided significant visibility to our efforts. In the summer of 2012, the Wayne State University Law Clinic undertook work on several projects for C2BE and has invited C2BE to participate in a project of theirs. The University of Michigan School of Business is planning to do a business case on the Group in the fall of 2012; and we have been invited to speak to the UoM Law School’s Detroit Project. The Group has not previously had the bandwidth to take advantage of potential university collaborations. However, as faculty and students have become aware of our work they are enabling that participation.

Collaborating with Job Placement Programs to Find Unemployed Interested in Worker Ownership

Employee ownership is not for everyone, but some people are willing to take the risks for the dignity and control of their lives it provides. C2BE unsuccessfully sought funding to develop a program that would add a few questions to intake interviews at Michigan Works and other employment resources assessing interest in worker ownership. C2BE proposed to provide meeting opportunities and classes to help such people develop opportunities. A similar program is underway in Oklahoma through the Oklahoma Worker Cooperative Network http://www.okie.coop/about.htm. The Group is following their efforts and, if successful, may seek to replicate them.

Ingenuity US - “Innovation Broker and Community Business Developer”

Mission

Ingenuity US is building a co-operative of business, nonprofits and individuals founded on our values, enabling a vibrant, rooted, growing, sustainable community in Detroit.

Values

- Every person desires dignity.
- Meaningful work, at living wages, is the foundation of dignity.
- Meaningful work includes participation in making decisions that affect one’s work.
- Making good decisions about work requires acquiring necessary knowledge and skills.
- Workers and managers are equally responsible for creating an educated workforce.
- Self-respect and respect for others is the basis of community.
- All the skills and resources necessary to build a vibrant, sustainable community are available in Detroit and SE Michigan.
- Embracing change and high quality, continuous education is necessary for building and sustaining an enterprise-based community.
- Employee and community-based ownership provide long-term stability to enterprise-based communities.
- Creation and maintenance of such a community welcomes partnerships with privately owned businesses that respect our values.
- Our products will be earth and community friendly.
**Vision**

Create in Detroit a community-wide cooperative business accelerator, providing services and collaboration opportunities to 20 existing local member businesses by 2014 and servicing 60 member businesses by 2017. By the year 2027, IUS plans to have substantially grown or successfully launched 30 businesses as a result of member collaboration, providing products and services to local anchor institutions and acquiring or generating over 50 patents. Incorporating the IUS values, these companies will work together to create additional businesses, jobs and amenities for residents of Detroit and SE Michigan. By 2025 IUS will have helped to create over 5,000 jobs in Southeast Michigan and a support structure that enables ongoing business creation and evolution. Together, the gross revenue of these businesses will be $500 million. By 2047, IUS will have successfully launched or expanded 100 businesses as a result of its members’ collaborations and will have generated or commercialized over 500 patents. The companies will have joint annual revenue of $5 billion, and will be recognized as a world-class company renowned as a leader in the green industrial economy. IUS will continue to learn about and share our experiences in creating community businesses.

**Structure and Investment Principles**

IUS is a social enterprise formed as a “low-profit limited-liability company (L3C),” to build patient, community-focused capital and cooperative business resources. It currently has a single class of managing members, and is developing other classes of membership as needed. Currently it is developing one for inventors.

IUS intends to make a profit. It plans to retain at least 50 percent of the profits always in the company to recapitalize it or to help create other community-based enterprises. This is how a community grows its community-focused patient capital. IUS does not wish to be dependent on traditional venture capital. All investors are welcomed, via sweat, cash, and intellectual property or in-kind equity, who will accept IUS Community reinvestment principles and commitment to sharing and respect.

To the extent possible, IUS and its member companies:

- Aim to make a return on investment similar to competing businesses, counting return to community stakeholders as well as return to equity holders;
- Favor sweat equity over cash equity;
- Reward work, at market rates, in a form suited to the member’s circumstances;
- Retain a portion of equity internally (not divided amongst members) in IUS and its progeny to foster self-financed growth;
- Reward activity that fosters investment, cooperation and business between group companies, but not to the extent of competitive disadvantage;
- Create a diverse workforce and participatory work environment that fosters leadership from all employees and encourages broad ownership;
- Create a clear membership path; available to all employees, that balances growth in knowledge, skill and utility to the company with growth in authority, compensation and/or ownership.

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3 L3Cs are companies eligible to receive Program Related Investments from foundations.
**Products**

Two of IUS’s inventor members, Alan Kaniarz and Juan Martinez, have created products which meet IUS’ product criteria for environmental sustainability, could employ Detroiter with a high school education, and could become employee-owned. IUS is still performing due diligence on pricing and marketing to determine whether the company can successfully make and market them while paying Detroit workers a living wage. However, both inventor members have been selling their products and there are indications that the products will meet IUS’ financial criteria. Both inventors have product lines. Alan Kaniarz makes Moebelink Furniture™ of which there are 15 varieties, some of which have won design awards and have sold for $3,500 each. Juan Martinez, BikeCity™ cargo bikes and accessories, has created a motorized bike-truck that is in demand among the maker community. His pricing is below competitors and he sells kits as well as complete custom and standard models. Juan is still perfecting his prototypes and manufacturing process. Juan has a “golden ticket” (meaning free use for 6 months) at TechShop in Dearborn, MI. TechShop is a membership-based workshop that provides members with access to tools and equipment, instruction, and a community of creative and supportive people so they can build the things they have always wanted to make. Ford Motor Company partnered with TechShop to create its Dearborn facility, and makes its patent library available to TechShop members.

*Diff Lounge and ZigZag Chair - IUS products designed by Alan Kaniarz*
Strategy

Build a group of locally-rooted, sustainable businesses based on abundant underutilized resources of Detroit and Southeast Michigan. These include: a) a highly-skilled workforce; b) an influx of creative young people seeking to build a sustainable future; c) a large quantity of underutilized intellectual property in the auto industry suitable for diverse non-transit as well as transit uses; d) access to plentiful fresh water, flat, arable land, adequate rainfall and temperate climate; and e) churches and community organizations that are focused on cooperative job creation.

Create profit-making, sustainable, community-based or employee-owned enterprises by finding, developing and assembling business opportunities and initiating businesses with working people and inventors especially in economically distressed regions or with distressed populations, beginning with Detroit and SE Michigan. Foster cooperation between these businesses where possible and mutually beneficial. Focus on proprietary products or on service businesses that inherently require local workers.

IUS intends to spin-off or share ownership of its businesses with the employees/ members of those businesses, and help develop the businesses of local entrepreneurs who share its values. IUS will retain interests in these businesses to ensure the maintenance of IUS values, economic efficiencies and/or funds to continue creating such businesses.

Providing a Cooperative Business Resource for Makers

TechShop, Green Garage, WARM Training, OmniCorp Detroit, Detroiters Working for Environmental Justice, NextEnergy and others are providing a variety of resources for makers and entrepreneurs building green products and services that can create green jobs. IUS’s role is to provide these makers and entrepreneurs with a means to join their businesses to a locally-
rooted, growing economic core for Metro Detroit. It is particularly focused on helping the makers who want to focus on their products to join a cooperative group that can help build their business by providing business support, resources sharing and collaboration.

**Services**
As a consulting “Innovation Broker” we seek to connect talent and ideas to resources. As a “Community Business Developer” we are developing a collaborative small business accelerator in Metro Detroit. Ingenuity US, has access to a variety of sources to assist in development of businesses that concur with the IUS Values, including intellectual property in Michigan and nationally, and resources in intellectual property licensing, product development, process systems, information technology, designing and advising participative employee owned companies. We seek opportunities to provide hands-on, entrepreneurial assistance to local businesses.

**Members**
Currently there are seven members of IUS who have been working together to find products that meet IUS criteria. To date IUS has one class of equity, but is developing another to better serve inventor and investor members. The current core group has allocated equity amongst themselves roughly based on sweat equity. Their capabilities include:

- consultants with experience in creating and managing worker cooperatives in low-income communities, teaching sustainable product development, marketing, and human resources;
- legal and finance;
- inventor relations and intellectual property research;
- product design and manufacturing;
- administration and marketing; and
- process systems and information technology.

**IUS Future Plans**

**Supporting and Developing Inventor/Member Products and Marketing**
Two of its inventor members have recently developed products (shown above). All the IUS members are currently focusing their efforts on due diligence and means to develop, market and build the business of its inventor members.

**Creating an Attractive and Sustainable Class of Inventor Membership**
IUS is using its experience with inventor members to create a class of inventor membership - balancing benefits, services and profit sharing- that will attract other inventors and be sustainable for IUS as an entity. Currently there is only one class of membership.

**Developing Methods for Members to Use Connections to Generate More Members and Products**
Inventor members are generating product lines related to their existing products. Their networks include others who are developing products. One new member teaches sustainable product design and has students whose products will be considered for development. Another has several patents, teaches materials use to college level art students, runs a successful business, and is a highly skilled artist and artisan with strong connections to other highly skilled makers. Another
teaches communication technology skills to youth in several local programs. Another works with inventors to protect their intellectual property. Another has experience with industrial worker ownership and does work for companies creating green products that might have synergies with IUS members.

**Developing a Systematic Process for Generating Products and Businesses**

IUS is working to develop a more systematic process for generating products and business ideas that meet our criteria. IUS has performed a dozen pre-feasibility studies on a number of products to determine the economic and social benefit of developing those businesses. It has sought out and is developing relationships with a wide range of business experts as a team of advisors and potential investors to call upon when appropriate business opportunities are identified.

**Seeking to Systematically Tap Other Sources of Undeveloped Business Ideas**

Like Mondragon at its inception, and unlike Mondragon now (50 years later), IUS has no paid staff and its members volunteer their time, when available, to pursue these efforts. Yet, after 50 years, Mondragon’s business incubator, Saiolan, has been very successful in incubating new businesses, with the support of the Mondragon group, which includes its relationship to Mondragon University which makes available student developed products and business plans for Mondragon co-ops and their members seeking to develop new products and co-ops. IUS is also beginning discussions with engineering associations, business and engineering schools as potential sources of undeveloped business plans and ideas.

**Social Investment Fund**

Find, attract or create a pool of investors to help launch these efforts.

**Finding Ways to Create Businesses from Underutilized Auto Industry Patents: Developing Detroit as a Center of Green Manufacturing by Mining its Dormant Intellectual Property Resources**

One of the most unique resources created by southeast Michigan over 100 years of technological leadership is the auto industry’s huge unused portfolio of intellectual property (IP), including much green technology and manufacturing know-how. Ford and GM, together, hold approximately one-third of all green technology patents and related value. (Malackowski, *Detroit News* 12-2-09). According to the Clean Energy Patent Growth Index (Victor Cardona, 2008), Michigan patent owners and inventors hold nearly twenty five percent of all U.S. patents granted in clean energy fields to U.S. assignees since 2002. Michigan patent owners and inventors hold more than two-thirds of the hybrid/electric vehicle patents granted to U.S. assignees over the past six years. Half of all US patents for hybrid propulsion over the past 10 years have been granted to inventors living in Michigan. (Responsible Markets, 4/27/09).

Historically, the auto industry has not licensed out technology that it invented but did not use. So long as gas was cheap in the US, there were not sufficient economic incentives for the auto companies to develop their green technology. Many valuable technologies they could not afford to put in cars languish on shelves in southeast Michigan.

Many green jobs could be created in Michigan using the huge quantity of underutilized intellectual property and the local talent that created it and the influx of talented young people seeking new, green uses of old and new technology.
Southeast Michigan has the knowledge and skill needed to invent, produce and market the new green products which the growing real and political climate change will demand.

Detroit needs to reinvent itself by focusing on its strengths. Detroit/Southeast Michigan is the manufacturing technology capital of the world. Southeast Michigan has 230 R&D centers for the auto OEMs and suppliers, which is the highest concentration of manufacturing technology knowledge anywhere. (J. Cleveland for MEDC, 2005) Even companies that manufacture overseas have technology design centers in southeast Michigan.

The new green economy needs a myriad of products that are highly engineered. As William McDonough & Braungart say in Cradle to Cradle, the future of green manufacturing is making things the way nature does, engineering them so that all parts can be recycled or reused, supporting instead of destroying the natural world. Doing this requires diverse knowledge, capacity, teamwork and imagination.

During 2009 the US government and the UAW VEBA owned most of the stock of General Motors and Chrysler under the Troubled Asset Relief Program (TARP). These companies held a sizeable body of green intellectual property, and had held valuable IP for years without utilizing it. When these companies were going through bankruptcy reorganization, IUS, along with a number of partners, made a proposal to actively leverage these intellectual property assets to create businesses in Michigan (“Leveraging Local Knowledge for Green Jobs and Sustainable Growth”) to the Michigan Economic Development Corporation, the US Economic Development Administration and to the President’s Auto Task Force. When those companies
were largely owned by the government and the VEBAs, the Community Economy Group proposed that IP should either be commercialized by its owners soon, or made available for licensing by companies that would commit to using it to create and maintain jobs in Michigan. The government chose not to be an activist investor and did not pursue this proposal. IUS sees value in this concept and would like to pursue some modified version of it with interested parties.

The Community Economy Group proposed to create a public-private venture that would aggressively pursue access to this unused IP, and expedite its dissemination by providing licensing opportunities among local entrepreneurs and the existing manufacturing base. The purpose of the proposed venture was to enable local talent, entrepreneurial and existing companies in Michigan to provide new products and services, thereby fostering job growth and business expansion.

The venture’s long-term focus would be a technology commercialization engine specifically focused on creating jobs and businesses in Michigan. The unique aspects of the Community Economy Group and its partners (who are already commercializing such IP) are the Group’s: 1) commitment to public benefit, including commercialization solely in Michigan; 2) focus on obtaining auto industry IP that companies have until now been unwilling to license or use; and 3) the locally-rooted CBE business collaboration structure the Group is building.

The project is worth consideration even though the opportunity to require the TARP companies to license additional IP has passed. By cataloguing and valuing available green IP and catalyzing its commercialization, the planned venture could still facilitate job creation, help businesses reinvent the region’s economy and stem the outflow of technology, expertise and capital.

This venture has four primary objectives that would provide a valuable return on the investment needed:

1) Recruit a group of local engineering professionals and train them in IP evaluation so that they could serve as a resource for Michigan, both through this project and as individuals making their services available to businesses as employees or consultants. (An efficient means of evaluation would be through conversations with inventors whose products are sitting on shelves.)

2) Compile a library of valuable and available IP—especially green IP—with high potential value for starting or expanding businesses in Michigan, and an efficient system for getting it commercialized in Michigan.

3) Support the creation and expansion of businesses in Michigan through commercialization of the IP identified by the venture, and collaborative relationships between the companies we assist.

4) Licensing fees associated with new use of the IP could be held in a trust could be use to support of the program.

The Group and its partners in this proposal are still interested in pursuing it.

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4 After start-up, several streams of revenue (identified on page 2, below) will enable the planned IP repository to sustain itself.

5 The State of Michigan has already invested significantly in commercializing university-based IP.
Funding for CBE Projects in Metro Detroit

From 2007 through 2011, C2BE received funding from foundation and individual donors to do research and provide education on CBE best practices. The Group has not yet found funding support to build or provide technical assistance services from foundations. This work has been provided on a fee-for-service basis in some cases and on a volunteer basis in others. The Group has been unable to provide requested service to some CBE development projects due to lack of resources.

To date, IngenuityUS and the Detroit Community Cooperative have been funded by individual donations and the efforts of volunteers. After concluding the North End Business Needs Study, the Group determined that it needed to focus its efforts on building its models, so that prospective members and other funders had something concrete to fund. The Group chose not to invest more time seeking funding to build an innovation brokering model for community-based enterprises, when we were unable to find funding for operational support to build our technical assistance resource. We were advised that foundations are more comfortable funding a copy of a successful project already funded by foundations. Like so many entrepreneurs (social and otherwise) we would have to build our prototype and begin seeking funding again when we had a prototype and were working on our proof of concept. From the fall of 2011 to the present, our efforts have been spent on building the Detroit Community Co-op and seeking products for IUS. Now, in the fall of 2012, that 1) DCC has a structure, initial members and a management team; 2) C2BE is working with several worker co-op efforts; and 3) IUS has inventor members with products that meet most of our criteria, we are beginning to seek outside funding again.6

Throughout the Group’s development, Deborah Olson’s law practice continued to do legal work assisting employee owned companies, CBEs and cooperatives, throughout the US and in Metro Detroit. During this self-funding period in 2011-2012 period and a similar period in 2010, the law firm provided office space, resources and pro bono work to help the Group continue C2BE’s education work and to build the DCC and IUS as organizations. Alan Kaniarz and Juan Martinez self-funded their own product development.

Lessons Learned to Date by the Community Economy Group

The Community Economy Group opened wide the doors of interest in CBE, worker co-ops and Mondragon7 (topics previously almost unheard of in Detroit) through our education programs

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6 C2BE received funding in 2007 from the Innovation Network 4 Communities to create a Scan of Community-Based Enterprise Best Practices Applicable to Detroit, available at [www.c2be.org](http://www.c2be.org). C2BE was funded by the Skillman Foundation and the Local Initiative Support Corporation (LISC) to provide 19 education programs throughout Detroit in 2009 and to do a study on ways community development corporations might collaborate on creation of a green construction company. Skillman funded C2BE to draft a proposal to the New Economy Initiative for creation of the C2BE education and technical assistance center in 2009. The United Food and Commercial Workers Local 876 (UFCW) commissioned a pre-feasibility study and hired C2BE to provide technical assistance on an effort to create a community owned grocery store. In 2010, on a completely volunteer basis, C2BE organized WithDetroit, a voluntary CBE business self-help network, which did a business fix-up project, and a workshop and tour of Detroit CBEs for the US Social Forum. C2BE had speakers at 2 other workshops at the US Social Forum as well. 2011, the Chase Foundation and Fund 4 Democratic Communities funded C2BE to perform a study for the businesses in Detroit’s North End and Willis Village to determine potential interest in a business services cooperative.

7 For more information, refer to page 42.
such as the research, interviews of CBE leaders and dissemination of our Scan of CBE Innovations Applicable to Detroit. Additionally, interest in CBE increased from our 19 events in 2009 that reached over 1,000 people in neighborhoods throughout Detroit and our 2010 CBE workshops and tours at the US Social Forum. These programs led to much interest in creating worker co-ops and requests for assistance from a number of businesses and community organizations. When people learn about cooperative communities such as Mondragon and Emilia Romagna many of them are attracted to the idea of creating worker co-ops. As job, housing and other economic opportunities have decreased in the US, public interest in collective economic alternatives has increased.8

C2BE hopes to replicate and expand on CBE Week, by holding events highlighting successful CBEs locally and far away. It would also like to run a co-op school similar to that run by Cooperation Texas [http://cooperationtexas.coop/programs/](http://cooperationtexas.coop/programs/) and provide other technical assistance to prospective cooperators or CBEs, similar to the work done by the Ohio Employee Ownership Center.

However, using the non-profit, C2BE, the Group found that while we have been able to find resources to teach about CBE, we have had much more trouble finding resources to provide technical assistance. These circumstances led us to innovation brokering and the creation of IngenuityUS and the Detroit Community Co-op.

**Working With What You Have**

When we started C2BE we had several potential strategies for applying the lessons of Mondragon in Detroit; 1) the anchor institution economic empowerment strategy used successfully in Cleveland; 2) potential access to a large and underutilized trove of green intellectual property patents in the auto companies that became majority owned by the US government in 2009 which we thought could be successfully developed into businesses by members of the large group of dislocated engineers and skilled workers with product ideas and little entrepreneurial experience or interest; 3) locating local CBE entrepreneurs and organizing a resource for them to collaborate.

We found that the foundations working with the anchor institutions in Detroit have not been interested in the Cleveland worker co-op model, although similar efforts are underway in Atlanta and Milwaukee where there were institutional champions. If your community has anchor institution leaders or foundations that are willing to pursue creation of worker co-ops to localize the anchors’ supply chain, we think that is an excellent strategy because it involves the multi-billion-dollar customer anchor institutions creating a market for the worker co-ops in areas that fit anchor needs.

We found that the foundations that were interested in our education programs (Skillman and the Local Initiative Support Corporation (LISC)) were focused on economic development of Detroit’s most distressed communities. Therefore, our education programs have been focused largely in those communities, and thus the constituency of DCC arose from those communities. Yet these foundations have so far been unable to move the economic empowerment agenda in the anchor institution strategy.

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8 The development of the Evergreen Cooperatives and their progeny since 2005 and the increased membership and participation in the US Federation of Worker Co-ops since 2008 is evidence of this trend.
Vanguard Community Development Corporation was interested enough in the co-op idea that they found funding for C2BE to perform the attached study on NorthEnd Needs for a Business Services Cooperative. However, Vanguard chose to invest in a more conventional incubator model aimed at individual businesses but agreed to let C2BE use the study however we chose.

We were hired by the filmmakers of “Fixing the Future” to investigate use of this film as an organizing tool. That caused us to convene a meeting to which we invited many of our education program attendees. The ones who came to the meeting were already in the initial stages of developing co-ops. Their reaction to the film was that they would prefer working together to build their resources in Detroit, rather than focusing more attention on what was being done elsewhere. This led to the series of community meetings and potluck dinners which led to creation and structuring of DCC. The DCC Structure Committee (now its Management Committee) has used the NorthEnd study to inform their decisions and have adapted its survey form to assess member needs.

Wanting to create worker co-ops is not remotely sufficient to make them happen. Each co-op is a business with the same challenges as any other business and some additional ones. Often people interested in creating a worker co-op are not the workers themselves but others who are interested in creating jobs. Yet most jobs are created by people who have developed a product or service based on some expertise, talent or relationship, and they pursue it to make money. These are entrepreneurs. Every business needs them, including cooperatives. It is an unusual entrepreneur who wants to undertake the responsibility of creating a business and share ownership with others. And the vast majority of start-up businesses fail. We did not want to focus on start-up businesses.

That is why most employee ownership centers, such as those in Ohio and Vermont, focus on getting existing business owners to sell their businesses to their employees. Twenty years ago, the author sought to create a system to help retiring business owners sell their businesses to their workers with the help of ShoreBank. However, a significant issue in Detroit is that many of the businesses in Detroit (primarily industrial ones) have long since left the city, closed or had their work off-shored, which made it unrealistic to focus the strategy primarily on converting existing businesses to worker ownership in the City of Detroit.

A number of local social entrepreneurs initially contacted us about potentially creating cooperatives, but instead set up limited liability companies (LLCs) as the quickest and easiest way to get up and running. It is often necessary to get a business running as a business before it can be turned into a worker co-op. These may yet become co-ops and are CBEs. One reason for developing DCC was to provide a platform for these diverse local CBEs to do business with each other on favorable terms. A number of them are signers of the DCC Declaration of Interdependence.

Organizing Across All Sectors of the 99 Percent, Starting in Distressed Communities

Prior to the incorporation of C2BE, when the Group was operating as the unincorporated “Bootstrap Detroit”, the Group was focused on creating businesses using dislocated engineers, industrial workers, and the sophisticated factories, equipment and technology abandoned by the auto industry. It included former auto industry executives who were involved in finding
alternative uses for auto industry technology, the Intellectual Property Commercialization Group. The Group developed a preliminary plan, with help from its fiscal agent, the Michigan AFL-CIO, to provide training on worker co-ops to dislocated workers. (A project that did not get funding, but is still of interest and that is being tried in Oklahoma.) The Group saw these unused resources as a logical target because of the author’s experience (and that of OEOC) of working with an established set of business assets (an existing company, trained workers and management) as the basis for a worker buyout. The initial IUS team of Ian Chan-Hodges and Olson did research for and made a number of presentations to unions on labor-patent strategies. The ones that became major projects occurred in California and Hawaii and were run by Hodges. To date there are no Michigan projects that can be discussed publicly.

However, the Group’s initial funding came from the Skillman Foundation, which focuses its work on six Detroit neighborhoods with the highest percentage of poor children, and caused us to incorporate our 501(c)(3) as the C2BE.

This is an example of how an organization’s focus can be shifted by availability of funding. The Skillman Foundation had a multi-year project of creating community governance organizations in each neighborhood to enable collaboration among local churches, schools and non-profits to jointly plan community development and advocate together for resources to realize their plans. Skillman saw the benefit of CBEs and co-ops as resources to help their less educated and skilled constituents share resources to build businesses and jobs.

In the course of developing, organizing and presenting C2BE’s 19 educational events, C2BE staff spent a lot of time in community meetings throughout Detroit, meeting community activists and working with the Skillman funded community organizers in each neighborhood. This work provided C2BE staff (whose experience was primarily working with the industrial sector) with an opportunity to learn about the local CBEs, such as the Detroit Black Food Security Network (DBFSN), City Mission, Creative Community Pathways, the Brightmoor Alliance, Grown in Detroit, and the businesses created by a number of African American churches, such as Little Rock Baptist, New Starlight Baptist, Church of the Messiah in those communities. During CBE Week and beyond, C2BE was able to to shine a bright light on such programs, showing the Detroit community that it was already creating CBEs. The juxtaposition of the DBFSN’s D-Town Farm and Ujaama Food Buying Club with presentations by leaders from Mondragon, OEOC, Evergreen and Maryland Brush, affirmed the local work and made it possible for people to see that from humble beginnings a cooperative group could grow large and successful CBE operations.9

This work in inner-city neighborhoods ultimately led to the formation of DCC. DCC has a number of suburban and downtown business members and seeks many more. The Group and DCC leadership understand that for DCC to succeed it must attract participation from a diverse range of organizations, which must include many successful businesses from throughout the metro area. It is now developing a back-office service product intended to attract a wide range of businesses. However, if C2BE had followed its initial plan to seek business opportunities in the existing industrial technology sector, it would likely never have developed a neighborhood base. It would have been like so many other economic development programs in Detroit, focused on

the more educated, skilled and mostly white residents of the area. By starting in the inner city communities, and building a base of trust and body of work there, the Group can actively include the often-ignored neighborhood churches, businesses and development groups as it grows DCC membership in more prosperous parts of the Metro area.

**Creation of IUS as a Community-Based Innovation Brokering — Moving Forward Without Foundation Assistance**

As it became clear that C2BE would not soon have an opportunity to participate in the anchor institution strategy as it was being developed in Detroit, and as foundation funding was not readily available for C2BE’s proposals for working with dislocated workers and engineers, the Group considered other strategies to build its version of Mondragon in Detroit. Knowing that Mondragon did not start with foundation support (although as a priest, Arizmendi was supported by the Catholic Church), the author began to focus on the initial years at Mondragon as a model, rather than trying to replicate the outcome of 50 years’ work of developing Mondragon.

It took Arizmendi, working with his followers, 14 years to get their first cooperative business, ULGOR, created. First they had to create a poly-technical school where community members could learn both technical and self-management skills. ULGOR was created by the first 5 graduates of the technical school. They went to a town near Mondragon and bought used equipment, brought it back to Mondragon and set up a stove factory, which they organized as a cooperative. This story resonated with the author, who had many years of experience helping union workers obtain ownership and develop viable businesses with mature industrial facilities. The author comes from a family in the used industrial equipment business. So she knew how cheaply valuable equipment could be found on the secondary market. She began to look for potential products that would meet what became the IUS criteria – something environmentally-friendly that could be made in Detroit and sold at a price that would enable the company to pay living wages to high-school educated residents.

In 2006 the author met a highly skilled local artist and artisan, Alan Kaniarz, while seeking to have some arts and crafts style furniture built. Kaniarz, is owner of A.K. Services and a faculty member of the College for Creative Studies and Wayne State University. While working on the author’s project, Kaniarz became interested in the Group’s ideas and goals. Kaniarz was an inventor with several patents and was busy working on commissions for furniture and stained glass as well as buying, refurbishing and selling antiques. As the author discussed creating businesses with what became the IUS criteria, Kaniarz made a very kind and unusual offer. He said he would give the author his current top 10 product ideas if she agreed to treat him fairly as a partner in any of them that were developed. She agreed and immediately began to work on them. This was the dawn of what became IUS’s innovation brokering.

The first of Alan’s ideas she explored was one for using outside air in the winter to supplement cooling commercial refrigeration. Her first call was to a patent attorney to find out how such an idea would be patented. He told her to first look in the public patent database to see if such a patent existed. With his help, within 5 minutes they found such a patent and learned that it was held, not by a corporation, but by a single individual in Vermont, working alone. The author contacted the patent holder and learned that he was successfully selling his systems to small
grocery and convenience stores in Vermont, and acquiring his parts in New York. She asked him if he might be interested in manufacturing in Detroit and selling to supermarket chains. He expressed interest.

Due to the author’s previous national practice, C2BE had a number of advisors involved in business and technology around the country. One had many years experience running a technology innovation fund for the State of New York. He agreed to make a site visit to the inventor in Vermont. He was impressed with the inventor, his operation and cost structure. Further due diligence regarding competition and potential patent infringement were done by other C2BE board members and advisors. There was also a Dearborn entrepreneur testing one of the inventor’s systems in a local convenience store. Several C2BE board members joined IUS and its effort was refocused to developing products in Detroit based on the new IUS criteria. IUS negotiated a memorandum of understanding with the inventor around manufacturing in Detroit and marketing the product nationally.

Then the IUS members performed a pre-feasibility study to determine if developing this product in Michigan made sense. The unfortunate outcome was that it did not make sense at that time. Vermont had one of the strongest green energy policies in the country. This policy provided store owners’ tax credits for installing the inventor’s products that enabled them to recoup the cost of installing the technology in 12 to 18 months. At that time, Michigan had no green energy incentives in its tax system. So in Michigan it would take a store owner 3 to 4 years to recoup the capital cost of the system. After interviewing some grocery store owners, it became clear that this product would not be a viable Michigan business unless there was a stronger green energy policy.

That was the end of the first of IUS’s prefeasibility studies on potential products. Although somewhat frustrating, that experience led the IUS team to continue looking for products that might fit our criteria. After a dozen products were deemed unfeasible, as of 2012 IUS is working with Alan Kaniarz on his new furniture line and Juan Martinez with his cargo bikes which look promising. There are others in various stages of investigation.

To date, IUS has not developed a system for seeking out potential products. IUS has stumbled across them as many entrepreneurs do, knowing that in Mondragon there is a much more systematic mining of products developed throughout all the co-op business and at Mondragon University.\(^\text{10}\)

The Group’s major effort to build such an engine is described below. Over the years IUS has not lost sight of its interest in the untapped green technology wealth in Michigan. Between 2008-2010 IUS proposed a system for mining underutilized auto industry patents to create green products, called “Local Knowledge for Green Jobs and Sustainable Growth” to the Michigan Economic Development Corporation, the US Economic Development Administration, the Engineering Society of Detroit (ESD) and TARP, when it owned a controlling interest in GM and Chrysler. ESD was interested in providing IUS engineers to pursue it if we could pay them. IUS never found the resources to pay them, nor government support for putting pressure on the auto companies to license out their unused intellectual property for non-automotive uses.

\(^{10}\) See earlier section on Mondragon’s Saiolan business accelerator.
Operating Without Foundation Funding

The Group created IUS and its initial dozen pre-feasibility studies, the C2BE workshops and tours of at the US Social Forum, the withDetroit business assistance project, and the DCC all without foundation funding. The Group relied on volunteers and individual donations.

There can be a downside to foundation funding that can lead to a loss of focus and clarity. Many times the IUS innovation brokering work was put aside when C2BE received grants to perform education programs or because Group volunteers had to focus on paying client work. C2BE has not pursued its initial focus on the Detroit industrial sector’s workers and other resources because of lack of interest from funders, and distraction by paying work.

Foundations have their own agendas and seek programs that meet them. Prospective grantees must fashion their work to fit within these goals. While that led to a positive outcome for developing a constituency for C2BE and DCC in inner-city communities, it was at the expense of an industrial focus that might have had a greater job creation potential. Organizations spend a lot of time seeking foundation grants and reporting on their outcomes.

In the field of business and job creation, it is logical to consider following the common route of individual entrepreneurs which is to use their own resources to develop a product or service and to seek investors or members later, when there is a prototype to show them. That is the route the IUS and DCC have pursued to date.

While it is too early to say whether or not IUS or DCC are successful, it is clear that if they are, they can be replicated by others without grant funding, making them highly replicable. The Group’s frustrating experience in trying to replicate the Evergreen Cooperatives, which are based on significant foundation leadership and support taught us an important lesson. If a project you hope to replicate is based on finding certain types of champions and funding, those resources may not be available in any given community. However, if your program is based on mutual self-help it is replicable by any group willing to put in the necessary sweat equity.

This does not mean that the Group is not interested in obtaining program related investments and grants from foundations and support from social investors. Indeed, all the Group’s projects are now moving very slowly because they are being staffed by volunteers. However, when the Group finds investors for these projects, they will be projects in which the Group is psychologically, philosophically and practically invested as entrepreneurs. If some of that money dries up, it is more likely that the programs will again be undertaken by volunteers until additional resources are found.

Implementing “Evolved Distributism” – the Co-Creation Process of DCC

Co-creation and DCC

The practices of “evolved distributism” are best demonstrated in the creation of the Detroit Community Co-op. The idea of collaboration among those in Detroit’s inner-city who were working on co-op development came out of a meeting organized by C2BE to discuss the use of
the film “Fixing the Future” as an organizing tool. One of the participants, Rev. Barry Randolph of Church of the Messiah reacted to the movie by saying “someone should make a movie about what we are doing, rather than us promoting a movie about what is happening elsewhere.” The others at the meeting strongly agreed and chose to hold another meeting to discuss what to do. C2BE’s role in this process was as facilitator, not a directive role. One of the participants calls this a “co-creation process”, meaning that we are designing the organization as a group.

At first, the participants were not sure they wanted to create another organization. The C2BE leader suggested possible monthly potluck dinners to get to know each other and learn about each other’s work as a preliminary step. These participants, who became the first DCC members, included many church members who were very comfortable with the potluck dinner idea. The format of the potlucks was and continues to be this: 1) they are hosted each month by a different member organization (and thus take place all over the city); 2) during or after each meal each participant including guests, has 2 minutes to explain his/her work toward building the Detroit CBE economy. The host has 15-20 minutes to make a presentation, provide a tour or a speaker on a topic of their choice. The process has been quite productive in creating trust between strangers in Detroit -- a community where trust is hard to come by. It is a comfortable and inclusive format for inviting new people as guests. After several potluck dinners, the pre-DCC group became interested in developing an organization that could support their work and continue creating synergies, resource sharing and business opportunities such as those that had already arisen from the potlucks. The pre-DCC group asked the C2BE staff to draft a brief explanation of the effort that would list all the participating groups. C2BE staff drafted, and the group adopted, a Declaration of Interdependence. They then decided on rules regarding who could make further decisions about the emerging organizations. They determined that members would be required to sign the Declaration and would likely have other obligations once a structure was created.

Per request from the pre-DCC group, staff began an education program to discuss the potential options for organizational structure. Some of those attending the meetings were interested in creating the structure. Others just wanted to participate in the co-op once it was created. At that meeting the members elected a structure committee to work with staff to create a proposed co-op structure.

The DCC Structure Committee met every two weeks for several months hammering out: 1) whether DCC should run a needs survey; 2) what the co-op should offer; 3) whether there should be business, non-profit and individual members; 4) whether there should be a special class of vendor members; and 5) how to handle quality control on member to member services while still encouraging new businesses to participate and helping them get business. The focus of DCC is to enable local businesses, organizations and individuals to share and trade resources and skills, at a discount or as trading of required co-op volunteer time.

The DCC Structure Committee decided to rely on the NorthEnd study as a good indication of the services desired by neighborhood businesses. They decided that the survey questions should be incorporated in the DCC membership application to provide detailed information on member needs and assist in matching services provided by other members. Ultimately the Structure Committee decided there should be individual, business/organization members, social investor
members and to provide discounted (non-voting) individual membership to members of large group members. (For details see DCC brochure at www.c2be.org).

The DCC Structure Committee report was adopted in June 2012 by the DCC members. Memberships are now available. However, a major membership drive will take place after DCC develops a package of discounted back office services as the initial product offering of the co-op.

A year before this occurred, the author, drafted a multi-stakeholder cooperative structure that she thought would be the ultimate design of IUS. As the DCC structure discussion developed, she provided a simplified version of this for the Structure Committee to review. The Structure Committee made many changes and additional simplifications, including deciding that DCC would be incubated by C2BE until it built a membership with resources necessary to operate as an independent organization.

Now that inventors are joining IUS, it seems likely that the multi-stakeholder design from two years ago will be used in the IUS structure discussion.

The key to this evolved distributist, co-creation process is that those leading it do not have a preconceived plan regarding the outcome. Rather the leaders facilitate and provide information so that the members can create a structure that suits their needs and that they own.

Co-creation and Sew Detroit

A similar process is underway in developing the structure for the Sew Detroit Cooperative. As mentioned above, a group of organizations including the Michigan Economic Development Corporation, Maggie’s Organics, and United Neighborhood Initiatives began developing a plan for a sewing co-op in Southwest Detroit. They brought C2BE into the process for expertise on cooperative development. Maggie’s Organics helped create sewing co-ops to supply it in Nicaragua and North Carolina. However, they had a number of difficulties in operating as independent co-ops, particularly regarding the members’ willingness to take on leadership roles. C2BE brings knowledge of many such efforts to this process of creating an incubated worker co-op. A C2BE volunteer staff member is now pulling together research from both independent and incubated worker co-ops.

Unlike a traditional worker co-op created and funded by the workers themselves, worker co-ops aimed at creating jobs for low-income people have generally been developed by a non-profit or other parent organization (such as WAGES or OEOC and the Democracy Collaborative for Evergreen see descriptions above). In such cases there is always a question about what role the workers should have in creating the business and how to find potential worker owners who will step up to the responsibility of ownership if they come to the process primarily because they need a job.

The concern about the incubated model, such as Evergreen, where for the first year none of the workers were co-op members, is that the membership may never feel they are truly the owners.

It is difficult get any new business up and running. The Group has focused on the Mondragon and Emilia Romagna models because of the author’s experience with stand-alone worker co-ops of low income people having a hard time sustaining the co-op, due to lack of business experience or understanding the management or leadership duties required of a worker co-op member. The author’s position, which has influenced the Group, is that the most important first step is to
create a viable business. The next step is to help the workers obtain the skills and demonstrate their willingness to take on ownership responsibility. It is also important that the aspiring worker co-op members participate, as much as possible, in making decisions and designing the co-op.

Distributist principles are proving useful in working with the team organized to create a viable structure for Sew Detroit. Although no decision has been made on this yet, C2BE’s view is tending toward a model similar to that at Evergreen, where workers must earn their membership in the co-op by demonstrating job skills, completing co-op training and undertaking some unpaid co-op responsibilities. The reasons for using a model in which workers earn their co-op membership in this way are:

- People tend to value things they have earned or paid for more than those that have been given to them.
- A co-op needs its members to be pro-active in taking leadership roles.
- The best way to test for leadership and commitment is to see it demonstrated.
- Giving workers an opportunity to earn membership in a co-op creates a practical system to weed out those who are not willing to undertake the responsibility.
- Most workers need to learn the leadership tasks and skills required of worker co-op members.

When C2BE is aiding the development of such a co-op it is as a leader. Its distributist job is to push decision making to lower levels while making available education to prospective co-op members. The distributist job of workers who hope to be co-op members is to use these opportunities to demonstrate their side of the distributist deal which is: 1) learning to perform all the tasks required of them as workers; 2) learning and demonstrating the skills and information needed to become active co-op leaders; 3) performing these duties up to a level that causes the board or other co-op members to accept them into membership. It is not easy to design such a system. In so doing it helps to keep in mind the distributist principles that balance the duties of leaders to move decision making down while providing education to help in this process and the duties of prospective co-op members to invest time and energy in training and to step up and take increasing levels of responsibility.

**What the Group Has Yet to Accomplish**

The Group has created a framework in which to build the Detroit CBE economic core (our version of Mondragon). C2BE is available to provide education and technical assistance. IUS is developing its skills and practice as an innovation broker so that there are now two product lines that seem to meet our social and environmental criteria. DCC has emerged as a grassroots mutual assistance structure.

At the end of the sections above, describing C2BE and IUS, there is a list of future plans. In summary the Group is seeking resources to build its capacity, and those of its partner businesses, to become a community-based cooperative business core for Metro Detroit.

Policies Should Encourage Creation and Expansion of Employee Owned Companies

Broad equity ownership that anchors capital locally is a key strategy of community innovation brokering

Employee ownership and cooperatives are proven methods of saving and retaining good local jobs in businesses that grow and reinvest in their local communities. As the charts below show, employee owned companies have proven more successful than comparable companies in saving jobs, retaining employees, increasing sales per worker and overall sales, and are more successful in creating new products. The underlying reasons are clear. When people own a company, they do not lay themselves off when a product line becomes unpopular. Rather they use their combined knowledge, company resources and connections to find new products and keep themselves employed. In addition the differential between executive and line pay is usually less than at the traditional US firm, because the board is accountable to shareholders who have daily knowledge of the company’s business practices, and the CEO is accountable to worker-shareholders. Employee ownership in the US has increased significantly since 1974, when tax advantages were first provided in the Internal Revenue Code. Some of these also apply to “eligible worker co-ops”, and in the last few years there has been increased development of worker co-ops in the US as well. (US Federation of Worker Cooperatives http://usworker.coop/aboutworkercoops) The charts below illustrate some of the major characteristics of employee owned companies.

Employee-owned companies are three to four times less likely to layoff or lose workers during an economic downturn.

To illustrate: during the period 2000 – 2008, Ohio manufacturing firms overall experienced 29 percent job loss while employee owned manufacturing firms only experienced job loss of 1 percent (Ohio ESOP Survey – Kent State University). The reasons offered for this difference are that employee owned firms are less likely to outsource work, have higher rates of capital investment, and have more worker participation in making business decisions.
Worker Owned Companies Perform Better

<table>
<thead>
<tr>
<th>Percent reporting being laid off in last 12 months</th>
<th>Employee-owners</th>
<th>Non-employee-owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>3.0%</td>
<td>9.3%</td>
</tr>
<tr>
<td>2006</td>
<td>2.3%</td>
<td>8.6%</td>
</tr>
<tr>
<td>2010</td>
<td>2.6%</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent planning to look for a new job</th>
<th>Employee-owners</th>
<th>Non-employee-owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>13.3%</td>
<td>22.8%</td>
</tr>
<tr>
<td>2006</td>
<td>12.2%</td>
<td>19.4%</td>
</tr>
<tr>
<td>2010</td>
<td>12.9%</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

Employee Ownership Trends

- Increase sales growth 2.4 percent faster
- Increased employment 2.3 percent per year
- Increased sales per worker 2.4 percent
- Continue in operation longer

Source: 2001 Study by Dr. Douglas L. Kruse and Dr. Joseph R. Blasi, School of Management and Labor Relations at Rutgers University

From NCEO analysis of US DOL data: Used with permission from National Center for Employee Ownership (NECO) Employee Ownership Report p. 6 March-April 2012

From NCEO analysis of US DOL data: Used with permission from National Center for Employee Ownership (NECO) Employee Ownership Report p. 7 March-April 2012
As shown above, employee ownership and cooperatives are proven methods of saving and retaining good local jobs in businesses that grow and reinvest in their local communities. They are subject to avoidable barriers.

Much more could be done to grow and support employee-owned companies. Majority employee-owned companies need to be actively encouraged with technical assistance, financing and training for employee owners, managers of employee owned companies and employee ownership developers. There should be more incentives for companies to give or sell their shares or assets to their employees. Legal and financial barriers to these forms of ownership need to be removed as well.

**Examples of Barriers to Employee Ownership**

Employee Stock Ownership Plans (ESOPs),\(^\text{11}\) have provided the bulk of the employee ownership in the US, and are the source of most of the favorable statistics on employee ownership cited above. ESOPs provide significant tax advantages to the seller, the employee and the employee owned companies [http://www.nceo.org/articles/esop-employee-stock-ownership-plan](http://www.nceo.org/articles/esop-employee-stock-ownership-plan). However, because they are pension plans they are subject to heavy regulation by both the Internal Revenue Service and the US Department of Labor. These regulations increase the expense of this method of ownership and, because they are pension trusts, the employees are treated as pension beneficiaries without the full rights of owners. Their stock is controlled by a trustee. The trustee’s job is to protect the rights of the ESOP participants as prospective retirees, but not as employees, particularly when a purchase offer is made. The trustee is not allowed to consider saving jobs for existing employees as a major or key factor in a decision about whether or not to sell the company to outsiders.\(^\text{12}\)

Worker cooperatives provide employees much more direct control over the company’s future than ESOPs, but traditionally, it has been much harder for them to find capital because they restrict ownership of membership shares to workers, so investors have a limited return based on the risk they take.

Groups of employees who want to buy their employers’ companies often have difficulty finding a management team, doing a feasibility study and obtaining funding on a timely basis.

In the State of Michigan, and many other states, the existing cooperative statutes, that were designed to fit agricultural or consumer co-ops are often too restrictive for the needs of worker co-ops. In Michigan, a worker-owned company that wants to use “co-op” in its name \(^\text{13}\) must be formed under the Non-Profit Corporations Act which has a very narrow definition of what it

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\(^{11}\) Internal Revenue Code Section 4975(e)(7)

\(^{12}\) “Congress has made it clear on more than one occasion that while voting rights on major corporate events are required to be passed through to the participants in the ESOP, the actual sale of the stock held by the ESOP is not an item that requires a pass-through to the ESOP participants…. loss of a job is an impermissible factor for the ESOP trustee to take into consideration determining whether or not to sell stock help by an the ESOP” (fn 113 citing Shamrock Holdings, Inc. v. Polaroid, 559 A. 2d 257 (Del.Ch. Jan. 6, 1989) Smiley, R. Employee Stock Ownership Plans, Beyster Institute, University of California, San Diego.(2007 – but continuously updated)

\(^{13}\) According to Michigan Compiled Law Service (MCLS) Sec.. 450.3123
means to organize on “a cooperative basis” providing one vote per person and a percentage limit on payment of dividends. While these are good policies in principle, in practice many cooperative enterprises have opted to organize as LLCs or other forms and forego using the co-op name, because these structures did not allow them to raise needed equity. In a few states, such as Wisconsin a co-operative LLC act was created to solve these problems. In Massachusetts, the Massachusetts Statute for Employee Cooperative Corporations is designed to make it easy to create a worker cooperative-based on the form used in the successful worker co-ops in Mondragon, Spain.

Considering the job creation and preservation statistics, much more should be done to remove these barriers.

Proposed Federal Legislation to Support Development and Funding for Employee Ownership

There are three pieces of federal legislation, one in the House and two in the Senate that would go a long way towards enabling much more employee ownership.

Work Act
On July 23, 2012 US Senator Bernie Sanders introduced the WORK Act, SB 3421, which would provide funding for the US Department of Labor (USDOL) to fund states to establish and expand employee ownership centers, such as C2BE, and more established centers such as the Ohio and Vermont employee ownership centers. Co-sponsors include Senators Akaka (Hawaii), Blumenthal (CT), Brown (OH) and Leahy (VT)

US Employee Ownership Bank Act
On July 23, 2012 US Senator Bernie Sanders (and the same 4 additional co-sponsors) also introduced the United States Employee Ownership Bank Act, SB 3419 that would provide loans for employees to purchase a majority interest in a company and for majority-employee-owned companies to borrow funds to increase the amount of employee ownership or to expand operations that will preserve or increase employment.

National Cooperative Development Act
In 2011, Congressman Chaka Fattah (D. PA) introduced the National Cooperative Development Act of 2011 (HR 3677) to provide funds to support cooperative business development in underserved communities by funding Cooperative Development Centers to assist in development of new cooperative businesses and strengthen existing ones, to provide a loan program to finance such businesses and to provide training for cooperative business developers. His co-sponsors are

14 MCLS Sec.450.3103
15 Chapter 193 of the Wisconsin Statutes
16 MGL 157a
Representatives Brady (PA-1), Clarke (MI-13), Ellison (MN-5), Lee (CA-9), Maloney (NY-14) McDermott (WA-7), Michaud (ME -2), Peters (MI-9), Schakowsky (IL -9), Schwartz (PA-13) and Tierney (MA-6).

**Best Practice State Policies**

**Indiana Linked Deposit Program**

“Indiana’s ESOP Initiative” (IEI) was created in 2007 by the State Treasurer to promote and encourage the formation of employee-owned companies. The Initiative includes a “linked-deposit” program that assists Indiana banks in funding ESOP transactions. The program also provides resources for business owners and employees to learn more about employee ownership. “(www.in.gov) (NCEO 2012)

**Iowa Plan to Fund Employee Ownership Feasibility Studies and Business Assessments**

“There is currently a bill pending in Iowa to fund business assessments and employee ownership feasibility studies, provide information about federal ESOP tax incentives, and expand the types of companies that are eligible for the state capital gains tax incentive.” (NCEO 2012)

**State Supported Employee Ownership Centers**

Ohio and Vermont have employee ownership centers which receive some support from the state government. These centers provide education and technical assistance to help those interested in converting companies to employee ownership.

Michigan was the first state to provide an employee ownership technical assistance service and revolving loan fund in the 1980s. It also provided early support for the Michigan Employee Ownership Center, which was a precursor to and assisted in the creation of the Ohio Employee Ownership Center. Michigan also created a state office – the Michigan Center for Employee Ownership and Gainsharing – but has since let those programs die. States, such as Ohio, which have supported employee ownership have had substantial growth in their employee owned sector.

For example, the Ohio Employee Ownership Center (OEOC) at Kent State University (www.oeockent.org) “has assisted employees in buying all or part of 92 companies, creating 15,000 employee owners at a cost to the state of only $417 per job created or retained.” (NCEO 2012) OEOC has funds and staff available to do feasibility studies and provides access to loan funds designated for employee-owned companies. It provides regular education to family-owned businesses around the state promoting the advantages of selling one’s business to employees. It runs a USDA funded cooperative development center as well.

OEOC also runs a unique education program aimed at building collaboration between the state’s employee-owned companies. The Ohio Employee Owned Network is a network of approximately 93 companies that engage in joint education together. Courses and roundtables are

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available monthly, and are aimed at all levels of the company, from CEO and CFO roundtables to classes for hourly workers who are ESOP trustees or board of director members. A company’s annual membership enables it to send as many employees as it likes to any or all of the sessions, so the education is inexpensive and plentiful. In addition, the peer-to-peer learning aspect of these programs is very important. Unlike most education programs where the expert runs the show, at these events, the participants do most of the speaking with the experts available as resources.\textsuperscript{18}

This network has been a source for attracting retired executives of employee-owned companies to work as staff for the center. That in turn, made OEOC a logical place to provide assistance for the Cleveland Foundation and the Democracy Collaborative when they began to create the Evergreen Cooperatives in the economic engagement part of the Cleveland Anchor Institution strategy (www.Evergreencooperatives.com).

It also made OEOC a logical partner for the United Steelworkers and Mondragon in their effort to create a model for unionized employee-owned cooperatives in the U.S. (Witherell 2012), and assist in the feasibility study efforts of that collaborative in Cincinnati (http://www.cincinnatiunioncoop.org/).

Over the years OEOC has been a source of excellent research and publications on employee ownership (www.oeockent.org). In addition to the employee ownership efforts in Ohio, it provided detailed information about the examples in Mondragon and Emilia Romagna in its monthly newsletter, Owners at Work. The OEOC’s founder, Prof. John Logue, saw the synergy created by those cooperative systems and sought to create something similar in Ohio, which is coming to pass.

Much of OEOC’s funding comes from foundations as well as fees for its publications, education programs and feasibility studies. But in its early days, support from the State of Ohio, was crucial.

**Assistance Needed to Move the Community Economy Group Strategy Forward**

**C2BE Needs Institutional Collaboration, Recognition and Support**

C2BE seeks (among other things) to replicate the programs of the Ohio Employee Ownership Center in Michigan. C2BE uses the broader term “community-based enterprise”, and has not restricted itself to employee ownership, because it wants to include all businesses that are committed to its principles. Due to Detroit’s history as a center of huge auto companies, employee ownership was not as popular here as it was in other places when the tax incentives first became available in the 1980s. When C2BE was organized in 2007, at the height of our recent economic crisis, there were few employee-owned companies to work with and a great need to highlight and bring together those interested in a locally-based economy. An outcome of C2BE’s education programs has been a substantial increase in interest in employee ownership, as evidenced by the creation of the Detroit Community Cooperative.

\textsuperscript{18} The author has taught in this program and is thus aware of its participative structure.
C2BE would be an asset to a university, just as OEOC is to Kent State. Michigan was one of the first states to create resources for employee ownership. Its political leaders in the last few decades have not supported those resources, although Michigan’s neighbors, Ohio and Indiana have with positive results.

C2BE is not working primarily with conversion of family-owned businesses in small-to-medium-sized towns that have few ethnic minorities, which are the most common birth stories of employee owned companies. Instead C2BE is focusing its energy on building a CBE system in a particularly distressed urban area, Metro Detroit. C2BE did not choose Metro Detroit because it was an easy target. Rather it chose Metro Detroit because the need was so great, there were enormous resources that were being abandoned by the auto industry, and employee ownership was not being pursued much in urban areas. The C2BE motto has been “if we can do it in Detroit, it can be done anywhere.” So C2BE set out to build an educational and technical assistance resource center, similar to OEOC, and a cooperative group similar to Mondragon or Emilia Romagna, but clearly aware that these must be built based on the unique strengths and challenges of Metro Detroit.

C2BE has the knowledge and connections necessary to provide the same services as the OEOC. It needs resources to hire staff, produce educational materials, provide technical assistance and reach out and serve demonstrably interested constituencies. It needs office, meeting and teaching space in which to work.

If C2BE had access to the Detroit anchor institution team that is working on helping the anchors localize their supply chain, it could introduce a program similar to the Evergreen Cooperatives in Cleveland, provided a foundation or other entity in Detroit wished to take the leadership role which the Cleveland Foundation has taken in Cleveland. C2BE has the knowledge and ability to work with the anchors to generate ideas for potential businesses, get feasibility studies done, and follow a path similar to that of Evergreen. C2BE also has longstanding relationships with those doing the work in Cleveland, who have agreed that they would provide guidance if C2BE could find the necessary resources locally.

C2BE is currently providing volunteer technical assistance support to Sew Detroit, a project to create a garment manufacturing business in SW Detroit, and has had similar requests from a number of other organizations developing worker cooperatives, such as City Mission and Creative Community Pathways. C2BE needs more resources to provide such assistance and has been unable to assist some projects.

**Ingenuity US, L3C – Needs Products, Investors and Talent**

IUS has inventors with products. It has a core of people that do staff work on a volunteer basis. It has contacts with a number of interested businesspeople and inventors. Its greatest needs are:

1) Staff to focus on its organizational development (including creating an inventor membership class), marketing its existing products, and on developing manufacturing and other systems. (There is a talented and experienced person who will be able take on
major marketing and organizational responsibilities when IUS can find funds to pay this person to work full time and give up another job.)

2) Active participation by a people with strong financial and business management experience who are willing and able to work in a participative, open book management environment;

3) Experienced business people to serve as advisors, mentors, and/or investors;

4) Collaboration with business, engineering and law schools to generate products and business;

5) Engineers to interview inventors of unused “green auto” patents for potential products

Detroit Community Cooperative – Needs Products and Services

DCC is a program of C2BE. It has been organized and staffed entirely with volunteer labor mostly from C2BE.

In order for DCC to launch, it needs:

- Staff support for our educational, organizational and technical assistance efforts;
- Outreach and organizing staff;
- Strong and successful companies to join DCC;
- Expertise and resources to build or contract for its (possibly subsidized) back-office support and product/marketing personnel.

Historical Precedents and Successful Practices

The Mondragon Cooperative Corporation

The key model to which the Group looks in shaping the Community Economy Group’s efforts is the Mondragon Cooperative Corporation in the Basque region of Spain www.mcc.es. C2BE’s 2009 Scan of Community-Based Enterprise Innovations and their Application to Detroit has a history and explanation of Mondragon published by Mondragon and an article describing the history and operation of the Emilia Romagna group.

Emilia Romagna, Diversity and Cooperation

Emilia Romagna is a diverse group of 8,000 cooperatives and family-owned businesses that collaborate with each other in the Emilia Romagna region of Northern Italy. Their collaboration enables groups of small companies to jointly compete for large jobs that none of them could do alone. Their collaboration is aided by regional government supported business resource centers.
“Emilia Romagna came out of World War II as perhaps the most devastated region in Italy. Its strong cooperative and labor movements had been decimated by 25 years of Mussolini’s fascism that suppressed all independent organizations and jailed many co-op and union leader. Emilia Romagna ended up just behind the Nazi’s Gothic Line in 1943-45. It became the focus for Allied bombing, guerilla warfare by the Resistance and Nazi reprimands against the civilian population. It emerged from the war impoverished with heavy unemployment.”

“The left-wing government in Emilia Romagna embarked on a strategy of promoting small business for economic development. It encouraged employee ownership, consumer cooperatives, and agricultural cooperatives, and it encouraged the development of cooperative institutions for all small businesses – co-ops and family owned firms alike.”

“The regional government’s economic development agency ERVET, created publicly funded small business ‘industrial sector service centers’ that have supported small business clustering in the region. They provide shared services in research and development, purchasing, education and training, workplace safety, technology transfer, marketing and distribution, exporting and more for scores or hundreds of small businesses in industrial sectors like ceramics, textiles, footwear, construction and agricultural machinery. These service centers combine the economies of scale with the advantages and flexibility of small business. They have supported the so called “flexible manufacturing” of the region in which small businesses in the same industry collaborate on joint bids for major contracts.”

Major firms supplied by these networks include Ferrari, Lamborghini, Maserati and Ducati.

Italy has a long cooperative history, and a number of laws that benefit co-ops including tax deductions for the funds they retain in collective reserves, and a requirement that co-ops contribute 3 percent of their annual profits to a co-op development fund run by one of the various co-op federations.

To read more, please see Appendix C.

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19 J. Logue, “Economics Cooperation and Employee Ownership: The Emilia Romagna model- in more detail” http://dept.kent.edu/oeoc/oeclibrary/emiliaromagnalong.htm, p.2; also available as an appendix to C2BE’s Scan of Community-based Enterprise Innovations applicable to Detroit, www.c2be.org

20 Ibid. p. 2

21 Ibid. p. 3

22 Ibid. p. 3

23 Ibid p. 3
Unlike Mondragon – in Emilia Romagna multiple company types collaborate, including:

- Family owned
- Owned by communist cooperatives
- Owned by Catholic cooperative
- Owned by social democratic cooperatives
- Some cooperatives own publicly traded companies

Co-op federations include all sectors: workers, consumers, agricultural, and housing. Most companies are unionized. Coopitalia is a consumer co-op that is Italy’s largest retailer, comprised of 169 local retail co-ops and 4 million consumer members, though highly decentralized and democratic. Wal-Mart avoids Italy due to competition from Coopitalia. Unipol – Italy’s 3rd largest insurance company is owned by cooperatives, trade unions, farmers and family business owners.

**Circle Pines Center**

For insight on cooperative practices, especially in the area of work exchange, one might look to the Circle Pines Center (CPC), a co-op education and recreation center in Western Michigan since 1938 that, among many other things, holds quarterly mutual education meetings of cooperators. [http://www.circlepinescenter.org](http://www.circlepinescenter.org). Work Exchange is a system that allows people who cannot afford to pay cash for participation in CPC programs or activities to pay with work. They enter into contracts for specific, necessary work, generally at a rate of $10 per hour (with some exceptions for jobs requiring special licenses or skills.) It is limited by CPC’s needs and financial resources. Although frequently used, staff has discretion to determine the availability of work and the suitability of candidates for work exchange. Thus it is not publicly advertised. The Detroit Community Cooperative plans to use this type of work exchange when feasible.

**Evergreen Cooperatives**

There are recent efforts in distressed inner cities in Cleveland, Milwaukee and Atlanta in which anchor institutions have collaborated with foundations to create worker-owned cooperatives, employing neighborhood people to serve the needs of anchor institutions such as hospitals and universities. The most developed of these is the Evergreen Cooperative group in Cleveland. C2BE’s 2009 *Scan of Community-Based Enterprise Innovations and their Application to Detroit* also has an article on Evergreen, but much more current information is available from the project directly at its website [http://evergreencooperatives.com/](http://evergreencooperatives.com/). The Democracy Collaborative consultants who have played a leading role in Cleveland are also working in Milwaukee and Atlanta. Their website [www.community-wealth.org](http://www.community-wealth.org) has information not only on their efforts, but on a wide array of other community wealth building efforts. The Democracy Collaborative’s Research Director, Steve Dubb, serves on the C2BE Board of Directors and is an active member of the Group.

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24 Ibid p. 11
Arizmendi Association of Cooperatives
The Arizmendi Association of Cooperatives (http://arizmendi.coop/) is a group of bakery cooperatives in Berkeley, CA that has followed the Mondragon example and used the resources of existing bakeries to organize and launch new cooperative bakeries. An explanation of their history is available at http://oaklandlocal.com/article/arizmendis-worker-owned-bakeries-dish-co-op-success-and-yummy-treats

Wages
WAGES (http://wagescooperatives.org/) is an organization that has helped low-income women to create worker-owned cleaning co-ops in several states.

Cooperative Home Care Associates (CHCA)
Cooperative Home Care Associates (CHCA) (http://chcany.org/index-1.html) is a nationally recognized, South Bronx-based, employee owned home care agency. Founded in 1985 to provide quality home care to clients by providing quality jobs for paraprofessionals, CHCA now anchors a national cooperative network generating over $60 million annually in revenue and creating quality jobs for over 1600 individuals.

National Sources of Information and Collaboration
For development of information and technical assistance programs on employee ownership and cooperatives, the Group looks to several organizations that provide excellent information in these areas. The Group enjoys close relationships with these organizations due to the author’s long involvement with them. These include the Ohio Employee Ownership Center at Kent State University (http://www.oeockent.org/) which also has a cooperative development program; the National Center for Employee Ownership (www.nceo.org), the US Federation of Worker Cooperatives (http://usworker.coop/front) and the National Cooperative Business Association (http://www.ncba.coop/).

The United Steelworkers collaboration with Mondragon Cooperative Corporation in Ohio
The United Steelworkers Union and the Mondragon Cooperative Corporation entered into an agreement in 2010 to create unionized worker co-ops in the U.S.(Clamp, 2010). On March 26, 2012, in collaboration with the Ohio Employee Ownership Center, they released “ Sustainable Jobs, Sustainable Communities: the Union Co-op Model” (http://www.oeockent.org/). They are currently performing feasibility studies on a number of potential businesses in which to use this model in Cincinnati. See to the “Cincinnati Union Co-op Initiative” which can be contacted at cincyunioncoop@gamil.com.
Maryland Brush Company, Inc.
Maryland Brush Company is located in a very old, large facility in Baltimore’s inner city which has been operating since 1851. In the early 1990s, Pittsburgh Paint divested Maryland Brush Company, Inc., ("MBC"), a full-service manufacturer of industrial and paint brushes for a variety of industries worldwide focusing on brush-critical, niche industries. Local management and the United Steel Workers Union members decided to purchase the company through an ESOP. With the continuing assistance of the Attorney Deborah Groban Olson as corporate and ESOP counsel since 1998, MBC has been able to establish and maintain its place as a manufacturing leader, and now a company developing an innovative solar energy technology. MBC is a highly democratic workplace. Its employees have one-vote-per-person on shareholder issues, as in a co-op.

United Food and Commercial Workers:
Employee Ownership and Card Check on New Stores at HAC
In response to a proposal that UFCW Local 1000 give up its defined benefit plan in exchange for stock in an ESOP at HAC, the union successfully negotiated a role in corporate governance, including seats on the board of directors, when HAC was restructured as a 100% employee owned company. However, the most important aspects of this negotiation for the union were that: 1) they retained a (smaller) defined benefit pension plan; 2) as the company acquired new stores, they would become union stores provided a sufficient number of employees signed union cards; and 3) the company agreed to be neutral in these union organization drives. For more information, please refer to Appendix D.

Recommendations for Others Considering Replication
The sections above explain most of the following recommendations:

1) Employee ownership is an important tool for anchoring productive capital locally.

Maryland Brush Company (MBC Ventures, Inc.)
How an inner-city Baltimore, unionized, 100 percent employee-owned company moved from the old economy to the new
As an S Corporation ESOP, MBC is uniquely positioned to compete in the current global economy, establishing the company as one of the most progressive employers in the industry, the majority of whom do not offer similar programs. In 2000, the tenth year of the ESOP, MBC had experienced increased sales for the five preceding years and its stock value had increased by 133 percent since becoming an ESOP. Through 2008, the company’s stock consistently met or exceeded the earnings charted by the S&P, completely turning around MBC’s financial picture and its prospects going forward.

Since 2008, the maturing market for industrial brushes caused MBC to seek out new product lines. In 2010, MBC invested in a start-up company that makes skylights which are also solar collectors, Bright Phase (BP), in exchange for manufacturing rights. It later decided to buy all the intellectual...
2) Support and advocate for the policies (described above) that would make worker ownership a significant part of America’s economic development strategy.

3) Adopt the best practices other states use to support worker ownership, such as supporting employee ownership and cooperative development centers, linked deposit systems, and providing resources for feasibility studies and loans to worker owned companies.

4) Expand these worker ownership resources to include other types of committed community-based enterprises.

5) Seek out collaboration with the Community Economy Group to build collaborative resources in Michigan similar to those in Mondragon and Emilia Romagna.

6) Develop a system to actively mine Michigan’s trove of underutilized green technology to create locally-rooted, green technology businesses.

7) Reach out to business owners who do not have a succession plan and encourage them to create a CBE focused succession plan.

8) People with wonderful product ideas and skills may not be willing or able to run their own company, and may be interested in cooperating with others to manage those things.

9) Participate in an anchor institution economic inclusion strategy if that is possible in your community.

10) Use co-creative distributist principles in organizing your worker co-op so its members have the tools to become active co-op business owners.

11) A key to the successful development of a worker cooperative community, such as Mondragon, Emilia Romagna, Evergreen, WAGEs and the Arizmendi Bakeries, includes creation of and reliance upon a mutually owned business core that provides high level business resources that each co-op alone could not afford.

12) Be flexible, and embrace opportunities to develop around the resources you have.

13) Think about community innovation brokering as an entrepreneur and do not be restricted by what foundations are currently funding.

14) Good products and services are fundamental for any successful business. A community innovation broker must always be scouting for such opportunities.

property rights to the BP technology, in order to ensure successful management of the commercialization process. If BP is successful, MBC will be able to increase employment, employee ownership and profits. It will have shifted its product focus from a mature shrinking market to a dynamic growing one.

In September 2010, the US Department of Energy in conjunction the State of Maryland’s Clean Energy Economic Development Initiative (CEEDI) grant program, provided $770,000 to Maryland Brush to retool an existing production line at its Baltimore facility to manufacture innovative solar thermal-power-and lighting modules. Maryland Brush Company estimates that this project will result in 10 jobs in Baltimore during the first year.

To read more, please see Appendix D.
Conclusion

There are substantial resources going to technology commercialization at our universities, support for our young cultural-creative immigrants and foreign immigrant communities. There is a growing urban agricultural sector in Detroit seeking to expand from farming to value added food products. The Community Economy Group is filling a gap in the Detroit economic development eco-system by: 1) working with our maker community to create niche manufacturing jobs for high-school educated long-time city residents; 2) providing support resources to develop and grow grassroots, worker-owned businesses that are likely to stay rooted (unlike investor-owned high-tech businesses that move easily in the global economy); 3) a cooperative development model and resources for the growing of a value-added urban food sector that also seeks to build a rooted and worker owned business community; 4) defining, highlighting and organizing the local CBE sector; and 5) seeking to tap Detroit’s technology legacy as a unique resource for creating well-paid, green technology jobs in the CBE sector.

Now that our economy is organized for the advantage of global companies it is critically important for community leaders to understand and focus on building the CBE sector. The CBE sector needs to coalesce and focus on opportunities to cooperate and grow the sector. The Community Economy Group’s use of servant leadership, open-book management, and other tools of evolved distributism are important systems for creating trust and cooperation across lines of class and race which are necessary in a diverse country and have proven highly valuable in creating and retaining jobs, profits and high quality products and services.

The Community Economy Group has built a foundation and created a blueprint for a CBE economic core platform in Metro Detroit. It needs resources to realize its vision and bring to life a fully operational CBE core in Detroit with similarities to OEOC, Mondragon and Emilia Romagna, adapted to the unique characteristics of Metro Detroit.

About the Author

Attorney Deborah Groban Olson provides tools to help local companies and communities compete in the global marketplace. She is an attorney with over 30 years’ experience creating and advising employee-owned companies and cooperatives and representing companies, trusts, co-operatives, unions and employees (http://www.esoplaw.com). She is Executive Director of the Center for Community-Based Enterprise, Inc. (“Center”) (http://www.c2be.org) which supports and connects entrepreneurs, community and resources to grow “community-based enterprises” that are locally-rooted businesses paying living wages. The Center also provides education and consulting on community-based enterprise best practices. She is managing member of Ingenuity US, L3C that helped draft the Hawaii Sustainable Business Corporations Act of 2011. She is a board of directors’ member of Circle Pines Center (co-op education and recreation center since 1938); and a board member of the Once Again Nut Butter Collective in Nunda, NY.

Olson’s practice was national and international, when she began to focus more heavily on Metro Detroit in 2006.
The Community Economy Group story is strongly connected with the author’s lifelong quest to find and create means for economic empowerment of the working and unemployed population of the US (now often referred to as “the 99 percent”). It began with the author’s childhood/ family involvement in the civil rights movement, labor movement, cooperatives, liberal politics, which led to her life-long exposure to and involvement with co-ops and democratic worker ownership. She started going to summer camp at and participating in the Chicago youth group of Circle Pines Center (a co-operative education and recreation center in western Michigan) at the age of eleven. At CPC she experienced an operating cooperative community in which everyone, even young children, contributed work to the community, and where people could pay for participation in programs through work exchange. She has been affiliated with CPC and other co-ops throughout her life. Since age 16, she has always been involved in movements for empowerment through cooperation. These include organizing a tenant union, creating a self-help housing program in northern Wisconsin, working as a union representative and a union attorney. She also created the Wisconsin Committee on Occupational Safety and Health (WISCOSH) and the Michigan Employee Ownership Center, and assisted in developing the Ohio Employee Ownership Center (and working in close partnership on projects with OEOC for 15 years), organized the JointCities Development Corporation in Detroit, and served as board chair for the National Center for Employee Ownership (NCEO). Additionally, she founded the Capital Ownership Group (COG) [http://cog.kent.edu/] which organized a number of international conferences of employee ownership leaders to determine best tools and practices for communities to respond to the challenges of globalization -- and enabled development of personal relationships with leaders at Mondragon. COG also initiated its Fair Exchange Project, which provided research and technical assistance on strategies for communities challenged by globalization, including equity for subsidies. Olson authored policy papers that served as the basis of COG’s Sloan Foundation supported Fair Exchange (FE) Project at [http://cog.kent.edu/lib/OlsonFairExchangePaper.pdf]

The author was also instrumental in creating and helping to sustain some of the most democratic workplaces in the US, teaching about worker ownership and cooperatives at all levels, from inner city community centers and churches, union halls, union leadership conferences, labor studies and law school classes on this subject, and addressing international policy makers at the International Labour Organization as well as the US Federation for Workplace Democracy at Mondragon University. She was also responsible for bringing the General Secretary of Mondragon to speak to a conference at the US Senate.

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Appendix A

Distributism

Distributism arose in the 1880s in response to the poverty and deplorable living conditions of the working class and the unemployed that came from the British industrial revolution of the 1880s, and with the rise of unfettered industrial capitalism. The early 21st Century in the developed world is a similar period.

“The similarities between the 1880s in Britain – to which distributism was a response – and the 1990s cannot be too strongly emphasized. What is being witnessed currently is the managed reduction in the living standards of working people throughout the developed world. The relentless assault on wages, working conditions and job security – in conjunction with the crushing of the capacity of trade unions to protect the well-being of their members, and the dismantling of the welfare safety net build up during the twentieth century – is recreating the permanently disposed strata within society which late-Victorian Britain called the working class and the residuum….The decasualization of labor, which a generation of trade union leaders saw as their life’s work, has given way to re-casualization in what used to be the middle class as well as the working class.”

Mathews continues quoting Marquand on the subject that in the global economy, capitalism is “off the leash” created for it by post World War II institutions, and that existing institutions and political parties have not a meaningful program to address the situation. Mathews sees the Evolved Distributism underlying the success of Mondragon as one viable solution.25

25 Note: The author uses the term “Evolved Distributism” as defined by Race Mathews, Jobs of Our Own: Building a Stakeholder Society, Pluto Press 1999 pp.2-9, and the quotations above come from that source. Distributism arose from Catholic social doctrine stated in Pope Leo XIII’s encyclical “De Rerum Novarum” (On the Condition of Labor), as refined by British Distributists Hillaire Belloc, Gilbert and Cecil Chesterton, the “British Workers Education Association and the Danish folk high schools and of mutualist economic cooperation in the mould of the Rochdale consumer cooperatives and the Raiffeisen credit unions”. In this book, Mathews describes a system which he refers to as “Evolved Distributism” by which he means the way this philosophy has come to be understood through its development by Father Jose’ Maria Arizmendiariarreta, priest, teacher and philosophical leader of the
Appendix B

Detroit Community Cooperative Values, Goals, Membership Benefits and Obligations and Declaration of Interdependence

Detroit Community Cooperative (DCC)

DCC “is a platform for grassroots economic development and job creation, enabling mutual self-reliance and less dependence on global corporations. DCC is starting as a local, mutual, trading and business development co-op that provides members with skill and resource sharing, discounts on member products and services and barter. Our mission is to encourage, enable and educate about cooperative action as a way to build a healthy, sustainable and inclusive local economy, and to meet members’ needs by providing quality products and services at reduced prices.”

Sharing Information and Collaborating

From September through June DCC has monthly membership meetings. Each is followed by a potluck dinner to which guests are welcome. Each month the dinner is hosted by a different member organization, and each member and guest has a few minutes to share their work, to learn and meet others with the common goal of building a successful and sustainable community of businesses, organizations and individuals in metro Detroit.

Membership

DCC membership includes businesses, organizations and individuals, and is open to all. DCC’s first co-operative program is a business services co-op, through which some members provide quality products, services and information to other members, who purchase them at a reduced price or through barter or work exchange. All prospective members of DCC are required to sign the DCC Declaration of Interdependence that articulates its values, and submit a membership application. All members are expected to pay membership dues and volunteer four hours of work per month (48 hours/year) to the co-op or other co-op members. Members who offer products and services through the co-op will provide business references, will be evaluated on-line by customer members, and will be expected to contribute 2 percent of their co-op referral-generated revenue back to the Co-op. Both C2BE and IUS are members of DCC.

Member Benefits

All members are entitled to:

Mondragon Cooperative Community. “Evolved distributism, is, in a sense, most usefully understood as the form in which socialism in its original mutualist, associative and communitarian form has been reborn following its well-intentioned, but ultimately disastrous flirtation with statism.
• Member to member discount prices (at least 10 percent)
• Member prices on all DCC and C2BE events, products, services, classes and publications
• Access to member work exchange system
• Access to member barter system
• Access to other members for advice
• Access to other members’ volunteer hours
• One vote per member on all issues related to the entire co-op and all issues related to their membership class

**Social Investors** who invest $25,000 or more have the right to veto demutualization of the co-op.

In addition, all business/organization members are entitled to:

• A business listing on the DCC website and directory provided they meet the requirements of either an “Experienced” or “Aspiring” Business Member. To be listed as an *Experienced Business Member* the business must have been operating as a business for more than 3 years and must provide the co-op three verified, written business references from non-relatives on co-op provided forms. To be listed as an *Aspiring Business Member* the business must have been operating as a business for 1-3 years and provide the co-op with at least one verified, written business reference from a non-relative,
• Any business in operation for less than one year starts as an individual member and can attain business member status after meeting the above requirements. Dues are prorated when changing status. Individual members are not entitled to business listings.

**You decide dues in 1st year - Fair Share & Fair Exchange Dues**

*Fair Share Dues*” means that during our initial period (which ends 10/1/13) membership dues will be whatever amount the member deems fair. The regular 48 hours/year co-op work obligation will apply. “*Fair Exchange Dues*” means that, if a member provides free goods or services needed by the co-op and approved by the Management Committee (beyond the required 48 hours/year), the pre-agreed upon value of those goods or services may be deducted against dues owed in the next year, beginning on 10/1/13.

**Group Membership**

Organizations with over 100 dues-paying members are entitled to a 25 percent discount on their annual business membership dues, and their individual members, with proper organization identification, are entitled to 25 percent off of their annual membership dues as a business or individual.

This membership structure was adopted at the end of June 2012, and initial memberships are available. However, major marketing of memberships will begin when the initial package of business services is available. (This package is currently in development.)
Detroit Community Co-op: Declaration of Interdependence

Because we believe:

- Every person deserves dignity.
- Meaningful work, at living wages, is the foundation of dignity.
- Meaningful work includes participation in making decisions that affect ones’ work.
- Making good decisions about work requires acquiring necessary knowledge and skills.
- Workers and managers are equally responsible for creating an educated workforce.
- Self-respect and respect for others is the basis of community.
- Employee and community-based ownership provide long-term stability to communities.
- All the skills and resources necessary to build a vibrant, sustainable community are available in Detroit and SE Michigan.

Therefore, on September 13, 2011 we established the Detroit Community Cooperative (DCC)

The Detroit Community Cooperative is a broad-based, grassroots community collaboration. It is a meeting ground for community-based enterprises, worker cooperatives, local businesses, community organizations, their friends and supporters. It is a place to share, learn, and meet partners to build Detroit’s community-centered economy.

We will:

- Work together for common aims, socialize together and take care of each other.
- Create businesses and jobs for Detroit and SE Michigan residents.
- Develop products that are earth and community friendly.
- Teach cooperation, economic justice and mutual self-respect by example.
- Embrace change and high-quality, continuous education.
- Do these ourselves.

Adopted by: Better Detroit Youth Movement, Brightmoor Alliance, Center for Community-based Enterprise, Church of the Messiah, City Mission, Congressman Hansen Clarke, ConnectPay, Creative Community Pathways, Detroit Black Pages Newspaper, Fresh Corner Café, Highland Park Business Association, IngenuityUS, I3c, Michigan Alliance of TimeBanks, Michigan Urban Farming Initiative, Motor City Blight Busters, New Liberty Baptist Church, Pioneer Building, Project L.I.V.E., Sustainable Community Farms, Williams Acosta, PLLC, Gregory Hicks, Richard Hillier, Jacquise Purifoy, Esq., Salam Rida, Tom Stephens, Maria Martin-Thomas

Contact  For more information go to the DCC page at www.c2be.org, email info@c2be.org or call (313) 331-7821. Detroit Community Cooperative (DCC) is an initiative of the Center for Community-based Enterprise (C2BE) 2795 E. Grand Blvd., Detroit, MI 48211.
Appendix C

Timeline of Mongradon Cooperative’s Growth

The following timeline shows how Mondragon’s growth and development was strengthened by its comprehensive approach:

1941, Basque region of Spain — After capital bombed flat - Priest arrives teaching about independence through mutual self-reliance, self-managed businesses & continuous education

1943 — Created a technical school for area youth to learn work skills

1956 — First five graduates of the school borrowed money from everyone in town to open the first business – making stoves. They purchased an existing plant and equipment from a nearby town.

1959 — Created, Caja Laboral, co-op development bank with savings from co-ops and community members

1959 — Bank created an entrepreneurial division that provided R&D for all group businesses & hands-on lending

1974 — Created Ikerlan – Technology R&D center

1991 — Group of cooperatives incorporate as Mondragon Corporacion Cooperativa (MCC)

Source: http://www.mcc.es

Appendix D

Examples of Successful Employee Ownership Transitions

To accommodate its new product and market expansion, the company’s name is now MBC Ventures, Inc.

Employee Ownership in 76+ Stores for United Food and Commercial Workers at Homeland Acquisition Corporation

During negotiations in 2011, Homeland Acquisition Corp. (HAC) a grocery store chain in Oklahoma and Texas asked United Food and Commercial Workers Union (UFCW) Local 1000 to replace its defined benefit pension plan as part of the HAC’s effort to make its stores 100% employee owned using an employee stock ownership plan (ESOP). HAC’s ESOP was part of a larger plan to expand the number of retail stores in the chain.
Aided in negotiations by several financial and legal advisors, including Attorney Deborah Groban Olson, UFCW and HAC agreed on: 1) a new defined benefit plan; 2) ESOP participation for union members, 3) a significant role for the union on the board of directors, and 4) a representation agreement covering any new stores opened by the company. According to UFCW Local 1000 President Ricky Burris, “UFCW members are excited to own a majority of HAC stock and are eager to work with management to achieve continued success for the company. We take seriously the responsibilities that come with ownership, representation on the board of directors, and a voice in major corporate decisions.”

Following is a synopsis of the Homeland ESOP transaction from the trade magazine Progressive Grocer:

“Associated Wholesale Grocers Sells Stores to Employees”

The management and employees of Homeland Acquisition Corp. (HAC) have completed an employee buyout (EBO) transaction enabling employees to purchase 100 percent of the company, which operates 76 retail grocery stores, from Associated Wholesale Grocers (AWG), a Kansas City, Kan.-based retail-owned cooperative. The deal closed on Tuesday, Dec. 27.

According to AWG President and CEO Jerry Garland: “Since the AWG acquisition of a number of these stores brought them out of bankruptcy in 2002, this management and employee team has completed a turnaround and is now on solid footing to build a more competitive organization focused on meeting their customers’ needs.”

“AWG has been a very progressive owner, investing in remodeling and updating locations,” said Darryl Fitzgerald, president of Oklahoma City-based HAC, which comprises Homeland, United of Oklahoma and Country Mart stores in Oklahoma, and Super Save stores in north central Texas. “They furnished us with the resources to help our company recover and then begin to grow. The turnaround of these stores has been the direct result of our hardworking, dedicated employees. It is gratifying to see those efforts rewarded with ownership.”

The conversion of HAC to an employee-owned company will occur through an employee stock ownership plan (ESOP). Employees will be credited with shares of company stock annually, which will become vested based on the employees’ service to the company, and the value of the stock earned will later be paid to the employees. “Employee ownership ensures everyone’s mutual interest is absolutely aligned in the business,” noted Fitzgerald. “In that regard, we are all focused on providing the best service possible to our customers.” Details of the private transaction weren’t disclosed.

http://www.progressivegrocer.com/top-stories/headlines/industry
intelligence/id34475/associated-wholesale-grocers-sells-stores-to-employees/
About REI

The MSU EDA University Center for Regional Economic Innovation (REI) has established a unique new-economic development ecosystem that engages innovative mindsets resulting in new economic development practices that are congruent with the new global and regional economic realities. Through a process of responsive community engagement, strategic partnerships, and collaborative learning REI may result in the best and brightest economic development professionals in the world.

REI Center was established in 2011 with support from the U.S. Department of Commerce, Economic Development Administration in collaboration with the following MSU offices:

- MSU Office of the Provost
- MSU Vice President for Research & Graduate Studies
- MSU University Outreach & Engagement
- MSU Extension
- MSU Institution for Public Policy & Social Research
- MSU School of Planning, Design, & Construction
- MSU Department of Geography
- MSU College of Social Science

The statements, findings, conclusions, and recommendations are those of the authors and do not necessarily reflect the views of the Economic Development Administration or the U.S. Department of Commerce.