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Salt Spring Island Shared Business Service Models

Evaluation & Feasibility Study
July 2018



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CEDC



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Executive Summary

Purpose and scope

Salt Spring Island is a remote, rural area. Local businesses are challenged by limited access to markets, elevated costs for many core business services, and a limited and costly ferry connection to the mainland that makes exporting to nearby markets a major challenge. Combined with a preponderance of small, owner-operator businesses, it is difficult for Salt Spring Island businesses to achieve the economies of scale available to their competitors in more urban settings.

This study explores options for a Shared Business Services organization to support Salt Spring Island businesses, with a focus on goods producers in the non-perishable food and beverage, artisan, and health and wellness sectors.

This study is meant to identify which model – or organizational structure – would best provide shared services to participating Salt Spring Islands businesses.

The objectives for the model are:

1. Offers needed services to Salt Spring Island businesses
2. Has capacity to achieve long-term sustainability (i.e., financial self-sufficiency)
3. Reduces risk
4. Has capacity to grow (in terms of membership)
5. Can adapt to changing conditions (is resilient)

Process

The steps for selecting a model of shared services are as follows:

1. Identify preferred services
2. Explore implications of preferred services for model
3. Develop potential models
4. Evaluate models

Driven by the needs of local business, the process emphasized engagement with a focus group of local businesses used to develop a targeted business survey.

Engagement findings were followed-up with research into organizations operating shared services models relevant to this study. Research was also conducted into models of collaborative co-operation in British Columbia.

Findings from research and engagement were used to craft two models and evaluate how well they fulfilled the study's objectives.

Findings

Engagement – Identifying preferred services

The business survey received response from 33 businesses, mostly from the food and beverage, artisan and craft, and health and wellness sectors. The following services emerged as the most preferred by respondents:

- **Distribution and export hub** with a focus on sharing delivery costs around and off-island.
- **Marketing and Sales resources** beginning with a ‘Made on Salt Spring’ program supported by strategic marketing activities.
- **Labour Force Resources** focused on the potential of a labour pool service that would allow businesses that can’t afford a part-time employee to more easily contract out small amounts of work (e.g., 3 hours per week).

These services (especially the first two) were supported by businesses across sectors and respondents showed a strong willingness to be participants in a shared service model that offered them.

Case Studies – Exploring Implications

Research was conducted into how these services have been provided in a similar context, in B.C. and Washington, by the following organizations:

- The Kootenay & Boundary Food Producers Co-op
- Fields Forward – Creston, BC
- San Juan Islands Economic Development Council – “San Juan Made” program
- San Juan Islands Agricultural Guild – “Island Grown in the San Juans”
- TwispWorks – “Methow Made” program, Methow Valley, Washington

According to case study research, these services (especially the first two) are complementary and could be used to mutually reinforce each other. Some other considerations for the model are:

- **Start simple and build capacity over time:** Starting a new organization can be challenging and have risks – starting small and expanding as capacity is built can reduce risk at start-up. Further, most learning about what works for a specific context happens through implementation.
- **Diversify revenue sources:** Securing sustainable, long-term funding through any one source is a challenge. Diverse funding sources, including government grants, should be explored. Diverse funding sources can also mean offering diverse services to multiple sectors, though this introduces complexity challenges.
- **Offer value for money:** Though a shared service organization can be seen as a community service, it will only be sustainable if it provides value to its members. This means providing competitive and worthwhile services. It also means ensuring costs for a service are restricted to the members that benefit from it (i.e., free-riding can be an issue for any activity that is not “fee-for-service”). Costs of services should be tied to revenue sources as much as possible.
- **Explore strategic partnerships and collaborations:** Working with other bodies may make the shared services organization more viable (e.g., through sharing human resources) and help to offer more comprehensive services to local business (i.e., through offering complementary rather than competing services).

Developing potential models

In British Columbia, the legal associations most relevant to the delivery of shared services are:

- A co-operative, which can be profit or non-profit
- A society

A non-profit co-op and a society are very similar, since both must reinvest surplus into the organization. The main distinctions appear to be:

- Co-op services can only be used by members, whereas a society's services are open to anyone.
- A society can operate as a charity, and as such provide tax receipts for charitable donations.

Thus, the key concern is whether to operate as a profit or a non-profit. The benefit of non-profit incorporation is that it provides more opportunities for funding (e.g., donations, government grants). The challenge with a non-profit entity (co-op or society) is managing surplus revenue as they are not allowed to carry 'profit', except in a limited way, over into the next year.

Building off this basic distinction and the case study findings summarized above, the following two models have been developed:

1. **Profit:** a profit co-op employs a part-time staff to manage a number of complementary services (e.g., "Salt Spring made" brand program, coordinated deliveries and exporting, and labour pooling). All members pay an annual membership to be part of the co-op, which gives access to the brand and basic marketing services; additional revenues are generated on a per use basis for the respective services. Profit is paid back to members based on their proportional use of revenue generating services.
2. **Non-profit:** a non-profit co-op employs a part-time staff to manage a number of complementary services (e.g., "Salt Spring made" brand program, coordinated deliveries and exporting, and labour pooling). All members pay an annual membership to be part of the co-op, which gives access to the brand and basic marketing services; additional revenues are generated on a per use basis for the respective services. Surplus revenue is reinvested in services for the next year or membership rates and fees are lowered. The staff person will also be responsible for writing grants to support the co-op until fiscally self-sustaining and will be involved in coordinating partnerships with other non-profits.

Evaluating Models

An evaluation of the two models was conducted first using a descriptive analysis of defining characteristics and respective strengths and weaknesses. Second, a multi-criteria assessment was conducted based on the project objectives and drawing from the descriptive comparison. The descriptive comparison and assessment are summarized in the following tables.

Table: Descriptive comparison of options

Option 1: Profit	Option 2: Non-profit
<p>Defining characteristics:</p> <ul style="list-style-type: none"> Profit Co-op in which dividends from services are paid to members based on use of service 	<p>Defining characteristics:</p> <ul style="list-style-type: none"> Non-profit Co-op in which surplus are re-invested in services
<p>Strengths:</p> <ul style="list-style-type: none"> Simpler fiscal management Profit provides incentive for users and expanding membership More autonomous (as not relying upon government funding, does not need to fulfill goals external to the co-op)) 	<p>Strengths:</p> <ul style="list-style-type: none"> More diversified funding (i.e. through grant opportunities) Can more easily leverage strategic partnerships (with CRD and other non-profits)
<p>Weaknesses:</p> <ul style="list-style-type: none"> Requires higher up-front investment in infrastructure from members Profit expectation may undermine commitment from members 	<p>Weaknesses:</p> <ul style="list-style-type: none"> Challenge of allocating 'surplus' revenue in a way consistent with non-profit legal requirements Potential long-term reliance on grants Portion of resources must be dedicated to grant applications and reporting

Table: Multi-Criteria Assessment

Objective	Option 1: Profit	Option 2: Non-profit	Scoring rationale
Offers needed services to Salt Spring Island businesses	H	H-M	While neither structure limits the provision of needed services, use of grants by a non-profit may result in other goals driving co-op decision-making
Has capacity to achieve long-term sustainability (i.e., financial self-sufficiency)	H-M	M	If the services are feasible, autonomy from grants should result in more efficient use of staff time (i.e. no time spent writing grants and reporting back), increasing financial self-sufficiency.
Reduces risk	L	H	By offering another revenue stream, access to grants reduces risk, especially at the outset when low membership numbers will limit revenue streams.
Has capacity to grow (in terms of membership)	H-M	H	Both have growth capacity, but the lower initial investment costs of the non-profit may support establishing a membership base.
Can adapt to changing conditions (is resilient)	H-M	H-M	Both structures have challenges and strengths for adapting to changes. Profit option may be more nimble as it does not need to answer to granting requirements; a diversified revenue base means option 2 can weather changes to economic conditions.

Evaluation conclusion

While both options are expected to perform well, Option 2: Non-profit appears to be a more prudent launching point for a new shared business organization. Central to this is the ability to secure grants for developing infrastructure at the outset and supplementing revenues until membership can be increased. The lowered start-up cost may also mean a lower initial investment by potential members which would support successful membership drives. The main trade-off is that Option 2 offers less autonomy since the co-op will need to consider expectations and goals of granting bodies; it may also be less sustainable long-term as the time devoted to maintaining grants will lower the organization's efficiency in delivering services.

Recommendations – Operationalizing the model

While this study suggests that a diversified, non-profit co-operative may be the most suitable model for delivering shared services to Salt Spring Island businesses, there is significant work to be done to operationalize the recommendation. This analysis proceeded from general input from local business about needs, level of interest in service sharing, and preferred services.

No matter the model, the following work should be pursued as part of operationalizing the study:

- **Phase 1 – Build the infrastructure**
 - Hire a part time coordinator to begin implementation
 - Connect with BC Co-op advisor
 - Finalize input and buy-in from local business to confirm operational details of core services including initial member list and service suppliers
 - Develop a Financial Feasibility Study and Business Plan
 - Create a Marketing and Communications Plan including:
 - Developing a “Made in SSI” brand and supporting website/ materials
 - Membership drive initiatives
 - Secure funding (member investment, grants, loans, etc.)
- **Phase 2 - Incorporate**
 - Develop Memorandum of Association and rules
 - Name interim directors
 - Legal review of incorporation documents
 - Submit documentation to Corporate Registry

1. Purpose and scope

Salt Spring Island is a remote, rural area. Local businesses are challenged by limited access to markets, elevated costs for many core business services, and a limited and costly ferry connection to the mainland that makes exporting to nearby markets a major challenge. Combined with a preponderance of small, owner-operator businesses, it is difficult for Salt Spring Island businesses to achieve the economies of scale available to their competitors in more urban settings.

This study explores options for a Shared Business Services organization on Salt Spring Island that would help local business increase their economies of scale through better coordination around common business challenges. It is hope by doing so, the viability and sustainability of these businesses can be increased.

To maintain a manageable scope for this study, it focuses on a sub-section of the Salt Spring Island economy: goods producers, specifically local businesses in the non-perishable food and beverage, artisan, and health and wellness sectors. However, it is not the intent of the CEDC that the model that emerges from this study will only ever serve these sectors. In time, it is hope that a successful organization will grow and support more sectors.

While the types of services are a central consideration, this study is meant to identify which model – or organizational structure – would best provide shared services to participating Salt Spring Islands businesses.

The objectives for the model are that it:

1. Offers needed services to Salt Spring Island businesses
2. Has capacity to achieve long-term sustainability (i.e., financial self-sufficiency)
3. Reduces risk
4. Has capacity to grow (in terms of membership and services offered)
5. Can adapt to changing conditions (is resilient)

2. Process

The steps for selecting a model of shared services are as follows:

1. **Identify potential services**, which primarily involved consultation with local business to identify needs, service preferences, and willingness to participate in a shared service organization. Consultation was collected through a focus group of representatives from local businesses in the non-perishable food and beverage, artisan, and health and wellness sectors and a Business Survey distributed more broadly.
2. **Explore implications of preferred services for model**, which involved research into organizations from similar contexts in B.C. and the U.S. operating comparable organizations and services for business. Online research and/or calls were placed to the following groups:
 - The Kootenay & Boundary Food producers Co-op

- Fields Forward - Creston
- San Juan Islands Economic Development Council – “San Juan Made” program
- San Juan Islands Agricultural Guild – “Island Grown in the San Juans”
- TwispWorks – “Methow Made” program

3. Develop potential models, which involved research and analysis of incorporation options for shared service organizations (co-op/society, profit/non-profit), then used case study findings to create sensible alternatives that are both realistic (i.e., no strawmen) and distinct

4. Evaluate models, which involved a descriptive comparison of the strengths and weaknesses of the two options and a multi-criteria assessment using the project objectives outlines in section 1.

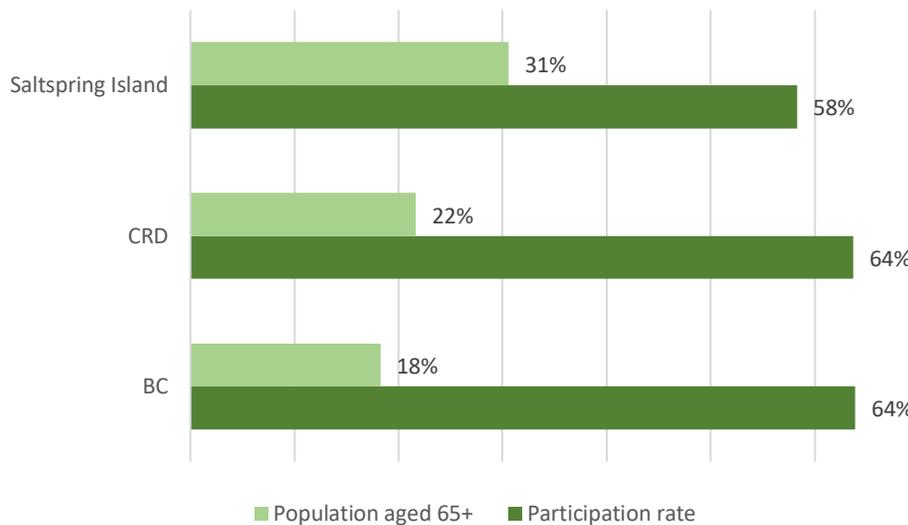
3. Research

3.1 Economic Conditions

Salt Spring Island has a large and growing tourism sector. In 2016, approximately 29,000 more ferry passengers arrived in Salt Spring Island harbours than in 2015, a 4.7% increase.¹

Salt Spring Island also has a large retiree population.

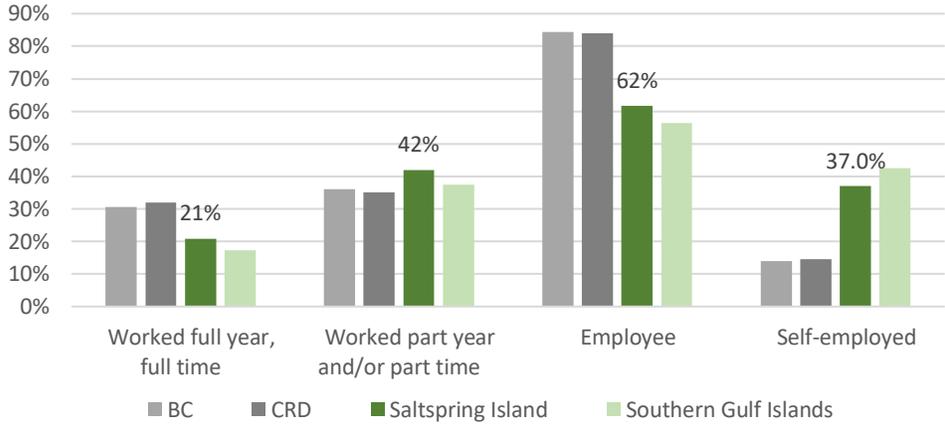
Figure 1: Participation rate and age 65+



Salt Spring Island has much higher rates of part year and or/part time work compared to provincial and regional averages. A much higher proportion of the labour force is also self-employed (37% for SSI, or 1955 people).

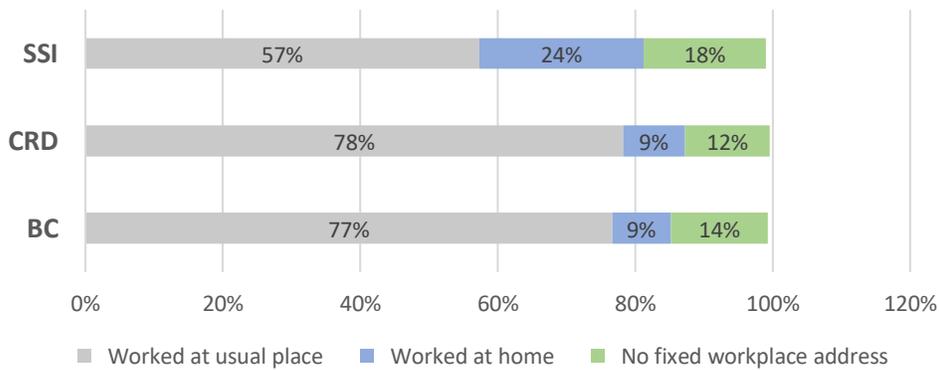
¹ BC Ferries Traffic Statistics, 2016 and 2015.

Figure 2: Work activity 2016



Salt Spring Island also has a high proportion of employed people working from home (24%) compared to provincial and regional averages (9%).

Figure 3: Place of work 2016



As an island, the labour market on Salt Spring Island is very self-contained. For the approximately 2900 Salt Spring Island residents who worked at a usual place, very few (about 8%, or 250) are commuting off Salt Spring Island to work. Similarly, very few of the jobs on island are filled by people commuting in (about 4%, or 105 jobs).

Figure 4: Commuting pattern for those with a usual place of work - 2016



The overall picture from these statistics is of an entrepreneurial businesses environment and a relatively isolated employment pool highly, affected by a seasonal (likely tourism driven) economy. From consultation (described below) we know the access challenges of the island limit market access, raise business costs, and restrict human resources. The data confirms the last point, and illustrates that the limited employment pool also affects those looking for work; people are faced with the challenge of piecing together more part-time and seasonal employment throughout the island.

3.2 Local Business Needs

Consultation with business was a core activity of this study, beginning with a focus group of ten local businesses representing the food services, artisans, and body products sectors. This workshop provided insight into key challenges and potential service areas. These insights were then used to prepare a business survey. The survey helped to gauge the level of interest from local business and the nature of services that would be most beneficial.

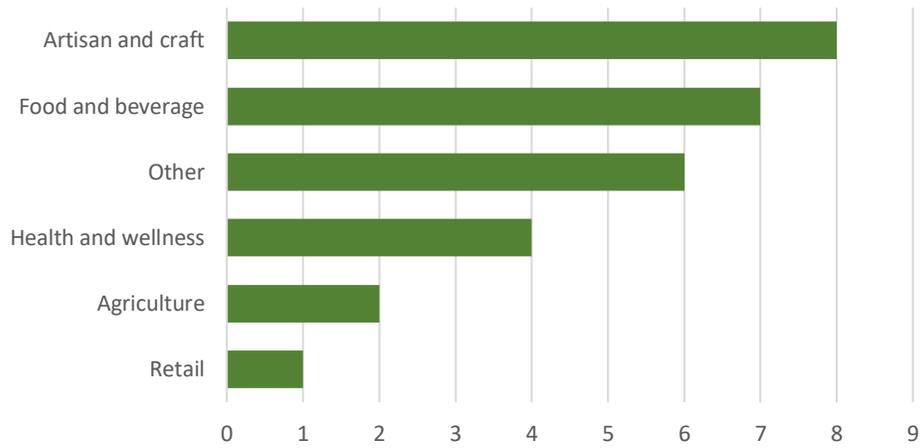
Below is a summary of survey results followed by more detail regarding the services that emerged during the focus group.

Who answered the survey?

Representatives of 33 businesses responded to the survey and were:

- Primarily from the artisan craft, food and beverage, and health and wellness sectors
- Mostly smaller companies (zero to three permanent full-time staff with zero to three seasonal or part-time staff), though there were a number of larger (10+ staff) businesses
- A diverse mix of ages (from new businesses to those that have been operating more than 20 years)

Figure 5: Count of survey respondents by sector



Under “Other”, respondents listed the following:

- Agriculture/workshops
- Cleaning
- Consulting
- Fine art retail and artist development
- Technology and communications
- Tourism

An additional five survey respondents did not answer this question.

Figure 6: Count of full time and part-time/seasonal staff

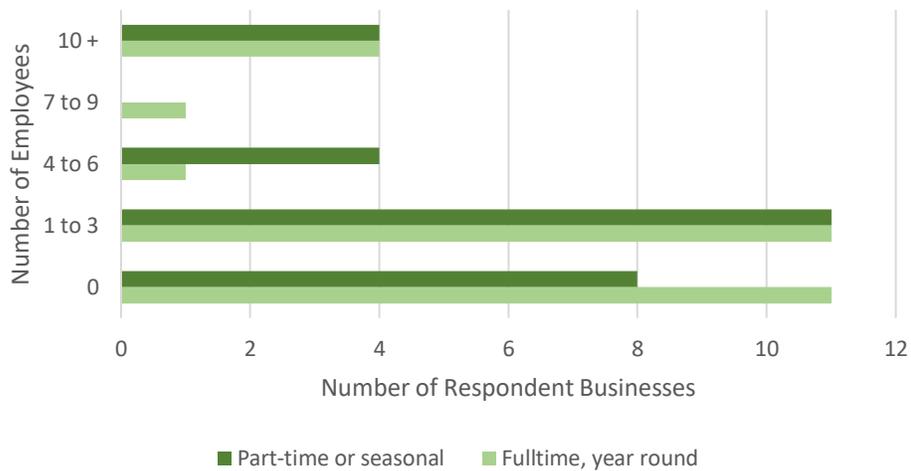
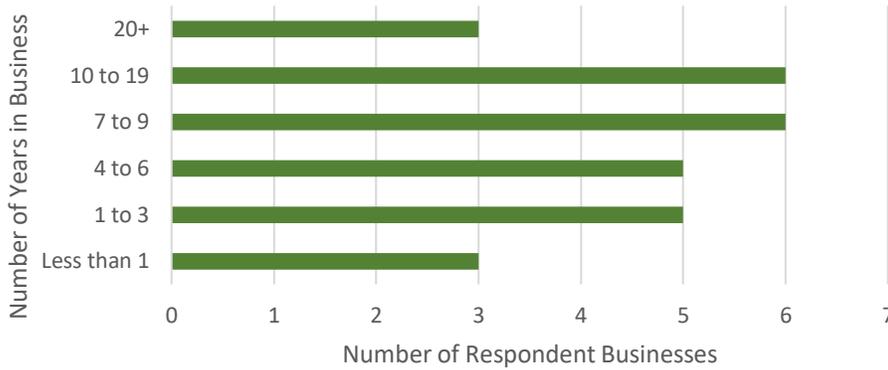
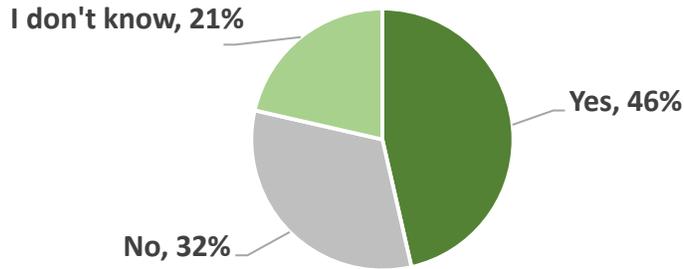


Figure 7: Number of years in business



Additionally, roughly half of respondents expected their businesses to grow in the next five years.

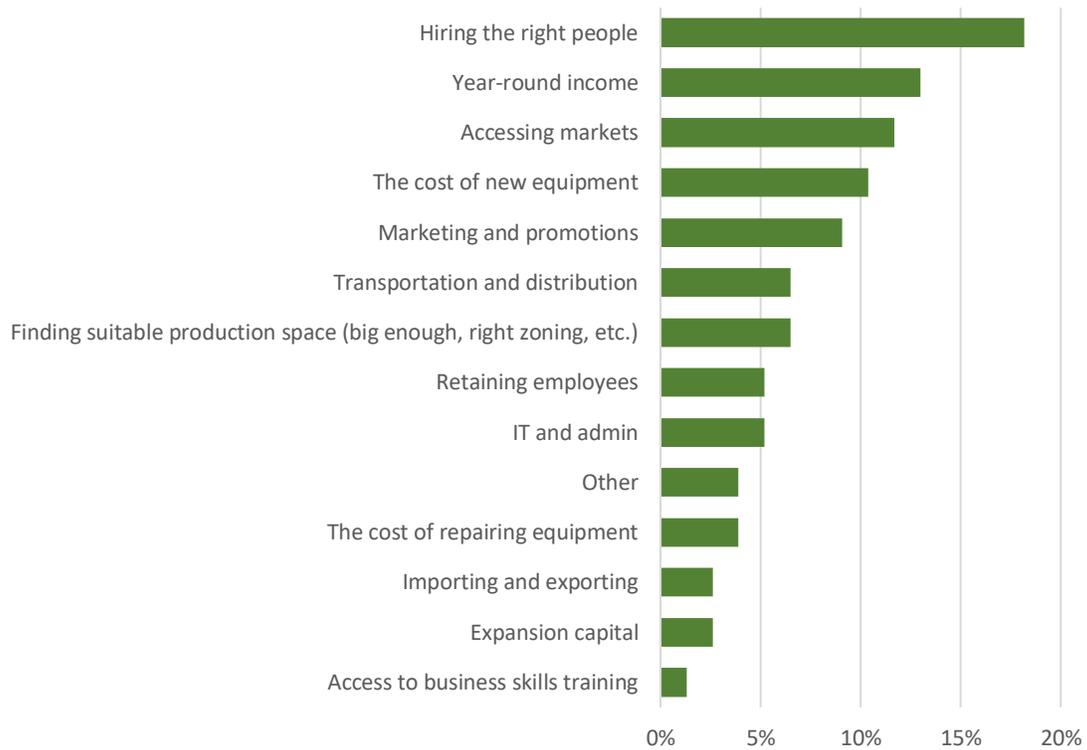
Figure 8: Expect to grow in the next five years



Shared service needs and interests

The top three issues/challenges faced by respondents were hiring the right people, maintaining a year-round income (presumably given the seasonal tourism-based economy), and accessing markets. It should be noted that the fifth and sixth challenges (marketing and promotion; transportation and distribution) are related in different ways to accessing markets (the third choice).

Figure 9: Salt Spring Business Challenges



Where respondents answered “other” they provided the following examples:

- Expense of off island distribution and getting things here
- Accommodation to keep employees
- Time to produce

When respondents were asked to rank their preferred option for a potential shared service, the top three choices were marketing and sales resources, distribution and export hub (sharing ferry travel costs), and labour force resources.

Figure 10: Ranking of potential shared services (respondents chose up to three)



When asked to comment on their preferred services, respondents offered the following:

- Marketing and sales resources:
 - Shared marketing: brochures, magazines, web resources
 - Mini workshops on marketing, i.e.,: social media
- Distribution and export hub:
 - Regular consistent schedules (for distribution/delivery)
 - Looking for a cheaper way to bring items and send product/items off island
 - Lots of travel for my business, would like to share costs. And share resources to strengthen network
- Labour force/hiring:
 - Mini workshops on hiring, like: accessing government funding to help alleviate the cost of training employees, or being able to access a pool of pre-qualified employees by job description/skills required
- I would like to see the expense of these services lowered, the access to these services improved and ongoing accessibility to these services.
- Shared production space:
 - Would love to have a communal creative workshop space. Somewhere that we could do different creative production classes that the space can get messy in that is low cost/free/in-trade for doing workshops with the local community.
 - Would love to see some sort of skill share program.
 - It would be great if we had a hub where artisans could make their wares and store and or share their equipment.
 - Also, if the hub had the equipment to market wares, i.e. fax machine, photocopier, laminator, etc.
 - The hub could also serve as a ride share or ride help base.

- The hub could be a place where established vendors could mentor new vendors as well.
- IT and admin:
 - Contributing a set monthly fee for X hours per month of admin/IT support - so that the IT Admin person had an incentive to work for less hours than they normally might want to because the work is part of a larger contract of work
- Business skills training
 - Bookkeeping
 - Having access to basic business skill training such as "Management Essentials" and progressing to higher levels such as "Financial Essentials for Business" and "measuring and Reporting" fundamentals
 - Business skills training: 2 to 3 hour mini courses/workshops on specific topics – i.e., record keeping, finances, et cetera
- Commercial equipment service repair:
 - A "go to" person who knows what is happening in the commercial community and links needs

Comparing the preferred services to top ranked issues/challenges provides insights into how local business may understand the challenges they face. For example, if the challenge of 'year-round income' may be best addressed by improved marketing and off-island distribution, it may be seen as a problem of being limited to a seasonal market (i.e., tourism), rather than managing seasonal income streams and costs. And as mentioned above, 'access to markets' may be seen as a challenge of marketing and distribution. Indeed, commentary from the focus group around year-round income mostly elaborated ways marketing could be used to extend or expand the tourism season.

It is also important to note that the preferences for services is fairly well distributed, meaning respondents were interested in many of the services listed as potential shared services. This is more evident when compared to the distribution of responses around issues/challenges. For example, the difference between the top challenge ('hiring the right people') and the sixth rated challenge ('transportation and distribution') is 12%, but for services the difference between the first ranked and sixth ranked services is only about 4.7%.

Willingness to participate

Survey respondents were asked to rate their willingness to participate in the services that they had selected as a "service of interest" using a five-point scale from "Very unwilling" to "Very willing" (note that a single "neutral" vote has not been included in the figure). The figure below shows a high degree of willingness to participate in sharing these services.

Figure 11: Degree of Willingness to participate in shred service



It should be noted that data about ‘willingness’ indicates a different prioritization of preferred services, which may be due to sector-specific preferences.

Sector-specific preferences

While preferred services varied somewhat from business to business, some services appear to cut across sectors, whereas others were preferred by businesses in certain sectors. For example:

- The top two overall selections – ‘Marketing & sales resources’ and ‘Distribution & export hub’ – were broadly popular regardless of sector.
- The top choices of the Food & Beverage businesses were rarely shared as a top choice with other sectors, indicating a specific set of needs. These were ‘Labour force resources’, ‘Commercial equipment repair’, and ‘Shared waste management’.

The table summarizes selections of preferred service by sector.

	Food & bev.	Artisan & craft	Health & wellness	Agric.	Retail	Other & NA	Total
Marketing and sales resources	2	3	3	0	0	4	12
Distribution and export hub; sharing ferry travel costs	2	4	3	1	0	1	11
Labour force resources	5	1	0	0	1	3	10
Access to professional services	2	1	1	0	0	5	9
IT and administrative services	0	2	1	0	0	5	8
Business skills training	1	4	2	0	0	1	8
Commercial equipment repair services	4	0	0	0	1	2	7
Shared production space	0	3	1	1	0	1	6
Shared waste management	3	0	2	0	0	1	6
Shared costs for raw materials	1	1	1	1	0	1	5
Year-round income management	0	1	2	0	0	1	4

Another important aspect of the sector-specific analysis of results is how it can highlight where certain services can be more easily shared across sectors than others. For example, regardless of the types of goods produced, most businesses trying to sell on or off-island can benefit from improved branding and marketing and cheaper distribution. On the other hand, the ability to share the costs of raw materials, production space or equipment servicing will depend on how many businesses use the same kind of inputs and production methods.

Detailed feedback on preferred services

Through the focus group, additional commentary was provided on the top three preferred services around expectations, opportunities, and potential challenges. That commentary is summarized here.

- ***Distribution and export hub*** on Salt Spring Island delivery costs can be considerable (up to 25% of total product cost), both for sending goods off island, as well as sourcing goods (it was noted that sourcing fruit and vegetables for restaurants and other food-related businesses is expensive). A beneficial form of this service would be a coordinator that could schedule shared deliveries around and off island. It was noted that this service could likely operate as a co-op or even a for profit private business, though its success will depend on making sure local business know about it and it is well-used.
- ***Marketing and sales resources*** may need to take a diversified approach, linking businesses to on and off-island markets. Some businesses see a strong opportunity in increasing sales locally, others see online marketing and sales as their path to growth. Other important considerations for such a service are:

- Marketing is important and can protect the value of local businesses – there is the challenge of people using the Salt Spring name despite not being a Salt Spring business. A brand identifying “Salt Spring Island Made’ goods would be of benefit.
 - There are a lot of opportunities to build off of tourism, e.g., connecting with tourism providers, Apps (like the San Juan Islands Insider app).
 - More involved marketing will need to be strategic, e.g., aligning marketing needs and target geographies; considering resources that already exist, such as TripAdvisor and programs provided by the Chamber of Commerce (e.g., ‘Buy Local’ campaign and ‘Welcome Basket’).
 - It will be important to quantify the shared service delivery model to ensure businesses are getting the most for their money (i.e. what are the costs, what are the benefits?)
- Comments on **labour force resources** focused on the potential of a labour pool service that would allow businesses that can’t afford a part-time employee to more easily contract out small amounts of work (e.g., 3 hours per week). It was also noted that some don’t want to hire more employees because of the accounting/tax/paperwork challenges (e.g., dealing with CPP and EI). It was also noted that government programs may provide funding support for this service (e.g., BC Jobs grant for a labour pool manager).

3.3 Case studies

The case studies provided here focus on organizations that are providing shared services similar to the top four services identified from the Business Survey and that are from a similar context (i.e., relatively rural and remote locations). While this is not an exhaustive study of examples, it does appear that these services are more commonly utilized by food producers, hence the bias toward that sector. Shared services (e.g., arts and crafts, IT and digital) in other sectors appear to more commonly be shared spaces or facilities.

The Kootenay & Boundary Food producers Co-op

The Kootenay & Boundary Food producers Co-op has run a food distribution service connecting member farms with interested retailers since 2015. To do so, the co-op also acts as a broker, consolidating the products of the different members under one ‘roof’ to streamline ordering for retailers. The distribution is a simple model – one farm is identified as a pick-up location for scheduled deliveries and the other members drop off their product there by a set time.

The co-op is managed by one part-time staff funded through an entrepreneurial model, meaning the staff person receives a percentage on the sales secured through the co-op.

The business plan has recently been re-focused towards wholesale to make it more feasible in the long-term. Previously, the brokerage service attempted to connect their members (primarily market growers with dozens of products) to a diversity of retailers (grocers, eateries, etc.). However, this demanded placed high demands on the co-op staff person to link producer outputs with retailer needs. A shift to a wholesale model, currently involving a pre-season order

from one large retailer, is an attempt make brokering more profitable. This change included a shift from an hourly wage to the entrepreneurial pay structure for the staff person, which is hope to further incentivize growing the co-op's revenue.

While the co-op began as a profit, it has recently re-structured as a non-profit to allow for applications to government grants.

The Kootenay & Boundary Food producers Co-op offers the following lessons:

- A lean approach that involves no capital investment (e.g., into refrigeration facilities or a delivery) is a viable way to launch such a service. Distribution involves individual producers leaving their product at a predetermined location for a pick-up by third-party distributor. This model allows coordination of producers without little up-front investment, the only cost is for staff time to coordinate orders and schedule deliveries.
- While the inclusion of a broker service could add value, it can be very inefficient if it attempts to link many small diverse producers with many small consumers. A wholesale brokerage, which requires coordination of production (i.e., farmers coordinating what they grow) can lower costs and improve offerings for retailers.
- Depending on the business plan (i.e., number of producers, market vs wholesale), funding could be a challenge. The Kootenay Boundary Co-op became a non-profit to gain access to grant funding opportunities.
- Labour pools are a relatively simple but effective service with good opportunities to leverage grants.

Fields Forward – Creston

Is a non-profit society supporting food and agriculture as an economic sector and improving food security. Fields Forward was launched with an RDF grant in 2016 as part of a larger agricultural sector economic development initiative.

Fields Forward operates under Kootenay Employment Services (KES), a registered charity that draws funding from multiple sources (WorkBC and other government agencies, foundations and private business). Fields Forward has its own lead staff, but shares administrative staff and resources with KES.

Fields Forward has nine working groups: Education, Culture, Farmers' Market, Co-Marketing, Infrastructure, Extension and Training, Distribution, Labour Market and Sustainability. They are working on development of several initiatives around coordinating producers for improved economies of scale, though it appears only a mobile food press is currently active. The mobile Food press, which is almost, but not yet, financially sustainable, is their sole revenue generating service.

Fields Forward offers the following lessons:

- The ability to share staff resources with other services can reduce program costs
- Grants are a key source of revenue, especially at the outset

San Juan Islands – “San Juan Islands Made” and “Island Grown in the San Juans”
“San Juan Islands Made” and “Island Grown in the San Juans” are two unrelated branding programs to support locally produced products from the San Juan Islands.

The “San Juan Islands Made” program is a brand for identifying goods that have been manufactured, fished, and timbered locally. The program is administered by a staff person from the San Juan Islands Economic Development Council, a County Government body.

Membership costs \$40 per year and comes with a limited number of stickers to be placed on products (with the option of purchasing additional stickers) as well as a window sticker for the producer’s location. The brand is supported by limited marketing initiatives including a website, social media posts, and “shelf talkers” for retailers that identify “San Juan Island Made” products.

The “Island Grown in the San Juans” program is run by the San Juan Islands Agricultural Guild and is restricted to producers of agricultural goods. In addition to being a protected designation of origin brand, the “Island Grown in the San Juans” was also designed to be an organic good certification. However, as there are no resources for policing, they now take a pledge from members. For locally made/grown goods, the criteria are that the products must be at least 75% made on island or 75% of the labour put into the product be from island residents. This was important to ensure local businesses that rely on inputs unavailable on the San Juan Islands (e.g., coffee beans) but are otherwise substantially produced locally would still qualify.

“Island Grown in the San Juans” is run as a charitable non-profit (501-c-3), with an elected Board of members, one full-time staff and additional volunteers. Sustainable revenue for the program has been a challenge to secure. Current membership fees are \$70 annually (up from \$20), but still subsidized with grants. Raising the membership fee further may not be possible as many of the members run very small operations. Overlapping membership lists with local Chambers also restricts member appetite for higher fees.

Despite budgetary challenges, the program is growing. When the program was launched, it had 21 members. With the addition of a farm products guide and tourism map, membership increased to 71.

The Board is now considering incorporating as a co-op so that they can explore establishing a food hub, which would be an additional revenue source and they see as a good fit with the protected designation of origin brand. This was done as part of the Puget Sound food hub and brand, which is fiscally sustainable.

The made/grown on San Juan Islands brands offer the following lessons:

- Delivering a brand can be a relatively simple activity
- Membership rates for small operators will need to be kept low, but can be increased if value-add marketing is provided and seen as valuable by members
- Grants are an important part of financial viability especially at the outset
- A protected designation of origin brand can be a good fit with distribution and brokerage services

TwispWorks – “Methow Made” program

“Methow Made” is another protected designation of origin brand administered for the farmers and artisans of the Methow Valley in Washington state. The Methow Valley consists of three small towns – Mazama, Winthrop, and Twisp – with an overall population of about 6,000 residents, roughly half of whom are part-time residents.

The “Methow Made” program was established in 2012 under TwispWorks, a local society devoted to supporting economic development in the valley. The program was initiated with a grant and began as a means of supporting farmer’s and was built off of a successful farmer’s market. It has since expanded to include a variety of other artisan’s and goods producers, and has now become the *de facto* place brand for the Methow Valley.

To qualify for the “Methow Made” brand, a basic criteria has been established: 75% of product or labour is in the valley. The notion is that the Methow Valley has to be the primary location of raw ingredients or labour. Further, the Methow Valley must be the primary residence of the producer (e.g., not looking to support Seattle residents with a vacation home in the Methow Valley where they do some casual pottery). There are no criteria around being organic or around sustainability, though it is felt this is generally achieved by default based on the types of operators that choose to live in the area.

Currently, the program has approximately 40 members paying \$75 per year. This low membership fee is not sufficient to pay for the program operation, which takes on average 20 to 25 hours per month of TwispWorks staff time. However, it is felt that raising annual rates would not be feasible given the diversity of members (from very large to very small). For large operations that have their own marketing and sell successfully in major retailers outside the valley, their membership is more of a commitment to the success of the Methow Valley in general – raising the membership rate too high may make it unappealing to these producers. Alternately, very small producers, using the brand as their primary marketing tool, likely cannot afford much more than the current fee.

The main marketing support for the brand is a website (very well-designed) that directs visitors to websites of program members. The purpose of the website is not to sell product, but to establish a connection and draw people in to the idea of the Methow Valley through telling stories around the products, producers, and place. It is in this regard that the “Methow Made” brand has become a kind of place branding program.

Additional marketing includes promotion on social media, a partnership with the local newspaper, and hosting a number of events, e.g., ‘Meet the Maker’, which is scheduled and promoted to reach a specific target market that does not attend the Saturday farmer’s market. There are also retail partners throughout the valley and a set of locally crafted shelving units for product display – retailer’s stock the units themselves and maintain their own relationships with producers.

While the grant was important for the expensive up-front work of building the infrastructure (website, branding, etc.), program operations are currently subsidized by TwispWorks through allocation of staff time. For achieving future financial sustainability for the program, TwispWorks staff are considering an expansion of marketing services, including repping, merchandizing,

brokering products, and distribution. TwispWorks staff sees many of these services as “natural” pairings, especially if they move to retail partners outside the valley.

Services would potentially be made available through a tiered-membership program which would allow members to pay more for a broader range of services.

The “Methow Made” brand offers the following lessons:

- Sharing staff with other services supports program sustainability
- The biggest costs are up front, related to building infrastructure (brand, website, etc.)
- It can take time to build membership sufficient to achieve financial sustainability
- Membership fees need to be kept low, and it is unlikely that those fees alone can support the staff time needed to conduct marketing activities
- Grants and other revenue sources are critical to program initiation
- Long-term financial sustainability depends on providing more value-add services to members
- Membership rates can be increased if additional services (repping, merchandising) provide new value-propositions for members. Offering tiered memberships can also allow for a diversity of servicing needs.

3.4 Findings Summary

The following two services are broadly supported across sectors and survey respondents indicated a high willingness to participate should they be offered as part of a shared service delivery model:

1. Marketing and sales resources built around a “Made in Salt Spring” brand and supported by diverse promotions materials; and
2. A distribution and export hub focused on coordinating local deliveries and sharing ferry costs.

These services are applicable to multiple sectors.

Labour force resources, especially a shared labour pool, also received significant support, though less broadly (i.e. across sectors) than the top two services. Given the high number of small business operating on the island, it is presumed that many will shared focus group challenges in contracting for short periods (i.e. a few hours per week). But a Labour Pool not only supports needs of local business, but could contribute to better (more stable, higher paying), especially for youth. However, depending on the level of skill and experience required, there may be limitations to sharing labour across sectors.

Further, according to case study research, these services (especially the first two) are complementary and could be used to mutually reinforce each other. Some other considerations for the model are:

- **Start simple and build capacity over time:** Starting a new organization can be challenging and have risks – starting small and expanding as capacity is built can reduce risk at start-up. Further, most learning about what works for a specific context happens through implementation.

- **Diversify revenue sources:** Securing sustainable, long-term funding through any one source is a challenge. Diverse funding sources, including government grants, should be explored. Diverse funding sources can also mean offering diverse services to multiple sectors, though this introduces complexity challenges.
- **Offer value for money:** Though a shared service organization can be seen as a community service, it will only be sustainable if it provides value to its members. This means providing competitive and worthwhile services. It also means ensuring costs for a service are restricted to the members that benefit from it (i.e., free-riding can be an issue for any activity that is not “fee-for-service”). Costs of services should be tied to revenue sources as much as possible.
- **Explore strategic partnerships and collaborations:** working with other bodies may make the shared services organization more viable (e.g., through sharing human resources) and help to offer more comprehensive services to local business (i.e., through offering complementary rather than competing services).

4. Selecting a model

4.1 Incorporation Options

In British Columbia, the legal associations most relevant to the delivery of shared services are:

- A co-operative, which can be profit or non-profit
- A society

The BC Co-operatives Association (BCCA) offers the following distinctions between co-ops and societies:

A co-operative is essentially:	A not-for-profit society is essentially:
An association of people and/or organizations.	A union of people and/or organizations.
An organization of users.	An organization of individuals or organizations.
Organized by people to serve their own needs.	Organized to serve others and the community.
Controlled by its members, through an elected board of directors.	Usually controlled by a Board of directors (which typically is not elected).
Shares are par-value or non-par value. Members benefit from services provided, more than the accrued value of shares. If profits are distributed, distribution is based on the member’s use of the co-op’s services.	No shares, no distribution of funds to members. No profits are distributed.
Surplus earnings (profits) belong to the user-members and are used to make the co-op stronger or returned to members (in for-profit co-ops).	Surplus is reinvested in the mandated services the society provides.

Based on these definitions, a non-profit co-op and a society are very similar, since both must reinvest surplus into the organization. The main distinctions appear to be:

- Co-op services can only be used by members, whereas a society's services are open to anyone. For example, the Salt Spring Island Abattoir, operating as a society, can be used by non-members. However, as with the retailer Mountain Equipment Co-op, the threshold for membership can be made so low as to be non-existent. Aside from legal constraints, a co-op benefits from being part of a large and growing organization of co-operatives in British Columbia, and thus will have a number of supporting resources available to it, i.e., through the BC Co-operative Association.
- A society can operate as a charity, and as such provide tax receipts for charitable donations. A co-op can receive a donation but can not provide tax receipts (unless incorporated as a 'Community Service Co-op', in which case it can, under the right conditions, become a charity). Therefore, a society may benefit from additional incentives to philanthropy.

As such, the key concern is whether to operate as a profit or a non-profit. The benefit of non-profit incorporation is that it provides more opportunities for funding. A non-profit co-op can receive donations, government grants, and even count government (e.g., the Capital Regional District) as a partner. For profit co-ops must rely on revenues alone.

The challenge with a non-profit entity (co-op or society) is managing surplus revenue. While some amount can be held over to the next year's operations, it all has to be reinvested, or rates adjusted so that the following year's operations do not produce a surplus. But doing so introduces the risk of a budget shortfall if service levels change. A for-profit co-op can simply pay out any surplus as a dividend to members. The payout of dividends provides the added benefit of providing an incentive to boost membership and use of the service. It should be noted that the primary distinction between a co-op and a private corporation, is that co-ops distribute dividends based on amount of service use, not on the number of shares held.

Co-operatives in BC: A growing trend in local economic development

There is a growing trend of vibrant and creative co-ops in British Columbia, numbering nearly 700. They are quickly proving to be a viable, community-driven solution to the challenges rural operators face around the province. Collectively controlled, the co-operative model is an innovative and successful one, with nearly twice as many co-ops remaining in operation compared to other forms of enterprises after 5 years. Co-ops have also shown to create jobs at nearly five times the rate of the overall economy. Co-ops are organized so that its member delegate control of the organization to an elected board of directors, made largely of members. This means that co-ops are run and directed by the people who use them.

4.2 Organizational Models

Based on the business preferences identified in section 3.2, the case study findings from section 3.3, and the incorporation options discussed in section 4.1, two shared service delivery models were developed for consideration, one involving a profit component, the other a non-profit component.

Given the minimal distinction between co-ops and societies, the modelling uses a co-op over society as it provides access to more non-monetary resources (as potential member of the BCCA). Further, consulting with topic experts it was suggested that if the organization was focused on the operation of revenue generating services for the benefit of members, it is more suitable as a co-op; if the organization is focused on providing services to a larger community (even if it has revenue generating activities to support those services), it is more suitable as a society.

For the sake of comparing organizational structures only, both models are assumed to offer the same services.

1. **Profit:** a profit co-op employs a part-time staff to manage a number of complementary services (e.g., “Salt Spring made” brand program, coordinated deliveries and exporting, and labour pooling). All members pay an annual membership to be part of the co-op, which gives access to the brand and basic marketing services; additional revenues are generated on a per use basis for the respective services. Profit is paid back to members based on their proportional use of revenue generating services.
2. **Non-profit:** a non-profit co-op employs a part-time staff to manage a number of complementary services (e.g., “Salt Spring made” brand program, coordinated deliveries and exporting, and labour pooling). All members pay an annual membership to be part of the co-op, which gives access to the brand and basic marketing services; additional revenues are generated on a per use basis for the respective services. Surplus revenue is reinvested in services for the next year or membership rates and fees are lowered. The staff person will also be responsible for writing grants to support the co-op until fiscally self-sustaining and will be involved in coordinating partnerships with other non-profits.

The models are pictured below.

Figure 12: Option 1: Profit

Option 1: Profit

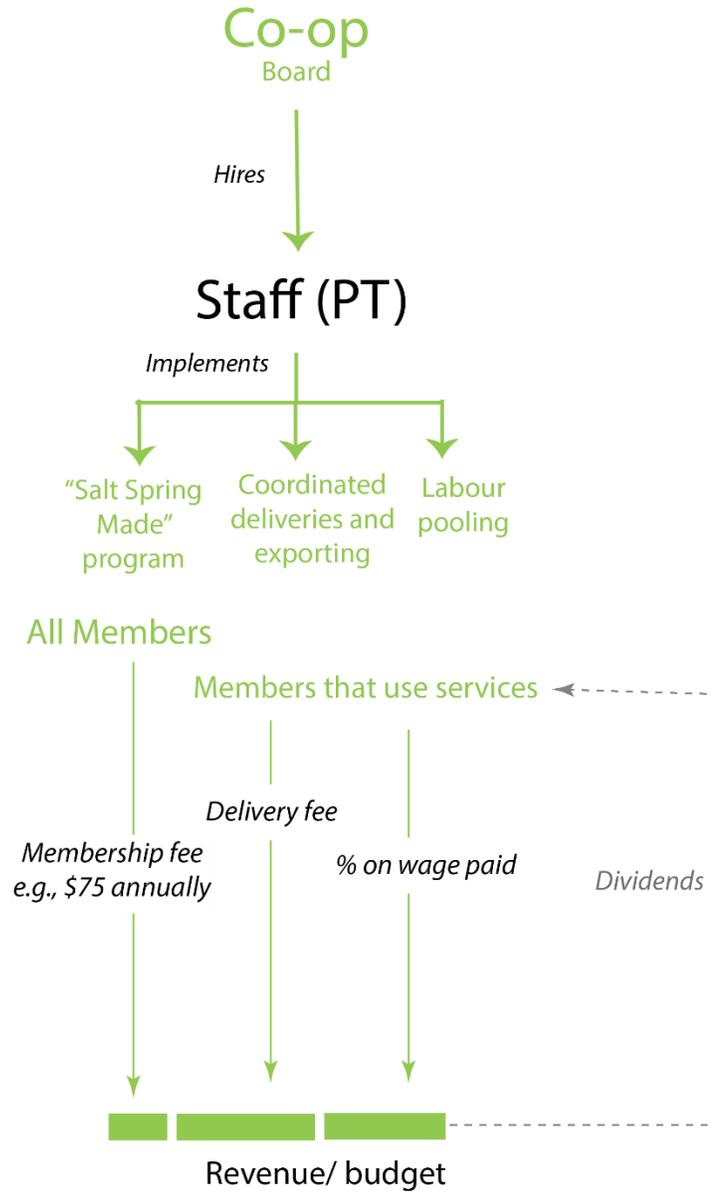
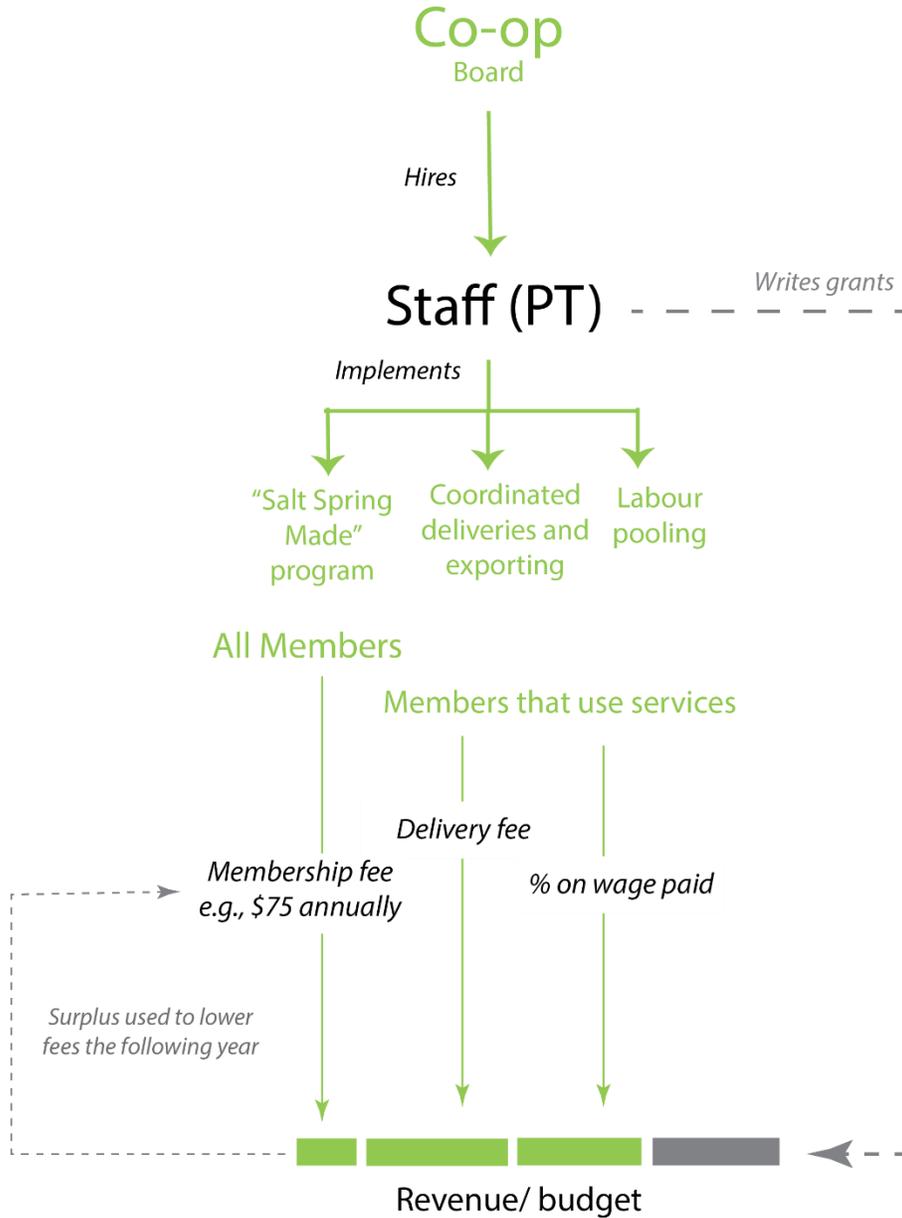


Figure 13: Option 2: Non-profit

Option 2: Non-profit



4.3 Model comparison and evaluation

An evaluation of the two models was conducted first using a descriptive analysis of defining characteristics and respective strengths and weaknesses. The opportunities and threats that would round out a complete SWOT are typically external, and are essentially the same for both models. As the focus was on the inherent differences between models, analysis was focused on the internal characteristics (i.e. strengths and weaknesses).

The descriptive comparison is summarized in Table 1.

Table 1: Descriptive comparison of options

Option 1: Profit	Option 2: Non-profit
<p>Defining characteristics:</p> <ul style="list-style-type: none"> • Profit Co-op in which dividends from services are paid to members based on use of service 	<p>Defining characteristics:</p> <ul style="list-style-type: none"> • Non-profit Co-op in which surplus are re-invested in services
<p>Strengths:</p> <ul style="list-style-type: none"> • Simpler fiscal management • Profit provides incentive for users and expanding membership • More autonomous (as not relying upon government funding, does not need to fulfill goals external to the co-op)) 	<p>Strengths:</p> <ul style="list-style-type: none"> • More diversified funding (i.e. through grant opportunities) • Can more easily leverage strategic partnerships (with CRD and other non-profits)
<p>Weaknesses:</p> <ul style="list-style-type: none"> • Requires higher up-front investment in infrastructure from members • Profit expectation may undermine commitment from members 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Challenge of allocating ‘surplus’ revenue in a way consistent with non-profit legal requirements • Potential long-term reliance on grants • Portion of resources must be dedicated to grant applications and reporting

Second, a multi-criteria assessment was conducted based on the objectives identified in Section 1. The evaluation is meant to provide a high-level comparison of expected outcomes of the models, and as such uses relative measures. If a more detailed business case is needed, absolute (i.e., quantified) measures should be used. Table 2 summarizes the evaluation rubric utilized and Table 3 summarizes the evaluation.

Table 2: Measures for Multi-Criteria Assessment

Objective	Measures
Offers needed services to Salt Spring Island businesses	<ul style="list-style-type: none"> High (H): Has capacity to provide many of the preferred services Medium (M): Has capacity to provide some of the preferred services Low (L): Lacks capacity to provide preferred services
Has capacity to achieve long-term sustainability (i.e., financial self-sufficiency)	<ul style="list-style-type: none"> High (H): Likely to provide sufficient revenue from services Medium (M): Somewhat likely to sufficient revenue from services Low (L): Unlikely to provide sufficient revenue from services
Reduces risk	<ul style="list-style-type: none"> High (H): Employs strategy that substantially reduces risk Medium (M): Employs strategy that reduces risk somewhat Low (L): Does not employ strategy that reduces risk
Has capacity to grow (in terms of membership and services offered)	<ul style="list-style-type: none"> High (H): Can be easily scaled to offer more services to more members Medium (M): Can be somewhat easily scaled to offer more services to more members Low (L): Difficult to scale
Can adapt to changing conditions (is resilient)	<ul style="list-style-type: none"> High (H): Can readily adapt to changing needs of users/local business Medium (M): Can adapt to changing needs of users/local business but with some challenges Low (L): Difficulty adapting to changing needs of members

Table 3: Multi-Criteria Assessment

Objective	Option 1: Profit	Option 2: Non-profit	Scoring rationale
Offers needed services to Salt Spring Island businesses	H	H-M	While neither structure limits the provision of needed services, use of grants by a non-profit may result in other goals driving co-op decision-making
Has capacity to achieve long-term sustainability (i.e., financial self-sufficiency)	H-M	M	If the services are feasible, autonomy from grants should result in more efficient use of staff time (i.e. no time spent writing grants and reporting back), increasing financial self-sufficiency.
Reduces risk	L	H	By offering another revenue stream, access to grants reduces risk, especially at the outset when low membership numbers will limit revenue streams.
Has capacity to grow (in terms of membership)	H-M	H	Both have growth capacity, but the lower initial investment costs of the non-profit may support establishing a membership base.
Can adapt to changing conditions (is resilient)	H-M	H-M	Both structures have challenges and strengths for adapting to changes. Profit option may be more nimble as it does not need to answer to granting requirements; a diversified revenue base means option 2 can weather changes to economic conditions.

Evaluation conclusion

While both options are expected to perform well, Option 2: Non-profit appears to be a more prudent launching point for a new shared business organization. Central to this is the ability to secure grants for developing infrastructure at the outset and supplementing revenues until membership can be increased. The lowered start-up cost may also mean a lower initial investment by potential members which would support successful membership drives. The main trade-off is that Option 2 offers less autonomy since the co-op will need to consider expectations and goals of granting bodies; it may also be less sustainable long-term as the time devoted to maintaining grants will lower the organization's efficiency in delivering services.

5. Recommendations - Operationalizing the model

While this study suggests that a diversified, non-profit co-operative may be the most suitable model for delivering shared services to Salt Spring Island businesses, there is significant work to be done to operationalize the recommendation. This analysis proceeded from general input from local business about needs, level of interest in service sharing, and preferred services.

Through this operationalization, it is expected more nuanced knowledge of local business needs and interests will be gained that may alter the viability of the option recommended here. Following this work (outlined below), a profit co-op (Option 1) may prove a more suitable model. Or, the co-op may start as a non-profit, and proceed to a more independent for-profit model (as suggested from the Kootenay and Methow Valley case studies).

No matter the model, the following work should be pursued as part of operationalizing the study:

- **Phase 1 – Build the infrastructure**
 - Hire a part time coordinator to begin implementation
 - Connect with BC Co-op advisor
 - Finalize input and buy-in from local business to confirm operational details of core services including initial member list and service suppliers
 - Develop a Financial Feasibility Study and Business Plan
 - Create a Marketing and Communications Plan including:
 - Developing a “Made in SSI” brand and supporting website/ materials
 - Membership drive initiatives
 - Secure funding (member investment, grants, loans, etc.)
- **Phase 2 - Incorporate**
 - Develop Memorandum of Association and rules
 - Name interim directors
 - Legal review of incorporation documents
 - Submit documentation to Corporate Registry

Prepared by:

