



Business Succession in Rural Communities

CASE STUDY



Yellowknife Glass Recyclers Co-operative

Yellowknife Glass Recyclers converted to an employee-owned co-op in July 2006 to take advantage of growing popularity of high-quality recycled glassware and the opening of a glass distribution retail store.

Key features:

In 1994, Matthew Grogono founded a business that used a recycled washing machine as a converting device to cut bottles, grind rims and polish vessels into useable glassware. Since then, the business has developed a diversified line of products including drinking glasses, vases, bowls and candleholders of various sizes and colours. The patterns are created by local artists and reflect the unique ecology and environment of Northern Canada. The business converted to an employee-owned co-operative in July 2006 to take advantage of the growing popularity of the high-quality glassware and the opening of a glass distribution retail store. Yellowknife Glass Recyclers Co-operative's (YGR.coop) products are now in many art galleries and gift stores in the Northwest Territories and across Canada. The co-op estimates that since 1994 it has recycled and transformed over 100,000 bottles.

History:

By 2005, Matthew Grogono, the founder and owner of Yellowknife Glass Recyclers, had invested over 11 years and a considerable amount of funds into product development, marketing and financial management of



Name:

Yellowknife Glass Recyclers Co-operative Ltd (YGR.coop)

Location:

Based in Yellowknife, distribution markets across the Northwest Territories and the rest of Canada

Legal Structure:

Limited Workers Co-operative

Type of activity:

Production and marketing of recycled glassware

Date of establishment:

July 2006

Membership:

6

Latest Annual Revenues:

\$100,000



the business. However, he was increasingly finding a diverse range of demands consuming his time. As the business began to diversify, Matthew also saw his liability increase and began to explore options to incorporate as a limited company.



With the advice and guidance of a local community and co-op developer, a feasibility study was conducted and conversion to an employee-owned co-operative was proposed to restructure the business. Co-op legislation in the Northwest Territories requires a co-operative to have a minimum of five members to incorporate as a co-operative. YRG had between six and twelve employees.

Six months prior to conversion into a co-op, the business was already acting in a semi co-operative manner because the owner realized he couldn't alone juggle all the demands on his time. Matthew was already inclined towards the co-operative model through his earlier exposure to housing co-operatives. He had experienced first-hand the risk of volunteer burn-out with non-profit organizations and charitable business models. By instilling a sense of ownership and commitment using the co-operative model, the business would be fully participatory with the worker-owners having a real say in the management and growth of the business.

During the feasibility study, a number of funding sources were identified including The Co-operators' Co-operative Development Programme, Canadian Alternative Investment Co-operative (CAIC) and the Territorial Government (up to 30% of total funding required).

A grant from The Co-operators Co-operative Development Programme of \$10,000 was received. The Co-operators also received additional praise for the amount of informal support and advice that its staff provided the fledgling group. For example, The Co-operators purchased 200 bowls from the co-op for its AGM and provided assistance in printing promotional materials. CAIC also provided a loan of \$10,000. So far loan funding has not been sought from CAIC. And while the Territorial Government has been nominally supportive, only one staff person is dedicated to co-operatives. In 2008, YGR.coop will be exploring the possibility of preferred shares of offer as a contribution to RRSPs.

In February 2006, YGR.coop was incorporated and in July of the same year, it took over all the assets and activities of the old business





Structure and governance:

There were five founding members of the co-operative and this has grown to eleven to twelve members with the membership levels prone to ebb and flow. Currently there are six active members within the co-operative.

The board had very strong involvement and participation early on in the co-op as it grew. Staffing is comprised of one apprentice, one General Manager, one very active Board member and one youth. Three of them have taken on the role of an Executive Board which oversees the day-to-day activities in addition to three other active directors on the main Board.



Current Activities and Business Strategy:

The co-operative has undergone some challenges as it now operates in very different manner than before. The active involvement of the former owner as General Manager and member of the co-operative has ensured continuity and can be seen as an important factor in its continuing growth and success. However, as an employee-owned co-operative, human relations and communication have been issues that have required resolution over time. At the outset there was some confusion over the co-op structure amongst the members, in particular a misperception regarding the horizontal structure of the co-op. This misperception still persists to some extent. As an inclusive organization, this tended to make decision making an arduous process, with the tendency of individual members to push their own agendas.

Further, member and board education is required to ensure that there is clarity over the different roles within the co-op; for example, the General Manager manages the day-to-day business while the Board oversees the long-term direction of the business. Certainly the business has grown over the past 18 months in terms of sales and exposure to new markets, which it may not have been able to when it was a sole proprietorship. However, a co-op mentor would have been useful in establishing some of the ground rules in operating as a co-op. YGR.coop was unlucky to have lost the co-op developer who originally provided assistance when he moved to Alberta prior to the business converting to a co-operative. While he has made himself available to assist the co-op, it has been at a distance rather than on-site.

YGR.coop has developed a greater awareness of its target market, especially the corporate market. Many businesses now approach the co-op to purchase its products as corporate gifts, particularly those businesses with an interest in CSR and environmentally friendly products. The growth of the diamond mining industry in the Northwest Territories has seen diamond mining and processing companies order large amounts of products from the co-op as corporate gifts (One recent order from a large mining company was for 400 units). Also conference organizers are sourcing products from the co-op as interesting and unusual gifts for speakers.

One of the keys to success will be in building up the critical mass within the marketplace through an expanding portfolio of products and targeted marketing. In addition, the co-op will be investing in areas such as internal systems as well as the continual growth of promotional and marketing activities. Complementary challenges will be the full upgrading of the financial management systems within the co-operative, which has hampered some of the management accounting. With more robust systems, the co-op will be able to identify sales and production trends over the year as well as strengths and weaknesses during the trading year.

Human resource development and member education go hand-in-hand as a worker co-op. Members need to mature as business managers as well as members, and as skill sets improve, it will precipitate the co-op's survival as a business.



Member Benefits:

Revenues have increased significantly since 2006 and incorporation as a co-operative – from \$30,000 to over \$100,000. However labour costs have also increased during this time, so that expanding markets are also accompanied by increasing costs in areas such as marketing, supplies, communications and labour.

After 12 years as an entrepreneur, Matthew had plateaued as a business-person and needed to change the dynamics within the business to go to a new level of success. He passionately believes that the conversion to a co-operative was the logical choice for the business and that no other course of action would have been as beneficial.

The creation of the co-op has also resulted in the pooling of talent, a wide range skills and experiences from across the members particularly around communication and marketing.

The other benefit has been around promoting the co-operative and raising the awareness of the co-op model in new market places and amongst residents in and around Yellowknife.



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