

“There Is So Much Future In What We Do” Saluting Worker-Owned Casa Nueva Restaurant

by Karen Thomas, Ohio Employee Ownership Center

How many restaurants celebrate 25 years in business? Not many. In fact, most fail within the first five years.

What are the odds of survival for a restaurant that features local food and democratic worker ownership – and pays all the people who work there significantly higher wages than the other restaurants in town? Whatever the odds, Casa Nueva Restaurant, Cantina and Bodega, in Athens, OH, has beaten them, earning a profit in every one of the past 25 years. In their first year, they turned a profit on sales of \$200,000 and had sales well over \$2.5 million for 2010.

At Casa’s 25th anniversary worker-owner reunion in August, I talked with some of the 172 current and former members. Speaking to Casa’s success over many years, one former member explained, “there is so much future in what we do.”

Is there a future in Casa’s business model of worker ownership and local sourcing? Is this *really* an effective strategy for economic development and job creation? And if so, how do they do it?

Casa’s business model

Casa Nueva operates a full service restaurant, bar, and casual service deli in uptown Athens, a few blocks from Ohio University. They also produce and market their private-label food products. The business is run by 24 worker-owners on a full-time basis year-round, with two current trial members. It employs 43 part-time associates, including many college students. They operate three shifts, including a morning crew, an evening crew, and a crew of midnight bakers of their popular breads, specialty items and desserts.

Casa buys locally, purchasing over 50% of its year round menu ingredients from local organic growers, family farms and specialty food producers. Casa has supported the startup and success of many local farms and food producers through the Food Ventures Network, ACEnet’s Commercial Kitchen incubator, the Athens’ Farmers Market, and the Chesterhill Produce Auction. Casa pays wages to the local farmer-partners who provide fresh food supplies year-round. Local artists are featured in monthly exhibitions, and local musicians provide live entertainment on weekends.

Casa practices high-road HR, paying wages starting at \$9.00– \$10.25/hour across all jobs through its system of tip-sharing, a practice that reinforces the benefits of teamwork. Long-tenured members earn \$12 to \$19 an hour. Benefits include health, dental, paid personal leave, and the opportunity to become equity owners with completion of 4-8 months/500 hours of education and involvement. Members make a two-year commitment of full-time work, earn profit-sharing on their member share and participate in governance, planning and decision-making to run the business day-to-day.

Why is this business model important?

The National Restaurant Association (NRA) estimates Ohio’s restaurant workforce at 500,000 people in 2,000 restaurants (about 10% of Ohio’s workforce). The NRA also cites “sustainability, local sourcing and nutrition” as the top restaurant trend. What would be the impact on our local communities if more Ohio restaurants adopted Casa’s business model?

Startup as a cooperative

Casa began when the owner of a former Mexican restaurant skipped town and a group of eight employees kept the place open on a day-to-day basis. As Leslie Schaller, a founding member and current Business Director recalled, “All eight of us ran the business until the bailiff showed up.”

Experts from their local state-supported labor-management cooperation center and a cooperative development center helped them with a preliminary feasibility study. The study showed the business was potentially profitable and both organizations helped them develop a business plan.

“We weren’t thinking worker ownership at the start, we were just trying to keep our jobs,” recalled former member, Rob Somers. “But we got excited about the chance to own a business, and in a revolutionary way.”

The group incorporated as a cooperative within a C-corporation and received training in business and teamwork skills. They opened as a new casa, the Casa Nueva Restaurant, in October 1985.

Start-up financing

The eight worker-owners negotiated a lease and launched a fundraising campaign. Financing came from diverse sources.

- Member equity: The eight founders put up \$400 in cash and another \$750 in sweat equity each to purchase their member share and buy the restaurant assets out of receivership.
- Community investors: The largest source of funding came through unsecured loans from community members, happy customers, in amounts of \$500 - \$2,000, and through smaller contributions, raffles and a highly successful benefit dinner dance.
- Commercial lender: A loan from a local bank provided startup working capital.
- State grant: They qualified for a State of Ohio grant as a majority female-owned business.
- Bartering and vendor loans: Local businesses bartered for services, some made loans, and many donated money and services toward the fund-raising.

By-laws and self-management

A local cooperative development center, the Worker Owned Network, now ACEnet, helped them set up their by-laws and processes to operate as a worker-owned cooperative, based on models developed by the Industrial Cooperative Association in Massachusetts and the Mondragon cooperative corporation in Spain. Major decisions are made by the board, whose members are elected by members on a one person, one vote basis. Policy decisions are made by the whole membership, which meets monthly.

Casa started with two half-time managers but changed from a traditional approach as their business grew. Management responsibilities are now shared among ten part-time coordinators. One coordinator, called the Bounty Hunter, coordinates the purchase, preparation, and delivery of local produce. Other coordinators are responsible for systems operations, the Cantina, human resources, purchasing and inventory, restaurant services, food preparation, and finances. Others curate live entertainment, monthly art exhibits and the website.

Working as a coordinator provides great business management training, according to Candida Stamp, who serves as one of Casa’s two Finance Coordinators. “My predecessor mentored me for a year, she explained. “Now in addition to my fiscal responsibilities, I present our financials to members, head the financial committee and teach finance classes for associates and directors. “

Member involvement and accountability

Casa’s Hiring Committee looks for people with enthusiasm about working in a different kind of job environment. Once hired, a worker can apply for membership and begin a trial period. “We ask trial members to apply by writing a letter stating why you want to be an owner and post it on the kitchen coolers,” explained Stamp .

Members meet each year over three days to develop their annual business plan. Everyone sees the results of their planning and teamwork from the financials, which are posted each week on the kitchen cooler.

“Member accountability is a key issue for cooperatives,” said Nancy Buerkel, one of Casa’s Financial Coordinators and a member since 1989. “We use committees as an important process for self-management.” Each member serves on at least one of the committees for culinary development, front of house, back of house, hiring, training, discipline, evaluation, marketing, finance, and scheduling.

Hard work, good pay, low turnover

Members work 40 hours a week, including weekends, and can sign up for additional Shift Coverage earning time-and-a-half. Casa's system of tip-sharing is the foundation of their high wage practices. Tips from the restaurant and cantina for each two-week pay period are pooled across all shifts and jobs.

Members earn 50 cents more per hour than part-time associates, plus premiums for hours worked and roles in management. Directors earn an additional 25 cents per hour.

While high turnover characterizes the restaurant industry, turnover among Casa members is low. Only one or two members leave per year, and the median length of members' employment is 5 years, although the mean continues to climb. More than a third of current members have been worker owners over 10 years.

Member return on investment

Each member buys one member share, payable upfront or through payroll deduction. In 1985 each members' share cost \$400; now it costs \$1800. Each member has an internal capital account which tracks the 5% compounded interest earned annually on the share. When a member leaves, the member share and earnings are paid out over four successive years.

Members also earn profit-sharing, called a patronage dividend, based on their total yearly hours of work. At year's end, 40% of profit is retained and 60% is distributed to members. Patronage dividends are paid out in two installments--20% for tax coverage and 80% three years after the year in which the dividend was earned.

Training for business leadership

"A lot of entrepreneurs shot out of this place and I am proud to be one of them," former member Roman Warmke noted at the 25th anniversary party. "Casa is its own university." About 12% of Casa's 172 former and current members (21 individuals) have started their own businesses. This rate of entrepreneurship activity is 40 times greater than the national average in the U.S. According to the Kauffman Index, only 240 of every 100,000 Americans (0.24%) are entrepreneurs.

Many former members went on to manage other businesses. As former member Eric Lumbra recalled, "My hands-on experience here has paid off tenfold. Here we had to build consensus. Now I work as a Division Manager with 18 people and my management style is consensus building."

How big is too big?

When Casa grew to fifty members, it was difficult to make decisions because the consensus decision-making process was too cumbersome. Members agreed to change from consensus to majority voting at member meetings.

"Our policy of 100% worker ownership became an albatross in the restaurant business," explained Lumbra. "We needed to be nimble so we changed our membership policy." Since 1999 Casa has hired part-time associates. Now 60% of Casa's workforce are non-members. Casa maintains its legal status as a cooperative because the part-time associates work a lot fewer hours than members. Not surprisingly, the current economic conditions have encouraged more interest in membership over the past 18 months.

Because of the smaller number of members currently, consensus decision-making was reactivated at member meetings, ensuring that the perspectives of every member are included. Most members think the maximum membership for a cooperative restaurant should be 30 people.

Community partners link for business growth

Casa's growth over the past 25 years is directly linked to their members' commitment to regional economic development. Schaller also works with ACEnet, a local economic development organization, and she led efforts to launch its Food Ventures Program and a fully-licensed commercial kitchen facility incubator.

In 1997 Casa began food product manufacturing and became an anchor tenant in the incubator. Casa's production crew worked one day a week preparing salsas, peppers and other food products used

in the restaurant, and storing these products in the warehouse, refrigerators and freezers that they rent at the facility.

Casa also sells their private brand food products through various community retail initiatives. They are one of 70 local vendors of the Athens Farmer's Market, which draws upwards of 2,000-3,000 shoppers and generates \$40,000 in weekly sales. Casa was also active in developing ways to add value to southeast Ohio's agricultural assets through a "Foods We Love" umbrella branding campaign that involves 80 retailers in Ohio's 32-county Appalachian region.

Casa's high cost strategy

Casa's policy of purchasing locally is based on their commitment to business strategies that improve the economy of their community overall. "Our food costs are higher than industry standard," explained Stamp, "and so is our food quality. Costs are always an issue, but it's a decision we members make each year when we do our projections. This works for us."

Bob Fedyski, a former member of Casa who now runs the local Chesterhill Produce Auction, explained "Casa has raised the food literacy in their community, and today the Athens area is a national model. It's practical, it's sustainable, and everyone is winning—the producers and the customers."

Who are Casa's local farm producers?

Casa buys 50% of their supplies from more than 40 local farmers and food producers. Green Edge Gardens and Shade River Organic Farm provide a year-round selection of greens and vegetables. Other suppliers include the King Family Farm for pork, poultry, and eggs; Shew's Orchard and Big Rumen Farm for grass-fed beef; Integration Acres for cheeses and a local fruit called the pawpaw; Herbal Sage for tea blends; and others for local honey and maple syrup. All their suppliers are in Ohio except EcoFish, a sustaining fish producer, and worker-owned Equal Exchange, a fair-trade coffee roaster and distributor coop in New England. A complete list of local food suppliers is featured on the menu and at www.casanueva.com.

Looking to Casa's future

Casa members see a bright future for Casa because of its cooperative structure and its popularity within the local community. Casa's cooperative by-laws foster a strong cooperative culture in which lots of different points of view meld together into policies that make the business stronger and promote its growth. Restaurants need to have controls on their operating costs and, at Casa, everyone is responsible for managing costs and making changes on a daily basis as they deal with situations. Members take great pride in working there because they own a part of the business.

Casa's mission and values make it appealing to customers. Southeast Ohio is a struggling economy and customers appreciate Casa's commitment to local sourcing which keeps money in the local economy. They recognize that Casa is an important cog in the whole process of local economic sustainability in the region.

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