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FLOURISH AND GROW

Richard S. Bloomfield and Mekhalaa Muraly

All figures in Canadian dollars unless otherwise noted.

"As an Indigenous artist, everything you create is Indigenous art...It doesn't have to be feathers and eagles and all that. It can be UFOs, plants, whatever you want...Everybody is always asking, what are you doing for National Indigenous People's Day on June 21? It's a holiday...But [I ask,] what are you doing the day before and the day after?...Indigenous solidarity doesn't just start on the day that had been given to it. It's year-round."

- Mikaila Stevens, Mi'kmaq artist and founder of Flourish and Grow¹

Introduction

On August 26, 2022, Mikaila Stevens, founder, Flourish and Grow, London, Ontario, Canada, was eagerly awaiting the unveiling of her latest handmade beadwork line-"The Anxiety Collection." Flourish and Grow was a sole proprietorship retailing handmade fine art, jewelry, and apparel that conveyed a narrative of Stevens' Indigenous Mi'kmaq culture and values. As Stevens reflected on the journey that had brought her to this point—a journey marked with passion and perseverance to create meaningful artwork that resonated with her buyers—a wave of mixed emotions washed over her. Stevens realized she desperately needed to boost Flourish and Grow's sales and operational capacity if she was to sustain full-time employment with her sole proprietorship during the coming 2023-24 year and going forward. Stevens urgently needed to develop and implement a comprehensive marketing strategy for Flourish and Grow to broaden market reach and improve sales. How could she enhance her brand's value, build stronger customer relationships, and solidify her identity as an Indigenous Mi'kmaq artist? Having explored the Indigenous art space over the last few years, Stevens wondered how to address key aspects of her marketing strategy-product, pricing, promotion, and distribution—to remain competitive and expand her market reach while running a one-person business. Since the new fiscal year was only three months away, she knew she had to act fast to develop and implement a marketing plan to gain the revenue needed to support her full-time employment and maintain financial obligations in the coming year so that she could focus on her passion of creating screen printings and beadwork as a way to connect with her culture.² Where should she start?

^{1.} As quoted in Leon, 2022.

^{2.} Both, 2022; Leon, 2022.



Mi'kmaq artist Mikaila Stevens. **Credit:** © Mikaila Stevens. All rights reserved. Used with permission.

History

Flourish and Grow

Flourish and Grow was a sole proprietorship based in London, Ontario, founded by Mikaila Stevens in 2019. It primarily engaged in selling contemporary-style beadwork, screen-printed apparel, and fine art to customers who appreciated the value of specially curated collections of handmade products. Using a combination of bold colours and design elements taken from nature, Flourish and Grow created one-of-a-kind art pieces designed to convey a narrative about Stevens' Indigenous Mi'kmaq culture and values. Increased market demand for handcrafted apparel and jewelry allowed the company to expand its presence through both online and pop-up market sales across Canada and online sales to the United States within three years of operations.

Mikaila Stevens

As Stevens explored her Mi'kmaq ancestry, she created unique and introspective pieces, including apparel, beaded accessories, and fine art. Stevens forged connections with her customers through her expressive and personal creations. Her art connected with people who had weathered life's diverse experiences and emotions by encapsulating feelings of grief, heartbreak, and anxiety, to name a few. Each piece carried a story and resonated with individuals who traversed similar paths. See **Exhibit 1 – Examples of Popular Product Lines**.

In the early stages of Flourish and Grow, Stevens primarily engaged in screen printing and apparel design. Screen printing was a process in which ink was pressed through a mesh screen with a blade or squeegee, transferring the ink onto a base material (film, liner), except in areas where a stencil was placed to prevent ink from contacting the material, thereby creating unique designs. As time progressed, Stevens delved into the more intricate art of beadwork. When the COVID-19 pandemic struck, forcing her to spend extended periods of time at home, she was temporarily unable to continue screen printing due to unavailability of materials. Instead, she immersed herself in her newfound passion for beading and dedicated countless hours to honing her skills, allowing her creativity to thrive. The solitude of her home became a sanctuary for Stevens to explore her artistry, which resulted in exquisite collections of beadworks. Despite not having a background in business management, in the preceding year, she had found alternative sources of funding to expand her business and obtained government grants to finance larger-scale fine art projects.

Industry and Competitors

Industry

Research indicated that the North American handicrafts market was expected to achieve a valuation of \$531.2 billion (US) by the year 2028, with a compound annual growth rate (CAGR) of 9.9% for the five-year period from 2022 to 2028.³ The North American handicrafts market, which included hand-printed textiles and handmade jewelry, was driven by several factors. A surge in the disposable incomes of households, and growing travel and tourism activities in the United States and Canada enticed foreign tourists to spend a significant amount of money purchasing local souvenirs and handmade products. Moreover, the rise of online retailing and the abundance of e-commerce platforms greatly enhanced the availability of handmade products, benefiting both producers and consumers. Consumers had the convenience of purchasing handicraft items with a simple tap on their smartphones, including no contact and hassle-free doorstep delivery. Similarly, handicraft artists used social media promotions as a direct gateway to their target markets, effectively streamlining their reach to potential customers.⁴

Social trends in the jewelry market indicated a preference among young working professionals and millennials for beaded jewelry over traditional jewelry. The volatile prices of gold and silver also played a significant role in driving the global demand for beaded products. Furthermore, the growing fashion consciousness of consumers and the increasing popularity of piercings have contributed to the ongoing evolution of innovative and ornamental beaded creations.⁵

- 4. Markwide Research, 2023.
- 5. Grand View Research, 2022.

^{3.} IMARC Group, 2023.

Competitors

Local Independent Artists

Independent local artists and crafters, along with family-owned shops, engaged in the sale of traditional artwork that reflected their culture and heritage. Their business models involved custom manufacturing based on orders, offering limited edition collections at premium prices, and a supply chain process characterized by longer lead times. Their target customer base consisted of individuals who sought a personal connection with both the artist and the culture, and who valued the purchase of specially curated products, even at higher price points. Local artists actively engaged in the Indigenous art space, which included participating in local art committees and online platforms, aiming to establish their identities.

Claire's

The American retailer Claire's specialized in the sale of accessories, jewelry, and toys, targeting the teen girl and young women demographics. The company, established in 1961 and headquartered in Chicago, operated under two brand names: Claire's and ICING. Claire's had a substantial global physical presence with 2,300 retail stores in North America and Europe, along with 190 ICING stores in North America.⁶ In addition to selling their products in retail stores such as Walmart, Toys "R" Us, and French department store Galeries Lafayette, the company also maintains an e-commerce platform for its online sales. The brand's unique corporate strategy—the concession model⁷—allowed it to collaborate with retailers and maintain control over pricing and merchandising, as retailers were not required to purchase inventory directly from Claire's.⁸ Furthermore, Claire's reputation for quality ear piercings allowed the company to leverage its growing brand image to optimize its integrated operations.⁹

Ardene

The family-owned fashion retailer Ardene was based in Quebec, Canada. Established in the early 1980s, Ardene initially focused on selling fashion-forward accessories and jewelry at affordable prices. Over time, the company expanded its product offering to include clothing, shoes, and brand collaborations. The company opened approximately 350 stores across Canada, the United States, and the Middle East, and it employed nearly 3,500 people across North America.¹⁰ The brand's e-commerce portal—Ardene.com—was launched in 2012, and its online shopping app was launched in 2019, which helped the company's product development and geographic expansion.¹¹ Additionally, the company's charitable

6. Claire's Stores, n.d.

8. Parisi, 2022.

9. Claire's Stores, n.d.

10. As per the Ardene Store Locator on February 12, 2023.

11. Who we are, n.d.

^{7.} A *concession model*, also called a *store-within-a-store* setup, offers advantages to both retailers and brands. Retailers benefit from receiving rent or a commission based on in-store sales, while brands maintain control over the consumers' product experience and gain access to the retailer's foot traffic.

organization, Ardene Foundation, contributed to enhancing the brand's reputation as a sustainable entity by organizing group volunteering, in-store events, and fundraising initiatives.¹²

Customers

Flourish and Grow's customers primarily consisted of 24- to 35-year-old women across Canada and the United States with disposable incomes. They were knowledgeable about the art space, particularly Indigenous art, and therefore appreciated the worth of handmade apparel and jewelry. Moreover, they perceived higher-end streetwear fashion as highly valuable and were willing to pay premium prices for the exceptional quality of handcrafted products. Customer purchasing patterns show that the majority of purchases were split between beadwork and screen-printed apparel, with some customers also buying fine art. Lower shipping rates allowed Flourish and Grow to further increase its online sales and expand its customer base in the United States. Stevens was unsure whether her strategy going forward should specifically target U.S. customers or Canadian customers.

Product

The product range of Flourish and Grow mainly included screen-printed apparel, handmade beadwork, and other forms of fine art that conveyed a narrative of Stevens' Indigenous Mi'kmaq culture and values. These unique creations were perceived by customers as highly valuable because they were limited-edition and not mass-produced. The company's products encapsulated stories and fostered a deep connection between the customer, the artist, and the culture they represented. Furthermore, the handmade, locally sourced, locally produced artwork aligned with sustainability practices, adding to their appeal. Since both screen-printed apparel and beadwork were handcrafted product lines, the production process was both labour-intensive and time-consuming. For instance, while screen printing apparel required physical work at the shop, beadwork entailed long hours of focused and intricate craftsmanship at home. Since Stevens solely managed all aspects of the business, including product creation, marketing, and shipping, she knew it was important for her to think of ways to develop products effectively and efficiently. She was uncertain if she should prioritize products with the highest contribution margins or those that were the most popular. This dilemma involved making strategic decisions about which products should receive greater emphasis in terms of production and sales. Stevens also wanted to begin taking a wage for the hard work that went into making her products, and she hoped to pay herself an hourly rate of \$20. See **Exhibit 2 – Product Costing Information** and **Exhibit 3 – Sales Proportion Information** for detailed information on the price, cost, and related sales distribution percentages for these product categories.

Price

Among the three types of products, it was the screen-printed apparel that posed the greatest challenge for pricing and promoting. It was crucial to ensure that the price aligned with the product's superior quality and exclusivity, as well as the artist's dedication, while accurately conveying these features to customers. This task was particularly challenging for online sales, as customers highly valued the tactile experience of purchasing apparel on-site. To combat this difficulty, Stevens implemented various strategies, such as sharing product pictures and offering free samples to market her one-of-a-kind pieces and justify their prices. However, these steps often led to increased operating expenses. Since Stevens handled the screen-printed apparel in-house instead of outsourcing it, the manufacturing process was cost-effective.

12. Social responsibility, n.d.

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Beadwork, characterized by intricate craftsmanship and considerable production time investment from Stevens, was priced significantly higher than other Flourish and Grow products to accurately represent the value attributed to the artist's expertise and dedication. Considering these operational and production factors was necessary for Stevens to competitively price her products to attract customers, while upholding their value. Stevens assessed her pricing strategy and noted that price adjustments for her products may be required to ensure they reflected the value of her artwork.

Promotion

In the past, Stevens had not dedicated substantial financial resources to marketing Flourish and Grow. She determined an annual marketing budget for online promotion to be \$3,000 and print advertisements to be \$2,000. Nevertheless, she was unsure about the optimal distribution of these budgets across various platforms.

Instagram

The advertising potential of Instagram reached 15.9 million Canadians, primarily appealing to the age group of 16to 34-year-olds.¹³ Flourish and Grow used Instagram as an advertising platform and Stevens had observed that users actively engaged with posts through likes, comments, and shares, leading to increased brand exposure and awareness. Additionally, Instagram's visual-centric nature made it a suitable platform for showcasing the artwork on Flourish and Grow's products through captivating images and videos. A platform owned by Meta, Instagram charged advertisers on a cost-per-click (CPC) basis, with an average cost of \$0.60 (US) per click.¹⁴ The median conversion rate stood at 2.35%.¹⁵ If Stevens chose to continue using Instagram advertising, she was interested in leveraging its features to effectively target her customers.

Facebook

Among all age groups, Facebook enjoyed widespread popularity; however, variations emerged in terms of how different age groups utilized the platform and their specific objectives. At the time, Facebook, owned by Meta, accounted for 53% of social media traffic directed towards websites, highlighting its efficacy in acquiring customers.¹⁶ Meta also provided indepth analytics and valuable insights regarding audience engagement. Additionally, Facebook's integration with Meta's other platforms and services, including Instagram, facilitated cross-platform advertising and allowed Flourish and Grow to efficiently expand its customer base. On Facebook, Flourish and Grow was billed at a rate of \$0.45 (US) per click, while achieving a conversion rate of 4.11%.¹⁷

Given that Facebook and Instagram were interconnected social media platforms, Stevens contemplated whether it would be more advantageous to continue promoting on both platforms simultaneously or opt for the most efficient and viable choice.

13. McKinnon, 2023.

- 14. Khoma, 2022.
- 15. Kim, 2023.
- 16. McKinnon, 2023.
- 17. Irvine, 2023

Print Flyers and Posters

Flourish and Grow had the opportunity to acquire 8.5×11 inch posters at a discounted rate of \$0.20 (US) per unit with a minimum purchase of 500 posters. However, if larger orders of 2,500 units were placed, the price per poster would decrease to \$0.13 (US) per unit.¹⁸ Print advertising was cost-effective, depending on the deal, and it targeted local communities and regions—such as pop-up markets and art fairs—to reach individuals who Stevens believed were more likely to support local artists and businesses.

Placement

Online

Stevens used Flourish and Grow's online e-commerce platform to market and sell her products. This online portal offered the flexibility to showcase her products effectively, and she observed consistent demand for beaded jewelry throughout the year. Selling products online expanded the company's geographical scope and made Stevens' products more accessible to a large customer base. Stevens established a direct sales channel to her customers, eliminating the involvement of wholesalers or having to adopt a B2B (business-to-business) approach. As an independent artist, she valued maintaining a personal connection with her customers and prioritized quality over mass production.

Pop-up Markets

Stevens also offered her products at pop-up markets, which attracted individuals interested in handcrafted jewelry and apparel, as well as those who frequented local events and supported local businesses. At these markets, Flourish and Grow increased sales of apparel, as customers could personally engage with the products, eliminating the need to guess their sizes and allowing them to enjoy the tactile experience. Stevens considered dedicating more attention to pop-up markets and contemplated strategic placement strategies to foster the growth of her business. See <u>Exhibit 4 – Pop-up Market</u> <u>Data</u> for estimated costs and benefits of selling products through pop-up markets.

Decision

Mikaila Stevens knew that her sole proprietorship, Flourish and Grow, was already making a positive impact on many customers based on the feedback she received from customers on her handmade creations that reflected the Indigenous Mi'kmaq culture and values. She believed Flourish and Grow had the potential to become a sustainable form of long-term full-time employment for herself, if she was able to develop and implement a comprehensive marketing strategy that considered her products, pricing, promotion, and placement to expand the company's market reach and improve sales going forward. She had three months to do so before the new fiscal year, and its financial obligations to sustain livelihood, were upon her. Where should she start?

Exhibits

Exhibit 1 – Examples of Popular Product Lines

Exhibit 1 – Image 1



Exhibit 1 – Image 1: The Anxiety Collection: Samples of Flourish and Grow beadwork. [See image description.] Credit: © 2024 Mikaila Stevens. All rights reserved. Used with permission.

[<u>back</u>]



Exhibit 1 – Image 2: Flourish and Grow sweatsuit. [See image description.] Credit: © 2024 Mikaila Stevens. All rights reserved. Used with permission.

[back]



Exhibit 1 – Image 3: "I don't want to talk about it" screen-printed shirt. [See image description.] Credit: © 2024 Mikaila Stevens. All rights reserved. Used with permission.

[<u>back]</u>



Exhibit 1 – Image 4: "Flourish and Grow" screen-printed shirt modelled by Stevens. [See image description.] Credit: © 2024 Mikaila Stevens. All rights reserved. Used with permission.

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Exhibit 2 – Product Costing Information

Product Information

Category	Item	Avg. Price	Raw Material Cost	Supply Cost	Time to Make
Clothing	Standard T-Shirt	\$25	\$5	/	2 mins.
Clothing	Specialty T-Shirt	\$30	\$5	\$5	10 mins.
Clothing	Long-sleeve T-shirt	\$45	\$12	/	5 mins.
Clothing	Hoodie Sweatshirt	\$75	\$21	/	5 mins.
Clothing	Sweatpants	\$80	\$35	/	5 mins.
Clothing	Tank Top	\$30	\$12	/	2 mins.
Beadwork	Diamond Beadwork	\$110	\$10	/	3 hours
Beadwork	Regular Beadwork	\$140	\$10	/	3 hours
Miscellaneous	Stickers	\$4	\$0.50	/	/
Miscellaneous	Patches	\$8	\$1	/	2 mins.
Miscellaneous	Bandana	\$15	\$3	\$3	2 mins.
Miscellaneous	Digital Print	\$8	\$1	/	2 mins.

Source: Data supplied by Mikaila Stevens.

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Exhibit 3 – Sales Proportion Information

Source: Data supplied by Mikaila Stevens.

Category	Proportion of Sales
Clothing	60%
Beadwork	30%
Miscellaneous	10%

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Exhibit 4 – Pop-up Market Data

Source: Data supplied by Mikaila Stevens.

Item	Data
Average length of time	8 hours
Cost for booth	\$50 to \$100
Foot traffic	50 to 500 people
Conversion rate	2% to 8%

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Image Descriptions

Exhibit 1 – Image 1

The image is a colourful collage featuring nine square sections, each depicting a unique beadwork design on a tie-dye background of blues, pinks, and purples.

- 1. The top left section shows a circular beadwork piece resembling a sunset over hills, with vibrant greens, yellows, and purples.
- 2. The top centre depicts a strawberry shape with a flame on top, featuring warm hues of pink, orange, and yellow.
- 3. The top right design is a circular flower with pink petals outlined in black, against a pink background.
- 4. The middle left section displays a pair of lips of yellow and pink beads and a blue straw between the lips.
- 5. The middle centre is the word "ANXIETY" in bright pink and orange letters with green and blue outlines.
- 6. The middle right features a keychain of a multicoloured UFO.
- 7. The bottom left design shows a pink skull with a yellow flower on the side.
- 8. The bottom center piece is a circular flower pattern of blue shades.
- 9. The bottom right round beadwork illustrates a mountain scene in purples and pinks with a yellow moon or sun.

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Exhibit 1 – Image 2

The image is a close-up of a tie-dye sweatshirt and sweatpants laid out side by side. The colour scheme includes a blend of light pink, blue, and purple hues, creating a cloudy, marble-like pattern. The sweatshirt displays a white outline of a flower on the left chest area. The sweatpants include a drawstring waist, and down the left leg, the words "Flourish & Grow" are printed in white in a decorative, Gothic-style font.

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The image features a person from the back, with black hair in a braid, wearing a black T-shirt and a black hat. The background shows an abstract, multicoloured texture with vibrant tones of red, orange, and pink swirling together. On the back of the T-shirt, there is an illustration of a tree with branches that transition in colour from pinkish red on the left to yellow on the right. The tree appears stylized with intricate, thin branches reaching across the back of the shirt. Below the tree, the text "I DON'T WANT TO TALK ABOUT IT" is printed in pinkish-red block letters.

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Exhibit 1 – Image 4

The image shows a young woman with long brown hair standing outdoors, surrounded by dense trees and purple foliage. She is smiling and looking to the left and wearing a black t-shirt featuring a design of white outlined flowers and leaves, along with the text "Flourish and Grow" in the upper right area of the shirt in Gothic-style text.

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DEMOCRATIC LOTTERIES: SHOULD ORGANIZATIONAL DECISION-MAKERS CONSIDER DECISION-MAKING BY CHANCE?

Stephen D. Risavy and Meredith J. Woodwark

Authors contributed equally and are listed alphabetically by surname.

Malcolm Gladwell, the journalist, podcaster, and bestselling author, was accompanied by democracy activist Adam Cronkright as they arrived at the Gothic campus of the Lawrenceville School in Princeton, New Jersey.¹ They were excited for the meeting scheduled that afternoon with 20 of the school's junior and senior high school

"If you think I'm crazy, you should say 'Malcolm, you're crazy!"" — Malcolm Gladwell (2020, 1:36)

students—including the elected student council representatives—where they planned to pitch the students the ancient but resurging idea of democratic lotteries (or stratified random selection). Gladwell and Cronkright were there to sell the students on the idea of ending student council elections in favour of representation by random chance, a switch Cronkright had already successfully convinced several schools in Bolivia to implement.

Gladwell was fascinated by Cronkright's work on reforming the student government selection process through the nonprofit organization he co-founded, Democracy in Practice.² Cronkright argued that the standard student government selection process—where a few "popular, charismatic, and ambitious students"³ stood for election to represent the student body—was flawed and could be greatly improved. By the end of the afternoon, Cronkright aimed to convince the Lawrenceville students that "a lottery is a fairer and better way to form a school's student government than elections."⁴ Gladwell had invited Cronkright to make his pitch to the Lawrenceville students because he was curious to see if the radical-seeming idea could get support at an American school. When presented with the choice of selecting its student government by election or by chance, which model would the Lawrenceville students choose? Gladwell and Cronkright were prepared for a lively debate. They planned to measure the impact of the debate using a pre- and postdebate evaluation by students about their level of satisfaction with their current election system. Would the pair convince the students that a democratic lottery was indeed more democratic than elections, or would the students think the lottery

- 3. Student government lotteries, 2017.
- 4. Student government lotteries, 2017.

^{1.} This case was inspired by two podcasts about democratic lotteries with guest Adam Cronkright: <u>Revisionist History, Season 5, Episode 3: The Powerball Revolution</u> (July 2, 2020) with Malcolm Gladwell and World Changing Ideas: How can we make democracy better? Go back to ancient Greece. (March 17, 2021) with Talib Visram.

^{2.} See the Democracy in Practice website.

proposal was just plain wrong? What would they think of other potential applications of lotteries, like the contentious topic of the college admissions process? Or would they say, "Malcolm, you're crazy!"?⁵

Gladwell's Podcast Revisionist History

Revisionist History (RH) was Gladwell's podcast about topics overlooked and misunderstood. While best known as a best-selling author and podcaster, Gladwell was also the president and co-founder of Pushkin Industries (Pushkin), an audio production company founded in 2018 and headquartered in New York City.⁶ He and Jacob Weisberg had founded the company to pursue new ideas they were curious about and wanted to try. As an employer with a staff of almost 50 and nearly 30 podcast hosts, Gladwell wondered whether the notion of democratic lotteries could have important implications for workplace organizations like his. Plenty of organizations used elections to select those who would represent a group (e.g., committee representatives, union representatives, group leaders, competition winners). As the use of lotteries for citizens' assemblies increased around the world, more people would learn about the problems with elections and the benefits of lotteries. Gladwell knew that if democratic lotteries became more accepted and popular in the political sphere, the process would be proposed in workplace organizations like Pushkin. To Gladwell's pride, "diversity [was] at the heart of [Pushkin's] culture, alongside intellectual openness, respect, fairness, and ethical behavior."⁷⁷ If any company might be open to the idea of making decisions via lottery it would be his, he thought. But could he honestly see a day when any decisions at a workplace like Pushkin would ever be made by lottery and essentially left to chance? If not, would any of his busy estimated 1.1 million⁸ listeners actually care about this unconventional idea?

Gladwell Contemplates a "Decision by Lottery" Episode

On the surface, the idea certainly seemed unorthodox: making selection decisions about such topics as representatives on citizens' assemblies or student councils and scientific grant award winners via lottery instead of by the usual democratic election process we all expected. Other applications of lotteries include admission to the New York City Marathon, allocation of affordable housing, and admission to charter schools.⁹ After Gladwell's preparation research and his discussion with Cronkright, however, he wasn't so sure if it was as unrealistic as it initially seemed. Perhaps there was more merit and wider potential applicability to this idea than he had originally recognized—merit that his podcast listeners should know about. In fact, driving home that afternoon, he found himself thinking, "Maybe this idea could change a lot about what's wrong with the world right now."¹⁰ Specifically, Gladwell thought that lotteries could greatly contribute not only to increasing equity, diversity, and inclusion (EDI) within social institutions, but also to overcoming the perceptual and cognitive biases inherent in the election process, which together could increase the fairness of organizational decision-making. Perhaps his podcast listeners would be interested in learning about this

- 6. About, n.d.
- 7. About, n.d.
- 8. Revisionist History, n.d.
- 9. Malone, 2020.
- 10. Gladwell, 2020, 2:05.

^{5.} Gladwell, 2020, 1:47.

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uncommon decision-making system? For instance, Gladwell knew that half of podcast listeners worked full time,¹¹ so if he did an episode on democratic lotteries, they could end up being discussed in a wide range of workplaces. Did those organizations and contemporary society at large need to consider and debate a radical new idea like putting chance in charge? Perhaps more importantly, did people need to be schooled in the downsides of the election process in order to have their minds opened to a seemingly unorthodox idea?

Democratic Lotteries

While the formal name was "sortition," the process of selecting representatives through a lottery was commonly called a democratic lottery, civic lottery, or random selection. The basic idea was that instead of using elections to select representatives by voting from among the few who had chosen to stand for election, representatives would be picked via lottery from the entire student body—minus individuals who had chosen to opt out. Further, the lottery could include an algorithm that would help to ensure both democratic equality and population representation.¹²

In the first democracy in ancient Athens, sortition rather than election was the dominant model for enacting democracy by lot,¹³ and was used to select legislative, council, and public administration jobs.¹⁴ Elections were used only for positions requiring highly specialized skills such as finance or military leaders.¹⁵ Consequently, many seminal political thinkers from ancient times through to the 18th century—including Aristotle, Rousseau, and Montesquieu—considered elections an aristocratic rather than democratic model because they were used to selecting only from the elite rather than from the common members of society.¹⁶ When representatives were needed on behalf of the general population, they were chosen by lot for a limited term and released from duty upon the term's expiry to be replaced by those chosen in the subsequent lot.

Since the 1990s, the idea of democratic lotteries had grown in popularity.¹⁷ In part, this phenomenon was viewed as a response to the ways in which the electoral democratic process could fail, including (but not limited to) vote splitting, reelection incentives, party line voting, lobbying, high election costs, self-interested voting, and voter ignorance. Through advocacy work by organizations like the Sortition Foundation,¹⁸, Of By For^{*},¹⁹ Citizens' Assemblies,²⁰ Healthy

- 12. Flanigan et al., 2021.
- 13. The ancient Greeks used the term "lot", which is consistent with our modern notion of a lottery where selection is governed by random chance (Hennig, 2017).
- 14. Henning, 2016.
- 15. Henning, 2016.
- 16. Henning, 2017.
- 17. Henning, 2017.
- 18. See the Sortition Foundation website.
- 19. See the Of By For* website.
- 20. See the Citizens' Assemblies website.

^{11.} Breitman, 2021.

Democracy,²¹ and openDemocracy,²² the lottery model for selecting representatives had been adopted and replaced elections in a wide range of contexts—including local, regional, and national councils, as well as civil society organizations and academic institutions²³—and in many countries around the world including the United States, Canada, Scotland, the United Kingdom, Brazil, Norway, Estonia, Denmark, Mongolia, Japan, South Korea, Macao, Australia, and across Western Europe.²⁴ Several books had been written on the topic as a way to revive citizen engagement, and the authors had given accompanying TED talks.²⁵ Most recently, lotteries had been used to compose citizens' assemblies to address the COVID-19 pandemic in several areas, including the states of Michigan and Oregon.²⁶ It seemed that after a two-hundred-year hiatus, the two-and-a-half-millennium-old idea of democratic lotteries was back.

Adam Cronkright

One of the proponents of democratic lotteries helping to support their comeback was Adam Cronkright. Since the Lawrenceville students all knew Gladwell, Cronkright introduced himself. He had grown up in upstate New York outside of Syracuse and studied Economics and Global Development Studies at Queen's University in Ontario, Canada.²⁷ Ever civic-minded, he graduated during the global financial crisis and found himself drawn to the Occupy Wall Street movement that emerged in the fall of 2011. After arriving in Manhattan, Cronkright became deeply involved in the protests, including co-writing the "spokes council" proposal²⁸ and, "co-facilitating two sessions of the occupation's General Assembly."²⁹ There he met a water activist from Bolivia who invited him to Cochabamba after Occupy ended. Finding himself without a plan when Occupy was disbanded, Cronkright decided to go. Once there, through a friend he met Oscar Olivera, a former industrial metal worker turned water activist and director of a local non-profit organization interested in "alternative participatory and democratic processes."³⁰ Cronkright was discussing concerns about representative democracy with Olivera when he mentioned learning about sortition while at Queen's University. Olivera was intrigued and, being well-connected with the local community, suggested the two of them test the model at two area schools. As Cronkright saw it, student governments in schools were great testing grounds to try out the sortition model and compare its impact to elections.

- 23. Sortition in the world, OECD database 1976-present, n.d.
- 24. Citizens' assemblies and sortition around the world, 2020.
- 25. Hennig, 2017.
- 26. See the Healthy Democracy website to learn about the project in Oregon.
- 27. World Forum for Democracy, 2016.
- 28. Pek et al., 2018, p. 1.
- 29. About us, n.d.
- 30. About us, n.d.

^{21.} See the <u>Healthy Democracy website</u>.

^{22.} See the openDemocracy website.

Limitations of Elections

To convince the schools, Cronkright had to make a strong argument against student elections. He recapped to the Lawrenceville students the arguments he had used. Cronkright explained to the students how his education and experiences had led him to believe that the way we selected leaders using an election process was flawed. He argued that the same issues he saw with elections in other domains like government were also true in schools, perhaps even more so.

One of the key issues with elections was that very few people put themselves forward to run, so the range of choices voters had was very limited. Many people who would be interested in serving in a role were not interested in going through the process of running—especially if they thought their chance of success was low—and so their potential contributions remained latent. As there were no other mechanisms by which they could serve, many people simply disengaged. As Gladwell put it, "elections are supposed to encourage participation, but they don't."³¹ Consequently, those people never got the opportunity to contribute or to build the skills, experience, and connections that benefited elected representatives. Democracy in Practice therefore argued that "elections undermine leadership and civic development, and violate widely held educational values such as fairness and equal opportunity."³² As Cronkright put it, "We wouldn't use a popularity contest to decide which few students get to learn math or history, so why are we doing this with leadership and civics?"³³

Second, the set of people who chose to run were those who were comfortable with the campaign process and thought they had a good chance of success. They were people who were popular, confident, and comfortable performing activities like giving speeches to a crowd. In short, they were the people others perceived to have the characteristics of a good leader. But Cronkright didn't see much evidence that the people who got elected based on those characteristics did in fact make the best leaders. Didn't some of the opposite characteristics make for effective leaders, such as the ability to listen to others, to learn from others, and to make necessary but unpopular decisions in the best interests of all? Instead, those who got elected were usually concerned about getting re-elected. Why did everybody believe that only the kind of people who won the election popularity contests would make the best representatives? As Cronkright argued to the Lawrenceville students, since representatives were never selected any other way, they actually didn't know whether that was true. As Gladwell explained, "The mechanism we are using for predicting who will be a good leader is just flawed."³⁴ He went on to say that the problem was the false belief that people could make good predictions: "Elections are based on the idea that voters are good predictors—that they can look at a slate of candidates and accurately predict who will be the most effective leader."³⁵

Lastly, Cronkright observed that the set of elected representatives rarely reflected the diversity of the population it was charged with representing. People who succeeded in the election game tended to be disproportionally from the most socially privileged members of society: male, white, wealthy, heterosexual, cisgender, able-bodied, etc. Although this was changing in some parts of the world and more diverse representatives were successfully being elected, most elected bodies still did not look much like their constituent populations. Many argued this was in part because of ongoing biases resulting in low support for diverse candidates, but also because fewer diverse people were willing to stand for election

- 32. Pek et al., 2018, p. 2.
- 33. Democracy in Practice, 2017, p. 4.
- 34. Gladwell, 2020, 19:05.
- 35. Gladwell, 2020, 20:29.

^{31.} Gladwell, 2020, 15:25.

since the experience was riskier and often negative. For all these reasons, Cronkright was unconvinced that elections resulted in the best possible representation for many populations, including school students.

Democracy in Practice Puts Sortition to the Test

With all these questions in mind, in 2013 Cronkright and two colleagues, Bolivian Raul Olivera Pereira and Canadian Simon Pek, founded Democracy in Practice to put sortition to the test.³⁶ The non-profit focused on "reinventing student government"³⁷ and described itself as being "part of a growing movement of democratic innovation that is challenging traditional approaches to governance all around the world."³⁸

By 2014, they had recruited two schools in Cochabamba that were willing to implement democratic lotteries to select student government representatives.³⁹ The test schools were quite different. School A was a rural elementary school and School B was an urban evening high school. Both schools initially had student representation based on election to specific hierarchical roles for a full-year term. In both cases, the student government mandate was to advocate for student interests, and to plan and implement decisions relating to those interests, such as events and programs.

Under the new lottery model, students were randomly selected using stratified sampling so that representatives were evenly distributed across grades and genders. Students served their term and then the new lottery winners rotated in to replace them. School administrators did not have a veto over representatives, but as always could choose whether or not to support student council decisions and initiatives. Rather than being slotted into traditional hierarchical roles (e.g., president, vice-president), the system had a horizontal or flat organization structure where "students can work together as a team of equals."⁴⁰ Democracy in Practice volunteers helped support student councils through the transition as requested but had no formal authority whatsoever.⁴¹

The Benefits of Sortition in Schools

The Democracy in Practice group expanded its work to two more schools and found that by contrast, democratic lotteries had a lot of advantages over elections despite the fact that they remained much less common. To summarize their findings, the group outlined a set of seven specific reasons why schools in particular should use lotteries over elections, based on their experiences in Bolivia.⁴²

Lotteries were fairer because every student who wanted to participate had an equal chance at the opportunity. This reinforced the message that every student mattered and had the potential to contribute.

37. About us, n.d.

38. About us, n.d.

- 39. Pek et al., 2018.
- 40. Cronkright, 2016.
- 41. Pek et al., 2018.
- 42. Cronkright & Pek, n.d.

^{36.} See the "Our People" section of the Democracy in Practice "About Us" webpage to learn more about Cronkright, Pereira, and Pek.

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Lotteries increased diversity because they drew from a wider range of students than those who stood for election. Lotteries therefore produced better descriptively representative bodies where the demographics of the representatives better reflected the overall student population.⁴³

Lotteries increased interest in student government because they were a more direct and participatory form. Students did not have to be afraid of being rejected by their peers since not getting a spot was simply bad luck. The lottery format transformed student government to a more psychologically safe activity for many students.

The random nature of lotteries and the fact that everyone had a stake in the outcome, with nobody being rejected by their peers, made lotteries more fun and less stressful for students than elections. Moreover, the random mix of lottery winners brought about a new set of relationships and potential friendships between students who may not otherwise have met.

The group's peer-reviewed research suggested that both students and teachers broadly preferred lotteries to elections.⁴⁴

Cronkright argued that schools had a responsibility to be leaders of innovation, especially with respect to student governance. If there was a better way to get students engaged with their school than elections, schools had a duty to pursue options that reduced student apathy and disengagement and maximized student development.

With support from organizations that promoted sortition, the switch from elections to lotteries was easy and came at little or no cost. Democracy in Practice published a how-to guide for schools that wanted to learn how to make the switch.⁴⁵

Sortition had also been shown to have many of the same benefits in domains beyond school governments, including greater fairness and equality, better descriptive representation, and more direct participation. Beyond student government, the sortition model was also shown to improve the quality of public decision-making, to inhibit corruption, to be less socially divisive, and to be more resource efficient because the time and money spent on campaigns and elections was not required.⁴⁶

Using Sortition for Research Funding

While preparing for the Lawrenceville debate, Gladwell had researched other applications of democratic lotteries beyond schools and citizens' assemblies. "After being schooled by Adam, I began to see versions of his logic everywhere," Gladwell explained,⁴⁷ and he researched other ways people were applying this idea. In addition to the civic and education applications, Gladwell's background research had uncovered another proposed application beyond schools and politics: awarding scientific grant recipients.

43. Pek et al., 2018.

44. Pek et al., 2018.

45. Democracy in Practice, 2017.

46. Pek et al., 2018.

47. Gladwell, 2020, 22:20.

Members of the biomedical scientific community funded by the National Institutes of Health (NIH) had called for sortition—or a modified lottery model—to replace the current peer review rating system that allocates scientific grants. The proposal was a two-step process whereby grant applications would be first subject to a peer review process as usual to eliminate unmeritorious projects, a step intended to prevent limited funds from being spent on unworthy projects. Projects that were deemed worthy would then be selected by lottery so that all meritorious research proposals were given an equal chance of being funded.⁴⁸ In the context of grant funding selection, sortition was seen as a potential solution to the problems in the existing peer review process. Specifically, the peer review process was notoriously unreliable where the level of agreement between reviewers about the merit of proposals was often low. Moreover, the evidence suggested that reviewer bias "has a major influence on funding decisions."⁴⁹ Lastly, in discussion with Michael Lauer, the NIH deputy director for extramural research, Gladwell had learned that peer review scores on funding applications were not correlated with future citations of that research,⁵⁰ suggesting that even expert grant reviewers were not good at predicting which researchers' work would be successful. To Gladwell, this counter-intuitive finding was another example of Cronkright's argument that voters—or in this case reviewers—were bad at predicting who would be successful.

Concerns and Criticisms About Sortition

There are concerns about the sortition model's perceived legitimacy.⁵¹ Key among them was the charge that capable and talented individuals often missed the chance to serve and had to leave the job to those less able, leading to "inherent amateurism." This situation frustrated those with ability and represented a loss to the group of what they could have contributed. Next, critics argued that those selected by lottery felt less responsibility or accountability to serve than those who were elected because the random winners were less committed to the public good, and because winners did not face re-election where their previous performance was judged. Critics also argued that the benefits of the process of election campaigns were lost, such as the chance to educate or gauge the support of the electorate. Lastly, one of the biggest criticisms and the key barrier to reform was the fact that lotteries had much lower perceived legitimacy among the public than elections.⁵²

In response to such criticisms, supporters of sortition argued that it was similar to the random process by which juries of peers were selected. Peer juries are also inherently amateur and yet were trusted to make decisions of guilt about the most injurious crimes in society. Evidence from juries suggested that members took their service responsibilities seriously. Moreover, the jury system enjoyed a high degree of legitimacy in part because of the random selection of members, which helped prevent corruption and reduce bias. Overall, supporters of sortition argued that the jury system showed that similar concerns about democratic lotteries could be overcome.

- 49. Fang & Casadevall, 2016, p.1.
- 50. Gladwell, 2020, 26:15.
- 51. Pek et al., 2018, p. 1.
- 52. Gladwell, 2020, 26:15.

^{48.} Fang & Casadevall, 2016.

The Lawrenceville School

After making their case to the Lawrenceville students, Gladwell stopped and said, "I know what you're thinking. It's Bolivia. What works for teenagers in Cochabamba doesn't necessarily work for the rest of us—apples and oranges and all that."⁵³ Indeed, the Lawrenceville School in Princeton New Jersey was half a world away from the schools in Cochabamba, Bolivia in more ways than one. Firstly, it was a private high school for grades 9 through 12 where roughly two thirds of students boarded.⁵⁴ The American students represented 32 states and the international students came from 37 other countries or territories.⁵⁵ The school boasted a low student-teacher ratio, small class sizes, a wide range of academic departments, and a full slate of athletic teams. Founded in 1810, the school was situated on a 700-acre, leafy campus with top-notch facilities, including a library, a stadium, facilities for multiple sports, a dozen laboratories, two recital halls, a proscenium theatre, a 24-acre farm, three greenhouses, and 18 dormitories.⁵⁶ To most, it resembled a prestigious college rather than a high school, complete with expensive tuition and a nine-figure endowment fund. Lawrenceville aimed to be a place that "challenges a diverse community of promising young people to lead lives of learning, integrity, and high purpose. Our mission is to inspire the best in each to seek the best for all."⁵⁷ Many of the school's graduates went on to attend world class universities, and the school was proud of its long list of notable alumni. Could a system that worked well in Bolivian public schools work well here too?

The student representatives at Lawrenceville were selected in the traditional way using elections to specific roles. During their visit, Gladwell and Cronkright observed that the current elected representatives—at least those in the top roles—were indeed the typical "performers" who were comfortable speaking in front of the entire school. In fact, the current student body president had gained notoriety and votes by rapping his campaign speech! While Gladwell and Cronkright were very impressed with the elected students, they wondered whether the same three main downsides to student elections happened at Lawrenceville too: few students would run, those who did would mostly be the popular types, and those elected would overrepresent the student population in some ways and underrepresent it in others. Why should only some kinds of students get the chance to serve the student body? If Gladwell and Cronkright could convince the school to switch to a lottery, all 832 students who wanted a chance to serve in student government would get an equal opportunity to do so.⁵⁸

During the discussion, a student named Summer suggested a hybrid model that blended the election and lottery systems whereby candidates for positions went through a qualification round first before becoming eligible for the lottery. Under "the Summer proposal," students who wished to participate would first put forth evidence of their ability to bring value to the role in question, and all students who passed that test would then be included in the lottery for each role. The idea behind the Summer proposal was that students would be assured that the person selected for important roles like school president were in fact able to do the job effectively. This kind of two-step qualification process had the benefit of ensuring unqualified people didn't end up in important jobs, and that among those who were qualified, each person would have equal opportunity to get it.

- 54. The Lawrenceville School, 2021.
- 55. The Lawrenceville School, 2021.
- 56. The Lawrenceville School, 2019.
- 57. The Lawrenceville School, 2021.
- 58. The Lawrenceville School, 2021.

^{53.} Gladwell, 2020, 22:20.

Is Sortition Relevant to Revisionist History Listeners?

Having found surprising support for sortition in several domains, Gladwell turned his thoughts to his RH listeners. In presenting stories about topics that were overlooked or misunderstood, he always tried to make his listeners see why the issue should matter to them. But was this just a novel concept limited to niche applications, or might there be broader potential applications in society? For instance, he knew that for most of his listeners, the organizations that most deeply impacted their lives were their workplaces. Could democratic lotteries be used effectively at work? Gladwell reasoned that many of the arguments in support of sortition could well apply to workplaces because many of the problems it was designed to address were also concerns at work; for example, that people who do reviews are subject to biases, that most of us are bad at predicting who or what will be successful, that choice for leadership positions is subject to a limited candidate pool often made up of similar candidates, and that the diversity of leaders continued to underrepresent overall diversity within organizations.

Lawrenceville Students Must Decide: Status Quo or Reform?

Gladwell loved to make people think twice about controversial ideas like this. He had started the discussion with the students by saying, "Now I know [it] sounds like a crazy idea. You wouldn't go for that, would you? Or would you?"⁵⁹ Having spent the afternoon in discussion with the students, Gladwell and Cronkright eventually rested their case. It was time for the students to render their verdict. Gladwell told the students that he was once again going to ask them to rate their happiness with their current election system on a scale of 1 to 10 (with 1 being total dissatisfaction and 10 being total satisfaction). Before he did, though, they needed to decide at what level the evaluations needed to be in order for the group to show support for lotteries over elections. Together they decided that an average post-debate rating of under 6.0 would mean that the lottery system had won sufficient support, and they may want to rethink their current election system. Gladwell then asked the Lawrenceville students to complete the post-debate rating of their happiness with their current election system. He collected their ratings on slips of paper and indicated that he would calculate the average when he got home. Glancing briefly as he collected the slips, Gladwell noticed that many of the post-debate ratings of the election system were a lot lower than the pre-debate ones. Before he left, he promised the students he would tell them the official results as soon as possible. Whatever the outcome, he stressed, the next steps would be up to them.

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WE CHARITY: SELLING VIRTUE CAN BE COMPLICATED

Colleen M. Sharen

All figures in Canadian dollars unless otherwise noted.

On June 25, 2020, the announcement of a contract between the Government of Canada and WE Charity to deliver a \$534 million student grant program had caused a scandal due to financial ties between the charity and the families of Prime Minister Justin Trudeau and Finance Minister Bill Morneau.¹ WE Charity, a social justice charity, was cofounded by human rights advocates and social entrepreneurs Craig and Marc Kielburger in 1995. News headlines about the scandal read "Ottawa Outsources Student-Grant Program to a Toronto Charity that Works with Justin Trudeau's Wife,"² "We the Public Deserve to See the WE Deal Details,"³ And "Organization Under Scrutiny for Not Registering as Lobbyist."⁴

The House of Commons Standing Committee on Finance convened hearings into the matter, giving rise to more headlines: "Former WE Charity Board Chair Says She Had Little Insight into Finances"⁵ and "WE Charity Affair Shows Perils of Corporate Virtue-Signalling."⁶ These headlines suggested that the scandal had evolved from concerns about politicians' conflicts of interest and cronyism to concerns about the financial accountability and governance of WE Charity. By July 24, 2020, key corporate sponsors were ending their relationship with WE Charity.⁷

On August 6, 2020, the House of Commons Standing Committee on Finance heard testimony from staff members of charity watchdog Charity Intelligence Canada (Ci).⁸ Two days later, one headline read "The Kielburger brothers' empire struggles to survive."⁹ The Kielburger brothers had to decide how to best address the concerns of lawmakers, individual donors, and corporate sponsors about the accountability and governance of WE Charity.

- 2. Ballingall, 2020.
- 3. Clark, 2020.
- 4. Nardi, 2020.
- 5. Milstead & Waldie, 2020.
- 6. Yakabuski, 2020.
- 7. Waldie, 2020, July 24.
- 8. Standing Committee on Finance, 2020, August 6.
- 9. Waldie, 2020, August 1.

^{1.} Canada Student Service Grant, 2020.

WE Charity

In 1995, 12-year-old Craig Kielburger was inspired to act against child labour after learning the tragic story of Iqbal Masih, a young boy who was murdered for advocating for children's rights in Pakistan.¹⁰ Craig assembled a group of classmates, alongside his brother, Marc, to join him in his efforts. Under the name Kids Can Free the Children, the group's early efforts focused on petitions to foreign leaders and speeches in local schools.¹¹ Shortly following its inception, Kids Can Free the Children garnered worldwide attention, with Craig Keilburger speaking before U.S. Congressional committees, meeting with Vice-President Al Gore, and appearing on the Oprah Winfrey Show. Later, concluding that poverty perpetuated child labour, the organization broadened its focus to include poverty alleviation.¹² Kids Can Free the Children grew to become one of Canada's largest charities, rebranding in 2016 as WE Charity.¹³

WE Charity used the collective "power of WE" globally to encourage communities to "lift themselves out of poverty" (see **Exhibit 1 – Certificate of Amendment WE Charity**).¹⁴ The charity operated a series of domestic and international projects. Domestic programming in Canada, the U.S., and the UK focused on inspiring youth to make a difference through service.¹⁵ The charity boasted a wide variety of youth-based programs, including

- WE Day, a series of stadium-sized events celebrating youth making a difference in their local community and beyond;
- WE Schools, a program that educated students about the pursuit of social change; and
- WE Well-being, a program that promoted personal and community well-being among youth.¹⁶

International programming focused on poverty alleviation in countries within Asia, Africa, and Latin America.¹⁷ WE Charity partnered with local communities to create WE Villages, a "holistic, five-pillar international development" program that focused on education, water, health, food, and economic opportunity. WE Charity engaged 2,500 current and former staff, thousands of volunteers, and many influential corporate donors, including RBC, KPMG, Allstate, Walgreens, and WestJet.¹⁸ As a result of its work, the charity had received many awards and recognitions.¹⁹

10. Our story, n.d.
11. Smith, 2020.
12. How WE Charity started, n.d.
13. Thomson, 2016.
14. About us, n.d.
15. Our domestic work, n.d.; Empowering change, n.d.
16. Our domestic work, n.d.
17. About us, n.d.
18. Empowering change, n.d.; Corporate partners page, n.d.
19. WE Charity awards, n.d.

The Kielburger Brothers and WE Charity

Craig and Marc Kielburger were brothers, social entrepreneurs, and co-founders of the family of WE entities, including WE Charity and ME to WE Social Enterprises.²⁰ Following the founding of WE Charity, both brothers became highly accomplished and celebrated public figures. Craig was the youngest graduate from the Kellogg-Schulich Executive MBA program, while Marc earned a degree in international relations from Harvard University and a law degree from Oxford University and was a Rhodes Scholar.²¹ Together, the brothers held a total of fifteen honorary doctorates and degrees for their work in education and human rights. One media outlet described Craig as the charismatic face of WE, and Marc as the brains behind its operations.²²

Despite widespread recognition, WE and its founders faced notable criticism. Some journalists criticized its "cult-like" following,²³ others questioned the commercialization of WE events,²⁴ while others questioned whether its international projects were generating real impact.²⁵ Canadaland, a reader-funded Canadian news site, had criticized the Kielburgers for using seemingly aggressive tactics to maintain a positive public image.²⁶ In 1996, *Saturday Night* magazine ran a cover story on Craig titled "The Most Powerful 13-Year-Old in the World."²⁷ Dissatisfied with the negative coverage in the article, Craig launched a lawsuit against the magazine.²⁸ Several years later, *Saturday Night* settled the suit, with Craig receiving \$319,000.²⁹ Isabel Vincent, the writer of the piece, remarked: "It didn't seem like they wanted to deal with any kind of criticism, no matter how slight."³⁰

In 2015, the Canadian Broadcast Corporation (CBC) was scheduled to run a documentary on the dangers associated with voluntourism.³¹ Despite immense anticipation, the piece was pulled shortly before its scheduled airing.³² Canadaland speculated that the documentary had been pulled in response to WE's concerns about critical coverage of ME to WE.³³ However, WE asserted that its concerns were related to the documentary's use of unauthorized WE Day

20. Our founders, n.d.

- 21. Craig Kielburger, co-founder of WE, n.d.
- 22. Kerr, 2019.

23. Kerr, 2018.

- 24. Standing Committee on Finance, 2020, July 22.
- 25. Serebrin, 2020.
- 26. Kerr, 2018.
- 27. Cheney, 2000.
- 28. Kerr, 2018.
- 29. Kerr, 2018.
- 30. Brown, 2015.
- 31. Brown, 2015.

32. Brown, 2015.

33. Brown, 2015.

footage.³⁴ In response to Canadaland's reporting, WE Charity issued a notice of intent to pursue legal action against the site for defamation in 2018.³⁵

Media outlets had revealed that several current and former WE employees had reported issues of abusive leadership behaviour by the Kielburgers, portraying WE as a hostile working environment with a culture of fear.³⁶ A 2019 independent review sponsored by WE and undertaken by the Honourable Justice Stephen Goudge found that WE had a healthy workplace culture, having harassment policies and procedures "both comprehensive and compliant" with Ontario law.³⁷

ME To WE Social Enterprise and the WE Organization

In 2008, Craig and Marc Kielburger founded and incorporated ME to WE Social Enterprises (ME to WE), a for-profit social enterprise.³⁸ ME to WE served two core functions: to provide economic opportunities for WE Villages and to provide a sustainable source of funding for WE Charity.³⁹ The Kielburgers owned ME to WE, a legally separate entity from WE Charity. ME to WE donated at least half of its net profit to WE Charity and reinvested the remaining funds back into its mission.⁴⁰ ME to WE did not share financial statements on its website.

ME to WE generated earned income through two primary means: service trips and retail products. Service trips were promoted as "life-changing experiences" in which individuals and groups had the opportunity to travel overseas to volunteer with one of WE Charity's international development projects.⁴¹ These trips could involve activities such as helping with local harvests, collecting water, or building a local school. As these trips became popular, so did debate about the ethics and impact of the growing "voluntourism" industry.⁴² ME to WE also generated revenue through the sales of ethically sourced, sustainable products including coffee, bracelets, and chocolate.⁴³ For example, ME to WE's Chocolate that Changes LivesTM was made with Fairtrade-certified cocoa from Ecuadorean farmers and could be found at major retailers in Canada and the United States.⁴⁴

- 35. Downard et al., 2018.
- 36. Kerr, 2019, June 25; Merali, 2020.
- 37. Goudge, 2019, April 11.
- 38. About ME to WE, n.d.
- 39. Social enterprise, n.d.
- 40. Frequently asked questions ME to WE. (n.d).
- 41. Frequently asked questions ME to WE. (n.d).
- 42. Tumilty, 2020.
- 43. Shop ME to WE, n.d.
- 44. Shop ME to WE, n.d.

^{34.} Brown, 2015.

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Together, ME to WE and WE Charity were commonly referred to as *the WE Organization*, *WE*, or *the WE Movement*.⁴⁵ ME to WE and WE Charity shared a website, the operation of WE Days, physical facilities, branding, and several executives. The WE Organization issued a single annual transparency report that included both entities.⁴⁶

The Nonprofit and Charitable Context In Canada

According to the Canadian constitution, nonprofit organizations were established, maintained, and supervised by the provinces; however, provincial supervision was largely passive.⁴⁷ Nonprofit organizations included community groups, service groups, trade organizations, professional organizations, or recreational clubs that might be unincorporated, incorporated federally, or incorporated provincially.⁴⁸ As WE Charity was a federally incorporated nonprofit, this section focuses on federal nonprofit and charity laws and regulations.

A nonprofit incorporated under the Canada Not-for-Profit Corporations Act (CNCA) must have included a statement of purpose in its certificate of incorporation and filed form 4022 annually.⁴⁹ Failure to do so could have resulted in decertification of the corporation.⁵⁰ Nonprofits that reported more than \$10,000 in public funding in any year had to file as a soliciting corporation and provide financial statements that were then made publicly available.

Unlike for-profit organizations, nonprofits did not have shareholders; instead, nonprofits had members who controlled but did not own the nonprofit organization.⁵¹ The most common nonprofit membership models were the open membership model, where any person could become a member and the self-perpetuating model, in which the membership consisted entirely of the directors of the corporation.⁵² Nonprofit corporations could assign different rights and duties to different classes of members, which allowed the nonprofit to recognize and ensure representation of different stakeholders.⁵³

The CNCA required that a nonprofit organization have at least three directors, the majority of whom must be at arm'slength to the charity, who held responsibility for oversight of the organization, its financial viability, and fulfilment of its public purpose.⁵⁴ Directors could not receive compensation, except for expense reimbursement. Regulators recommended that directors should make governance decisions collectively:

- 46. WE Organization, 2019.
- 47. Wyatt, 2021.
- 48. Prowse Chowne LLP, n.d.
- 49. Innovation, Science and Economic Development Canada, 2022.
- 50. Innovation, Science and Economic Development Canada, 2022.
- 51. Canadian Charity Law, 2020.
- 52. Canadian Charity Law, 2020.
- 53. Canadian Charity Law, 2020.
- 54. Canadian Charity Law, 2020.

^{45.} Thomson, 2016.
Our casework shows that a breakdown of collective decision making by charity boards is often at the root of poor governance and serious mistakes or indeed mismanagement. Sometimes, this breakdown occurs because individuals or groups of individuals—often including staff members—become too dominant and make decisions that are for the board as a collective body to make. . . . Sometimes, dominant individuals have ulterior motives and go on to abuse a charity for personal gain. Sometimes they use an opportunity they have been given because no-one challenges them, or they have too much control for their own advantage or gain. But that is not always the case; sometimes, the individuals in question mean well in their work for the charity. But . . . it is never healthy for strategic decisions to be made without the active involvement of the full board.⁵⁵

Registered charities, a subset of nonprofit corporations, had a charitable purpose, such as relief of poverty, advancement of education or religion, or other commonly designated charitable purpose, and provided a measurable public benefit to a large segment of the public.⁵⁶ Registered charities were not required to pay income tax, could issue tax receipts to donors, and must file an annual registered charity information return (T3010). Consistent with the Income Tax Act, the Charity Directorate of the CRA registered, approved, and regulated charitable organizations.

In a charity, the majority of directors must be at arm's length from each other and must not bestow individual benefits to a small group of persons unrelated to the group's purpose, or they could lose their registered charity status.⁵⁷ Registered charities could advocate to change public policy but were not permitted to support a political party or candidate for public office.⁵⁸ However, if a registered charity advocated for change in federal public policy, it had to observe the Lobbying Act, which required that those employees who spent more than 20% of their time lobbying the federal government be registered with the Commissioner of Lobbying.⁵⁹

Despite increasing interest in social enterprise since the mid-2000s, Canada had yet to develop specialized corporate forms, which combined elements of for-profit and nonprofit organizations, to facilitate social enterprises.⁶⁰ However, nonprofits, registered charities, and for-profit businesses alike could still engage in social enterprise. Registered charities could pursue a for-profit business related to the charitable purpose of the organization, if it was

"linked and subordinate" to the charity's charitable purposes. Examples...include a business activity that is an offshoot of a charitable program, a use of excess capacity, or a means of promotion the charity or its purposes. The business activity must also play a clearly minor role, in terms of both resources and attention, in comparison to the charity's charitable purposes.⁶¹

Canadian charities could have relationships with non-charities, including related corporations; however, the corporations must be separate and independent.⁶² Mark Blumberg, a lawyer specializing in nonprofit law in Toronto,

- 57. Council on Foundations, 2020; Canada Revenue Agency, 2006.
- 58. Canada Revenue Agency, 2012.
- 59. A significant part of duties "the 20% rule," 2022.
- 60. Manwaring & Valentine, 2012.
- 61. Manwaring & Valentine, 2012.
- 62. Canadian Charity Law, n.d.b.

^{55.} Charity Commission for England and Wales, 2015.

^{56.} Canada Revenue Agency, 2019.

cited the Charity Commission for Wales and England's guidance on separation and independence: The relationship between a charity and non-charity must

- further charitable purposes,
- avoid personal benefit to members of either entity or conflict of interest,
- demonstrate separate financial structures, and
- avoid confusing the public about the relationship between the entities.

Organizations should avoid using the same working name, joint branding, or shared websites to avoid consumer confusion.⁶³

Many larger charities consisted of more than one corporate entity, including a registered charity, a nonprofit corporation, and/or for-profit corporation. By incorporating a separate for-profit corporation, organizations could make a profit through social enterprise while still maintaining their charitable status.⁶⁴ Legal experts recommended that the charity be the sole member or shareholder of any subsidiary corporation to maintain accountability and effective oversight of the subsidiary.⁶⁵

Registered charities adopted a multi-corporate structure for several legitimate reasons. Some nonprofits, such as universities, incorporated foundations to attract people to fundraising initiatives, who might not want to retain personal liability by sitting on the board of the operating charity.⁶⁶ Additionally, multi-corporation structures could be used to shield a nonprofit from liability and protect its assets. Many international development charities controlled separate nonprofit corporations to meet CRA requirements when working in partnership with other agencies outside of Canada.⁶⁷ Moreover, Canadian charities working in other countries might have been required to establish local nonprofit corporations to comply with local law.⁶⁸

The WE Charity Scandal

In early April 2020, the Canadian Government, led by the Liberal Party of Canada (LPC), began to discuss the need to provide financial support to Canadian post-secondary students impacted by the COVID-19 pandemic.⁶⁹ In response, officials contacted several organizations, including WE Charity, in an effort to develop student-focused support programs. Days later, WE submitted a youth entrepreneurship proposal to the offices of multiple government officials,

- 65. Canadian Charity Law, n.d.a.
- 66. Godel, 2007.
- 67. Charles, 2019.
- 68. Canadian Charity Law, n.d.a.
- 69. Walsh & Curry, 2020.

^{63.} Charity Commission for England and Wales, 2019.

^{64.} Godel, 2007.

claiming to have been encouraged to do so after conversing with Minister of International Trade and Small Business Mary Ng (LPC).⁷⁰ Ng later denied WE's claim, indicating that the proposal was unsolicited.⁷¹

In late April 2020, Rachel Wernick, Assistant Deputy Minister of Employment and Social Development Canada, and Finance Minister Bill Morneau (LPC), spoke with WE about its capacity for volunteer administration.⁷² A day after this conversation, Morneau's office received a new proposal from WE that included a volunteer service element. On June 23, 2020, the government approved WE to administer the Canadian Student Service Grant (CSSG) program and a contribution agreement was signed with no open competition. The program was deemed to have started on March 5, 2020, which enabled WE Charity to recover related program expenses incurred prior to the date of the signed agreement.⁷³

On June 25, 2020 Prime Minister Justin Trudeau (LPC) announced the details of the \$534 million CSSG.⁷⁴ The program was meant to connect Canadian post-secondary students and recent graduates with volunteer opportunities.⁷⁵ In return, participants could receive between \$1,000 to \$5,000, depending on the number of hours they volunteered. The announcement was accompanied by a background document that described WE Charity as the sole organization contracted to administer the program.⁷⁶ The contract included a program implementation fee of up to \$34.78 million to cover WE Charity's costs of delivering the program.⁷⁷

The next day, controversy erupted in response to the announcement.⁷⁸ Many accused the Liberal government of cronyism by selecting WE Charity for the contract with no open competition⁷⁹ and conflict of interest because both the Trudeau and Morneau families had ties to WE.⁸⁰

Major organizations in the nonprofit sector criticized the program's design. Volunteer Toronto, Volunteer Canada, and Imagine Canada expressed concerns about the contracting process, the way the program blurred the meaning of volunteerism by paying participants, payment at a rate below minimum wage, an inequitable program design that presented barriers to participation, the potential for creating "make-work" roles, and the program's development of a new volunteer management system instead of using existing community-based volunteer platforms.⁸¹

- 71. Walsh & Curry, 2020.
- 72. Walsh & Curry, 2020.
- 73. Standing Committee on Finance, 2020, July 28.
- 74. Walsh & Curry, 2020.
- 75. Canada Student Service Grant, 2020.
- 76. Walsh & Curry, 2020.
- 77. Standing Committee on Finance, 2020, July 28.
- 78. Walsh & Curry, 2020.
- 79. Curry, 2020.
- 80. Walsh & Curry, 2020.
- 81. On the Canada Student Service Grant, 2020; Savoie, 2020; Speevak, 2020.

^{70.} Walsh & Curry, 2020.

On July 3, 2020, the government terminated WE's contract.⁸² On July 15, 2020, WE announced an organizational restructuring, seemingly in response to the considerable criticism of the lack of organizational transparency and accountability.⁸³ Despite this announcement, public skepticism towards WE increased because newly released documents revealed that the initial CSSG contract had not been granted to WE Charity.⁸⁴ Instead, the contract had been awarded to the WE Charity Foundation, a separate incorporated charity apparently controlled by the Kielburger brothers with the purpose of holding real estate and which reported no employees or assets.⁸⁵

House of Commons Finance Committee testimony

The House of Commons Standing Committee on Finance launched an investigation into what had been referred to by the media as the WE Charity Scandal. Standing Committees of the House of Commons consisted of Members of Parliament (MPs) from all political parties who investigated issues of the day in more depth and provided recommendations to the House of Commons.⁸⁶ From late July to early August 2020, several key stakeholders involved in the controversy appeared before the Standing Committee on Finance.

Conflict of Interest and Relationships with Politicians

Initial public criticism following the CSSG announcement centred around WE Charity's relationship with several influential politicians.⁸⁷ Many speculated that WE had been granted its contract primarily because of relationships with Prime Minister Trudeau's wife, Sophie Grégoire Trudeau, his mother, Margaret Trudeau, and brother, Alexandre Trudeau.⁸⁸ In his testimony, Marc Kielburger estimated that WE had reimbursed expenses of approximately \$212,846 to various Trudeau family members for their involvement in WE Day events.⁸⁹ Margaret Trudeau was paid speaking fees of over \$250,000 by ME to WE for speaking events related to WE Days after Prime Minister Trudeau was elected in November 2015. Critics believed that these payments violated the Conflict of Interest Act, which prohibited elected officials from furthering the personal interest of themselves, their family, or friends when exercising an official power or duty.⁹⁰

Finance Minister Bill Morneau also shared ties with WE. In 2017, he and/or his family participated in ME to WE trips to Ecuador and Kenya.⁹¹ Testimony before the Finance Committee revealed that WE had covered the family's expenses

82. Walsh & Curry, 2020.

- 83. CBC News, 2020, July 15.
- 84. Bell & Russell, 2020, July 22.
- 85. Miller Thomson LLP, 2018; Bell & Russell, 2020, July 22.
- 86. Welcome to committees, n.d.
- 87. CBC News, 2020, July 28.
- 88. Brown, 2020, July 9.
- 89. Standing Committee on Finance, 2020, July 28.
- 90. Conflict of Interest Act (S.C. 2006, c. 9, s. 2).
- 91. Standing Committee on Finance, 2020, July 22.

for WE-related programming during the trips, including accommodations.⁹² During his testimony before the Finance Committee, the finance minister revealed he had written a cheque for \$41,366 to reimburse WE and that his daughter was employed by WE.⁹³ In a press release, WE Charity responded that "many international charities" invited supporters to see the impact of the charity on a "complementary basis."⁹⁴ In response, consultant Elizabeth Gomery said "I can genuinely say that it's extremely rare to see a case where a charity foots the bill for a high-net-worth individual to visit the work that they're doing overseas."⁹⁵

Many critics suggested that the Liberal Government's decision to contract with WE was in conflict of interest, given that the politicians' families had received financial benefits from WE and neither Justin Trudeau nor Bill Morneau recused themselves from the decision.⁹⁶ During their testimony, Marc and Craig Kielburger faced extensive questioning about the rationale for the organization's relationship with the Trudeau family.⁹⁷ When asked if Margaret Trudeau would have been invited to speak at WE Days had she not been related to the Trudeau family, Craig remarked: "She is more than someone's mother or someone's wife. She is someone who, in her own right, has spoken extensively on mental health and is a hero to many." Charlie Angus (MP, New Democratic Party, [NDP]) responded, "You were buying the name. Come on."⁹⁸

Governmental Lobbying without Registration

Another concern voiced throughout the testimony was the fact that WE Charity was not registered as required by the Lobbying Act.⁹⁹ Given WE's significant involvement and communication with the Liberal Government leading up to the announcement of the CSSG program, many critics pointed out that WE should have been registered to lobby.¹⁰⁰ During the Kielburger bothers' testimony before the Finance Committee, Charlie Angus (MP, NDP) remarked,

I don't see how guys, men as sophisticated as you, don't recognize the obligation to follow what every other charity in the country does, to register and to be tracked so that there's accountability. It's the lack of accountability that's really giving us a hard time believing you.¹⁰¹

Craig Kielburger maintained that the organization did not register because WE had had minimal engagement with the government prior to the initiation of the CSSG program, and the organization "didn't think at that point that something

92. Standing Committee on Finance, 2020, July 22.

- 93. Standing Committee on Finance, 2020, July 22.
- 94. WE Charity, 2020, July 22.
- 95. Global News Staff, 2020, July 29.
- 96. CBC News, 2020, July 28.
- 97. Standing Committee on Finance, 2020, July 28.
- 98. Standing Committee on Finance, 2020, July 28.
- 99. Blumberg, 2020.
- 100. Nardi, 2020.
- 101. Standing Committee on Finance, 2020, July 28.

was necessary, because they were calling us to be helpful to them"; however, he noted that the charity was looking further into the matter.¹⁰²

Failure to File as a Soliciting Corporation

WE Charity was a federal corporation under the Canada Not-for-profit Corporations Act (CNCA) and, given that it received over \$10,000 in public funds in any year, it was also considered a soliciting corporation.¹⁰³ Although WE Charity was a soliciting corporation, the charity had filed as a non-soliciting corporation with Corporations Canada in the past five years.¹⁰⁴ It was not until July 2020 that WE Charity amended its previous filings to change its status to a soliciting corporation.¹⁰⁵ However, WE Charity did file the T3010 Registered Charity return with the CRA for these years, which provided more financial information than the Form 4022 for nonprofit corporations.¹⁰⁶

Multiple Related Entities

The WE Organization's highly complex organizational structure was a point of concern throughout various testimonies. According to Charity Intelligence Canada (Ci), at least 32 organizations located in various countries were part of WE's network, with the potential that more existed but had not yet been identified (see <u>Exhibit 2 – Corporate</u> Entities Connected to the WE Organization). WE responded that many of the listed entities were not related to the organization.¹⁰⁷

During his testimony, Greg Thomson of Ci asked "Why does WE need such a complex organizational structure with multiple single-purpose entities to do its work? This is highly unusual for charities, even Canada's largest international aid charities."¹⁰⁸

Mark Blumberg, an attorney specializing in nonprofit law, also noted in his blog that

there is a difference between having a "for-profit" in a group that is wholly owned by a charity and a for-profit that is owned by two or three private individuals and has a close relationship to the charity that benefits to some extent the for-profit. There is a difference between having multiple corporations with transparency about each corporation and clarity as to how they work together versus having so many corporations that the chair of the charity for 10 years cannot even say how many there are.¹⁰⁹

109. Blumberg, 2020, September 4.

^{102.} Standing Committee on Finance, 2020, July 28.

^{103.} Blumberg, 2020, July 28.

^{104.} Blumberg, 2020, July 28.

^{105.} Blumberg, 2020, July 28.

^{106.} Blumberg, 2020, July 28; Canada Revenue Agency, 2023; Federal Corporation Information, n.d.a.

^{107.} WE Charity, 2021.

^{108.} Standing Committee on Finance, 2020, August 6.

When questioned on this issue, Craig Kielburger maintained that there were two reasons behind what had been referred to as WE's "labyrinth" of a structure.¹¹⁰ Firstly, as a charity which operated globally, the WE Organization was legally required to incorporate in other countries in which it operated. Secondly, it was made necessary by Canada's complex laws and regulations surrounding social enterprise, which Craig asserted did not allow charities to a use for-profit business structure to solve social problems. Despite this justification for WE's complex structure, he admitted that there was likely a way to streamline it and he announced that the organization had engaged Korn Ferry, a management consulting company, to assist with this process.

Relationship between WE Charity and ME to WE

Critics also questioned the close relationship between WE Charity and ME to WE. Kate Bahen of Ci claimed that the shared branding of the two organizations resulted in donor confusion.¹¹¹ Jesse Brown testified that, "while the WE organization insists publicly that the two entities are completely separate and distinct, internal WE Organization documents obtained by Canadaland reveal that WE's mission is to create a 'single brand experience' with one overarching brand."¹¹² In a Canadaland article, Mark Blumberg stated that

while some may think it is a good idea to have a seamless "one organization" approach with branding, governance, and operations, it will be a huge problem from a legal perspective in Canada, because the benefits of being a "registered charity" do not apply to that "one organization," the resources of the registered charity can only be used for the purposes and activities of the registered charity, and there needs to be a clear separation/distinction between the registered charity and the other, non-qualified donees [ME to WE].¹¹³

The relationship between WE Charity and ME to WE was governed by a master legal agreement, which outlined the working relationship and sharing of assets and employees between the two organizations, including shared programs such as WE Day and Track Your Impact.¹¹⁴ However, this agreement was not available to the public.

An analysis of WE Charity's financial statements showed that \$11 million had been transferred from WE Charity to the for-profit ME to WE in the past decade.¹¹⁵ In 2019, 6.7% of WE Charity's revenues were transferred to ME to WE compared to 0.8% in 2011.¹¹⁶ Greg Thomson noted that "the related party transactions, with 8% [sic] of donations to WE Charity going to ME to WE, the private business controlled by Marc and Craig Kielburger," should have been a red flag because these transactions were out of the norm for Canadian charities.¹¹⁷

See the following exhibits for financial information:

- 112. Standing Committee on Finance, 2020, July 22.
- 113. Brown, 2020, July 15.
- 114. Goudge, n.d.

^{110.} Standing Committee on Finance, 2020, July 28.

^{111.} Bahen, 2020.

^{115.} Brown, 2020.

^{116.} KRP LLP Chartered Professional Accountants, 2020, February 29; KRP LLP Chartered Professional Accountants, 2012, May 8.

^{117.} Standing Committee on Finance, 2020, August 6.

Exhibit 3 – WE Charity Notes To Non-Consolidated Financial Statements August 31, 2019

Exhibit 4 – WE Charity Statement of Operations

Exhibit 5 – WE Charity Statement of Financial Position

Exhibit 6 – WE Charity Statements Financial Transactions with ME to WE Social Enterprise

Finally, there was significant overlap between employees' roles across various WE-related organizations. For instance, Victor Li, WE Charity's chief financial officer, also held the role of CFO at ME to WE and CFO of WE Charity in the U.S., as well as treasurer of the U.S. ME to WE Foundation.¹¹⁸ Despite these concerns, WE Charity maintained that ME to WE operated as "a legally separate entity with its own governance and finances."¹¹⁹ This was, according to WE, entirely in accordance with Canadian Revenue Agency (CRA) rules for registered charities.

WE Charity Foundation

Critics questioned why WE Charity Foundation had been granted the contribution agreement for the CSSG. Michelle Douglas testified that "the board was never satisfied that the operation of this foundation was in the best interests of the charity or its various stakeholders."¹²⁰ Kate Bahen characterized the WE Charity Foundation as a "shell foundation."¹²¹

The WE Charity Foundation was incorporated as a public foundation in 2018 with the purpose of maintaining facilities and holding funds (see **Exhibit 7 – WE Charity Foundation Certificate of Incorporation**). The foundation had filed as a non-soliciting foundation on its Form 4022 in February 2020.¹²² In its T3010 return filed in December 2019, the foundation reported three directors, Dalal Al Wahedi, Scott Baker, and Victor Li, who were employed by the WE Organization. The foundation declared no revenues, expenses, land, or buildings, and had no employees.¹²³

Charlie Angus (MP, NDP) questioned why the foundation which appeared to be a real estate holding company had been granted the authority to administer the program and manage taxpayer dollars. In response to these concerns, Marc Kielburger remarked that the foundation was

not a real estate holding company. This is actually a charitable organization that was set up to help limit liability. . . . The Government of Canada asked us to assume massive liability, sir, as part of this initiative for 40,000 young people volunteering during the pandemic. It would have been very difficult for us to put the entire organization at risk under those circumstances.¹²⁴

118. Brown, 2020, July 15.

- 119. ME to WE partnership, n.d.
- 120. Standing Committee on Finance, 2020, July 28.
- 121. Standing Committee on Finance, 2020, August 6.
- 122. Federal Corporation Information, n.d.b.
- 123. Canada Revenue Agency, 2019, December 31.
- 124. Standing Committee on Finance, 2020, July 28.

Perceptions of Self-Dealing for Private Financial Gain

Some media representatives and committee members speculated that the Kielburger brothers had engaged WE in the CSSG program for personal financial gain. The Kielburgers maintained government compensation for WE's involvement in the CSSG was strictly for expense coverage, although committee member Pierre Poilievre (MP, Conversative Party of Canada [CPC]) asked whether they had planned to "pay the expenses to [themselves]." Craig maintained that:

WE Charity made absolutely no money and could never have made any money in any way on this, with the contribution agreement. This was the ask from the government. We did not submit a proactive proposal. Rachel Wernick asked us, and we fulfilled the request that came in. The WE Charity Foundation was to solve a need the government asked us to solve.¹²⁵

An independent review conducted by the Honourable Justice Gouge found that Marc and Craig Kielburger had never received any form of payment from WE Charity; however, each received an annual salary of approximately \$125,000 in 2018 and the use of a hybrid car from ME to WE, the for-profit controlled by the Kielburgers.¹²⁶

WE Charity's ownership of real estate had also come under scrutiny. Although it was legal for a charity to own real estate, the media questioned why WE Charity owned so much real estate.¹²⁷ As of August 31, 2019, the charity reported over \$42 million worth of buildings, land, and leasehold improvements. During his testimony, Craig Kielburger remarked,

The real estate, surprisingly, has exploded as an issue. We use real estate like a science centre or a school. We host young people. We have our own global learning centre. We were retrofitting a series of buildings to create a shared space for youth to launch their own social enterprises and their own youth-led charities. Somehow that's being attacked in the press now, when a few months ago it was being praised.¹²⁸

It was not unusual for large charities and nonprofit corporations to own real estate. For example, in 2020 University of Toronto owned \$2.3 billion in land, and \$1.3 billion in capital assets.¹²⁹ WE Charity believed that ownership of real estate was good financial stewardship and estimated that the charity saved \$1.2 million annually by owning rather than leasing facilities.¹³⁰

In 2019, the charity had engaged the Honourable Justice Stephen Goudge to assess its real estate holdings and practices. He found the real estate policies and practices of the charity reasonable, stating that "WE Charity's policy of owning real estate has provided a financial and organisational benefit, and supports the work of the charity."¹³¹ Furthermore, one of

125. Standing Committee on Finance, 2020, July 28.

- 126. Goudge, 2019, May 23; Oversight and accountability, n.d.
- 127. Blumberg, 2020, September 4.
- 128. Standing Committee on Finance, 2020, July 28.
- 129. University of Toronto, 2020.
- 130. WE Charity real estate, n.d.
- 131. Goudge, 2019, November 13.

the stated purposes of WE Charity was to provide and maintain physical facilities to house operations of WE and other charities (see **Exhibit 1 - Certificate of Amendment WE Charity**).¹³²

Organizational Bylaws and Founder Status

In March 2020, prior to the CSSG controversy, all but three members of the WE Charity board resigned. Michelle Douglas, former WE Charity board chair, testified that WE Charity executives were proposing mass layoffs in response to declining ME to WE revenues due to the COVID-19 pandemic which, in turn, resulted in ME to WE's declining contributions to WE Charity. She went on to state that

We had not seen any evidence, reports, or raw data to support the drastic measures that were being taken by the organization.... It was our view that we could not fire hundreds of people without very strong demonstrable evidence, and, even then, that we should explore mitigation measures to save jobs.... Given the pace and volume of job losses, the board committee demanded that the executive team produce immediately the documents and reports that were said to be being generated and relied upon.... The executive team, when asked, did not agree to provide these documents.

On March 25th Craig Kielburger called me and asked that I resign from the board of directors of WE Charity. It was clear that there was a breakdown in trust between the founders and me as the board chair. . . . As I was not going to be able to discharge my oversight duties, I opted to resign immediately. In an accelerated process, the remainder of the board of directors was replaced, but for one Canadian member [director] and two U.S. board members – in early April.¹³³

Craig Kielburger testified that Douglas's resignation was part of a long-planned process of board renewal. In a Canadaland interview, Kate Bahen contested WE Charity's position:

If a charity was to take the strategic decision to radically replace its entire governance structure, that needs to be signaled to donors and corporate sponsors well ahead Everybody needs to know what's going on, so that it isn't a surprise that you find out on Twitter that the chairman of the board resigned in March...and since the chair of their board *resigned*, that doesn't jibe with their story.¹³⁴

WE Charity's bylaws maintained two classes of membership: founding members and voting members. Founding members were granted significant power, including the ability to remove voting members.¹³⁵ See <u>Exhibit 8 – Free</u> the Children By-laws and <u>Exhibit 9 – WE Charity Foundation General ByLaw</u>. According to the WE Charity website, Marc and Craig Kielburger were co-founders of WE Charity, although it was unclear if this meant that they were founding members.¹³⁶ Michael Barrett (MP, CPC) asked Douglas, "Where does 'founder' fit in, in the organizational chart?" She responded

they [Marc and Craig Kielburger] had significant governance power because the bylaws allowed them to make decisions on essentially dismissing the board of directors or obligated the board of directors to refer to the founders and inform

132. Innovation, Science and Economic Development Canada, 2019.

- 133. Standing Committee on Finance, 2020, July 28.
- 134. Brown, 2020, July 18.
- 135. Corporations Canada, 2013.
- 136. Our founders, n.d.

and consult them on significant directional shifts in the organization. So, the founders did have governance power in that sense. Certainly Marc Kielburger, and rarely Craig Kielburger, attended most board of director meetings with the executive director.¹³⁷

In his testimony, Greg Thomson of Ci asked,

why are the Kielburgers [brothers] not directors of any of the WE charities, but take the title of "co-founders," which allows them to avoid fiduciary responsibility and evade disclosure? Why has neither WE Charity Foundation in Canada, or ME to WE Foundation in the U.S. disclosed in their regulatory filings the non-arm's-length relationship of three of their directors?¹³⁸

In response to the Ci employees' testimony, WE Charity noted in a media release that "Craig and Marc Kielburger are volunteers for WE Charity. They have never been employed by WE nor served on the Board of Directors to help ensure the independence of the Board of Directors."¹³⁹

While this membership model was legal, there were concerns about its transparency and accountability.¹⁴⁰ Elizabeth May (MP, Green Party of Canada) remarked during the testimony. "In the future I think you may want to look at your role as founders... you have founders, staff, the board of directors. It's a bit murky as a governance question."¹⁴¹

WE Charity's Social Impact

Some observers questioned the organization's social impact.¹⁴² Ci, a charity watchdog organization, had given the charity a "Low" impact rating for its 2018 fiscal year based on demonstrated impact per dollar spent (see <u>Exhibit 10 – Charity</u> <u>Intelligence Rating of WE Charity 2018 and 2019</u>).¹⁴³ Greg Thomson (Ci), stated,

When it comes to WE Charity in particular, we looked at their international programs, and the level of reporting is weak when it comes to understanding what impact they've had. They talk about how over the last 20 years, since they've been in business, they've built 1,500 schools and they've helped a million people get access to water. These are all very vague statements that provide very little demonstrated impact over what happened in the last year . . . It was their domestic programs that had somewhat better-quality data, with more specific, actionable, understandable metrics that we could actually value.¹⁴⁴

See Exhibit 11 – WE Transparency Report 2019. In a media release, WE Charity responded to Thomson's testimony:

- 139. WE Charity, 2020, July 22.
- 140. Blumberg, 2020, September 4.
- 141. Standing Committee on Finance, 2020, July 28.
- 142. Serebrin, 2020, September 27.
- 143. Bahen, 2020.
- 144. Standing Committee on Finance, 2020, August 6.

^{137.} Standing Committee on Finance, 2020, July 28.

^{138.} Standing Committee on Finance, 2020, August 6.

Our impact is clear: WE Charity impacts [include] Canadian students active in 7,000 WE schools; 1M+ youth attended WE Days logging 70M hours by youth to earn entry; Youth fundraising for 3,000 causes. WE Charity Global impact: 1,500 schools and schoolrooms, with 200,000 children attending; 30,000 women led groups; 1 million people access to clean water.¹⁴⁵

WE Charity posted its 2010 to 2018 financial statements and annual reports, and 2019 transparency report on its website. The 2019 annual report and financial statements had not been posted as of early August 2020. The ME to WE Foundation and WE Well-being Foundation financial statements were also posted on the WE.org website.¹⁴⁶

The Problem: How to Respond to Public Concerns

In late July, *The Globe and Mail* reported that Telus Corporation had ended its multiyear sponsorship with WE Charity.¹⁴⁷ On July 28, the day of the Kielburgers' testimony, the *Toronto Star* also reported that multiple major corporations were ending their partnership with WE Charity, including the Royal Bank of Canada, Loblaw Companies Ltd., GoodLife Fitness, and KPMG.¹⁴⁸ On July 31, the CBC reported that the Government of Ontario would not be renewing its \$500,000 contract with WE Charity.¹⁴⁹

By late July, 59% of Canadians believed that the controversy was "serious and significant" while 37% thought the behaviour of WE should be investigated "as a criminal act."¹⁵⁰ Only 8% of Canadians knew nothing about the controversy, and 57% suggested that it raised issues of governance, transparency, and management relevant to all charities.

Now, under the glare of intense media coverage following the testimony of Kate Bahen and Greg Thomson, and the loss of several important sponsors, Marc and Craig Kielburger had to decide how to best address the concerns of lawmakers, donors, and corporate sponsors about the accountability and governance of WE Charity and its related corporate entities.

145. WE Charity, 2020, July 22.

146. Financial reports, n.d.

147. Waldie, 2020, July 24.

148. Deschamps, 2020, July 29.

149. CBC News, 2020, July 31.

150. Korzinksi, 2020.

Exhibits

Exhibit 1 – Certificate of Amendment WE Charity

Certificate of Amendment WE Charity/Organisme Unis Amendment to the Articles of Incorporation Purpose of the Corporation May 4, 2019

- 1. To relieve poverty in developing nations by providing people in need with access to:
 - (a) education;
 - (b) health programming;
 - (c) clean water and sanitation;
 - (d) agriculture and food security; and
 - (e) basic tools and training required to generate income and develop a livelihood.
- 2. To advance education and promote volunteerism by providing leadership and citizenship training programs, awards and events designed to encourage and enable Canadians to participate more fully as community members, volunteers, and responsible citizens on a local, national, and international level.
- 3. To improve the efficiency of other registered charities by providing a facility or facilities to house the operations of other registered charities and by providing expertise to registered charities on all aspects of their operations to better enable them to deliver their charitable programs.
- 4. To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to qualified donees as defined in subsection 149.1(1) of the Income Tax Act (Canada).

Source: Innovation, Science, and Economic Development Canada. (2019). <u>Certificate of Amendment Articles of</u> <u>Incorporation WE Charity 335640-0</u>. Government of Canada. p. 2.

Credit: Excerpt is reproduced from documents available via the Innovation, Science, and Economic Development Canada website under the <u>terms and conditions of non-commercial reproduction</u>.

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Exhibit 2 - Corporate Entities Connected to the WE Organization*

WEllbeing Foundation (Canada)	Global Impact Fund U.S.	Araveli for Mamas
2569144 Ontario	Minga	WE Charity U.S.
ME to WE Foundations (U.S.)	Global Impact Fund Group	WellBeing Foundation America
Free the Children UK (WE Charity UK)	Bogani Training	9648755 Canada Corp.

Global Impact Fund Canada	Kujitolea	10563056 Canada Corp.
WE Education for Children	ME to WE Trips	Linganya
Kidimu	ME to WE Consumables	ME to WE Travel
WE Charity Canada	WE365 Holdings	ME to WE Asset Holdings
WE Charity Foundation	WE365 LP	ME to WE Shop
WE Education (U.K.)	WE365 GP	ME to WE Social Enterprises
9648763 Canada Corp.	ME to WE Foundation of Canada	

For a graphic representation of the WE Organization and its corporate structure, see "The WE Organization's Structure" exhibit in <u>"How A Charity Superstar Innovated its Way to Political Scandal"</u> from Bloomberg.

*This list may not be exhaustive of entities related to, or affiliated with, WE.

Sources: Based on <u>*Ci's top 10 questions for Marc and Craig Kielburger.</u> (2020, July 27). Charity Intelligence Canada; and Obiko Pearson, N., Bochove, D., & Herbling, D. (2020, December 29). <u><i>How a charity superstar innovated its way to political scandal.*</u> Bloomberg.com.</u>

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Exhibit 3 – WE Charity Notes To Non-Consolidated Financial Statements August 31, 2019

Excerpts from Non-Consolidated Financial Statements 2019 Notes 16 and 17

NOTE 16 IMAGINE 1 DAY INTERNATIONAL ORGANIZATION

Effective May 8, 2017, the organization took control of Imagine 1 Day International Organization ("I1D"), a charitable organization, by virtue of a common board of directors. I1D's programs focus on providing children in Ethiopia with access to quality education. I1D's program activities include the construction of schools, water points and latrines, curriculum enhancement, leadership and teacher training, and parent and community mobilization initiatives.

As part of the arrangement to transfer control, the organization received \$10,000,000 in marketable securities from Imagine 1 Day International Foundation, an entity controlled by I1D by virtue of a common board of directors until May 7, 2017. The amount transferred is to be used towards initiatives in Ethiopia. As of August 31, 2019, \$3,170,118 (2018 – \$6,340,235) of the transfer is included as part of deferred contributions.

During the year the organization paid contributions to I1D in the amount of 860,000 (2018 - 300,000) to be used towards its programming in Ethiopia. Included in the organization's accounts payable and accrued liabilities is a payable to I1D in the amount of 100,000 (2018 - 242,000). Included in the organization's contributions receivable is a receivable from I1D in the amount of 100,000 (2018 - 8242,000).

NOTE 17 ECONOMIC INTERESTS

The organization provides funding to a number of not-for-profit organizations outside of Canada to achieve its international program initiatives, known as "WE Villages". The initiatives operate in nine countries around the world using a holistic economic and humanitarian development model. The organization has a regional director who works closely with each local not-for-profit organization to monitor their use of the organization's funding and provides the organization with regular progress updates for ongoing initiatives.

Funding provided to these not-for-profit organizations for the year amounted to \$8,736,000 (2018 - \$6,385,000).

The organization also works closely with charities in the United States and United Kingdom that share the same mission and vision as the organization.

During the year, the organization received contributions in the amount of \$20,884,000 (2018 – \$13,074,000) from the charity in the United States and \$1,204,000 (2018 – \$573,000) from the charity in the United Kingdom, *towards the organization's international and domestic programming*.

Included in contributions receivable is \$33,000 (2018 - \$199,000) and \$65,000 (2018 - \$Nil) receivable from the charities in the United States and United Kingdom, respectively. Included in accounts payable and accrued liabilities is \$1,326,000 (2018 - \$Nil) payable to the charity in the United States. Included in deferred contributions is \$1,371,000 (2018 - \$1,670,000) received from the charity in the United States towards the organization's international programming.

The organization also works closely with not-for-profit organizations in Canada to achieve various domestic program initiatives. The organization received contributions in the amount of \$900,000 (2018 – \$Nil) from Canadian not-for-profit organizations. Funding provided to these Canadian organizations for the year amounted to \$400,000 (2018 – \$Nil). Included in contributions receivable is a total of \$47,000 (2018 – \$50,000) receivable from the Canadian organizations. Included in accounts payable and accrued liabilities is a payable to the Canadian organizations in the amount of \$130,000 (2018 – \$Nil).

Source: <u>WE Charity Financial Statements 2019</u> retrieved from Charity Intelligence Canada.

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Exhibit 4 – WE Charity Statement of Operations

WE Charity (Canada) Statement of Operations 2017^b, 2018^a, 2019^a (\$ CAD)¹

Item	2019 12 Months Ending Aug. 31, 2019	2018 8 Months Ending ² Aug. 31, 2018 <i>Revised</i>	2017 12 Months Ending Dec. 31, 2017
Revenue	-	-	-
Donations and Sponsorships	-	-	-
General	46,642,406	26,583,202	45,899,991
In-Kind	8,474,862	8,288,904	5,537,515
Grants	-	-	-
Government	1,580,105	1,593,852	2,987,500
Private	9,164,763	6,631,781	10,704,742
Other	41,299	10,970	158,379
Total	\$65,903,435	\$43,108,709	\$65,288,127
Expenditures	-	_	-
Programs	59,364,477	38,588,575	55,751,130
Support	5,116,634	3,525,283	5,443,981
Amortization ³	2,937,426	1,751,218	-
Total	\$67,418,537	\$43,865,076	\$61,195,111
Excess (deficiency) of revenue over expenditures from operations	(\$1,515,102)	(\$756,367)	\$4,090,015
Other income and expenditures	-	-	-
Dividend and interest income	286,926	214,679	179,765
Gain (loss) on foreign exchange	(125,505)	155,621	(308,601)
Interest expenditure ⁴	(626,817)	(337,034)	(412,736)
Share of earnings (loss) from WE 365 ⁵	314,726	(62,396)	(312,083)
Unrealized gain on marketable securities ⁶	-	-	543,695
Realized gain on marketable securities	476,479	38,881	-
Unrealized gain (loss) on marketable securities	(1,065,404)	337,413	-
Total	(\$739,595)	\$347,164	(\$309,960)
Excess (deficiency) of revenue over expenditures for the period	(\$2,254,697)	(\$409,203)	\$3,783,056

Notes:

1. WE Charity's 2020 financial statements had not been released as of April 16, 2021 (the time of writing).

2. In 2018, WE Charity changed its year-end from December 31st to August 31st, resulting in an 8-month period for

the 2018 fiscal year. 2018 Financial data were revised in the 2019 financial statements.

- 3. Included only in the 2019 Statement; 2018 data was revised to include amortization.
- 4. WE365 Holdings is a for-profit corporation that was jointly held by ME to WE Social Enterprises and WE Charity. In 2018, WE Charity acquired 100% of WE365 Holding Company.
- 5. In 2017, "Unrealized gain on marketable securities"; in 2018, called "Gain on Marketable Securities"; and in 2019, two items called "Realized Gain on Marketable Securities" and "Unrealized gain (loss) on marketable securities.

Sources:

- a. <u>WE Charity Financial Statements 2019</u>.
- b. WE Charity Financial Statements 2017.

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Exhibit 5 – WE Charity Statement of Financial Position

WE Charity (Canada) Statement of Financial Position 2017^b, 2018^a, 2019^a (\$ CAD)

Item	2019 12 Months Ending	2018 8 Months Ending ¹	2017 12 Months Ending
Assets	-	-	-
Current	-	-	-
Cash	1,324,394	1,798,441	-
Marketable securities	6,907,568	11,022,023	7,963,896
Contributions receivable	1,723,724	939,996	1,484,743
Sales tax rebate receivable	870,323	1,081,140	1,888,250
Due from related entities	3,123,000	3,590,035	3,522,211
Prepaid expenditures and other assets	1,399,396	1,139,180	561,577
Sub Total	\$15,348,394	\$19,570,815	\$15,420,677
Long term	-	_	-
Marketable securities	2,371,155	_	-
Capital assets	43,962,615	39,954,941	45,439,217
Properties under renovation	0	7,605,787	3,027,860
Intangible assets	847,768	648,799	700,000
Investments in WE365	581	2	2
Assets held in trust	-	1,001,146	_
Total	\$62,530,513	\$68,781,490	\$64,587,756
Liabilities ²	_	_	-
Current	-	_	-
Bank indebtedness [Line of Credit facility]	2,395,000	4,460,000	4,052,328
Accounts payable and accrued liabilities	4,072,411	3,118,134	3,915,381
Deferred contributions	8,528,251	13,539,387	13,522,932
Bank loans – current portion	5,162,835	4,597,316	4,742,472
Obligation capital lease – current portion	6,28,419	605,039	589,881
Sub Total	\$20,786,916	\$26,319,976	\$26,822,994
Long term	-	-	-
Bank loans	6,127,390	2,077,373	2,127,018
Obligation capital lease	827,454	1,455,873	1,861,862
Deferred capital contributions	16,611,348	17,330,973	12,832,825
Obligation for investments in WE365	88,253	402,400	340,005
Amounts held in trust	-	1,001,146	_

Item	2019 12 Months Ending	2018 8 Months Ending ¹	2017 12 Months Ending
Sub Total	\$44,441,361	\$48,587,461	\$43,984,704
Net Assets	-	-	-
Unrestricted	2,486,216	(1,110,323)	(5,207,901)
Investment in capital assets	15,452,936	21,304,172	25,810,953
Endowment	150,000	_	-
Sub Total	\$18,089,152	\$20,193,849	\$10,603,052
Total	\$62,530,513	\$68,781,490	\$64,587,756

Notes:

- 1. In 2018, WE Charity changed its year-end from December 31st to August 31st, resulting in an 8-month period for the 2018 fiscal year.
- 2. WE Charity was in breach of covenants on bank debt in 2018 and 2019. See <u>FINA No. 49, House of Commons</u> of Canada, 43rd Parliament, 1st Session, 18 (2020).

Sources:

- a. <u>WE Charity Financial Statements 2019</u>.
- b. <u>WE Charity Financial Statements 2017</u>.

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Exhibit 6 – WE Charity Statements Financial Transactions with ME to WE Social Enterprise

Non-Consolidated Financial Statements 2019 Note 15 (page 20)

Item	2019 12 months ending August 31, 2019	2018 8 months ending August 31, 2018 <i>Revised</i>
Contributions received	4,944,588	2,888,814
Purchase of promotional goods	916,178	1,976,814
Travel and leadership training services	2,484,266	860,273
Rent expenditures	170,400	-

The co-founders of the organization [WE Charity] have a controlling interest in ME to WE Social Enterprise Inc. and its subsidiaries (collectively, "ME to WE") through a holding company. The purpose of ME to WE is to help support the operations of the organization [WE Charity]. The organization purchases books, educational material, promotional items and travel and leadership training services from ME to WE at, or below, wholesale prices.

During the year the organization [WE Charity] purchased books from ME to WE through intermediaries in the amount of \$759,200 (2018 – \$542,625) at or below wholesale price. The amount has not been included in the disclosure above.

Included in contributions receivable is \$588,422 (2018 - \$63,000) receivable from ME to WE.

Included in accounts payable and accrued liabilities is \$179,474 (2018 - \$267,423) payable to ME to WE.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related entities.

Source: <u>WE Charity Financial Statements 2019</u> retrieved from Charity Intelligence Canada.

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Exhibit 7 WE Charity Foundation Certificate of Incorporation

Certificate of Incorporation WE Charity Foundation Articles of Incorporation

Purpose of the Corporation

January 29, 2018^a

To promote the efficiency and effectiveness of other registered charities by providing and maintaining facilities to house the operations of other registered charities, including WE Charity.

To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to qualified donees as defined in subsection 149.1(1) of the Income Tax Act (Canada).

Amended June 9, 2020^b

To promote public participation with volunteer and community organizations with an aim to foster good citizenship and encourage healthy communities.

To advance education by providing publicly available scholarships, bursaries, and other forms of financial assistance to individuals to be used for post-secondary education.

Source:

- a. Innovation, Science, and Economic Development Canada. (2018). <u>*Certificate of Incorporation—WE Charity Foundation Corporation Number 1060450-0.* Government of Canada.</u>
- b. Innovation, Science, and Economic Development Canada. (2020). <u>*Certificate of Amendment—WE Charity Foundation Corporation.*</u> Government of Canada.

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Exhibit 8 – Free the Children By-laws

Excerpts from By-law 1 of Free the Children (In 2016 Amended Name to WE Charity) December 6, 2013

Membership in the Corporation shall be available to persons interested in furthering the Corporation's purposes and who have applied for and been accepted into members in the Corporation in the manner set out herein.

Section 2.01 Classes and Conditions of Membership

Subject to the articles, there shall be two (2) classes of members in the Corporation, namely, Voting Members and Founding Members.

Voting Members

- (a) The voting members are such individuals or corporations whose application for admission as a voting member has received (i) the approval of a majority of the votes cast by the directors of the Corporation at a meeting of the directors of the Corporation, (ii) the approval of the majority of the votes cast by members, if any, at a special meeting of members and (iii) the unanimous approval of the Founding Members, if any.
- (b) As set out in the articles, each Voting Member is entitled to receive notice of, attend and vote at all meetings of members and each such Voting Member shall be entitled to one (1) vote at such meetings.

Founding Members

- (c) The Founding Members are such other individuals whose application for admission as a founding member has received (i) the approval of a majority of the votes cast by directors of the Corporation at a meeting of the directors of the Corporation, the approval of the majority of the votes cast by members, if any, at a special meeting of members and (iii) the unanimous approval of the Founding Members, if any.
- (d) As set out in the articles, each Founding Member is entitled to receive notice of, attend and vote at all meetings of members and each such Founding Member shall be entitled to one (1) vote at such meetings.

Section 2.02 Consultation Right

The directors of the corporation shall be required to consult with the Founding Members, if any, at least 30 days prior to making any decision, taking any action or entering into any agreement, or authorizing any such decision, action, or agreement that would result in a fundamental change in the direction of the objectives of the Corporation, provided that the Founding Members may by written agreement waive their rights under this Section 2.02.

Section 3.02 Termination of Membership

A membership in the Corporation is terminated when:

(a) The member dies, or in the case of a member that is a corporation, the corporation is dissolved;

- (b) The member fails to maintain any qualifications for membership described in the section on membership conditions of these bylaws;
- (c) The member resigns by delivering a written resignation to the secretary of the corporation in which case, such resignation shall be effective on the date specified in the resignation;
- (d) For Voting Members only, if at a special meeting of members, a resolution is passed to remove the Voting Member by either (i) the unanimous approval of the Founding Members; or (ii) the approval of at least two-thirds (2/3) of the votes cast by members, provided that in either case the Voting Member shall be given notice of the meeting at which such resolution is to be voted upon and granted the opportunity to be heard at such meeting;
- (e) The member's term of membership expires (if any); or
- (f) The Corporation is liquidated or dissolved under the Act.

Source: *By-Law No. 1 A by-law relating generally to the conduct of the affairs of Free the Children (later known as WE Charity).* (2013). <u>WE Charity 335640-0</u>. Government of Canada.

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Exhibit 9 – WE Charity Foundation General ByLaw

Excerpts from General Bylaw 2018-1 of WE Charity Foundation March 5, 2018

Section 2.01 Composition

Subject to the Articles, membership in the Corporation shall consist of the following two (2) classes of membership:

- (a) such initial Founding Member as is admitted as such by the initial Directors and thereafter, such Founding Members as are admitted as such by the then Founding Members; and
- (b) Ordinary Members, who shall be those individuals who are the Directors of the Corporation from time to time, each of whom shall cease to be an Ordinary Member immediately upon ceasing to be a Director.

A corporation or other entity may be a Member.

Section 2.02 Voting

The voting rights of each class of Members shall be as follows:

- (a) each Founding Member shall be entitled to one (1) vote on all matters brought before the Members;
- (b) except as otherwise provided in the Act or the Articles, each Ordinary Member shall be entitled to one (1) vote on all matters brought before the Members; provided however, that so long as there shall be at least one Founding Member in office, then the Ordinary Members shall not be entitled to vote on the matters listed below and the Founding Members shall be the sole class of Members entitled to vote on:
 - (i) any amendments to the By-Laws of the Corporation;

- (ii) any amendments to the Articles of the Corporation;
- (iii) the admission of additional Founding Members pursuant to section 2.01(a);
- (iv) the admission of additional Ordinary Members pursuant to section 2.01(b);
- (v) the removal of an Ordinary Member pursuant to section 2.06(a);
- (vi) the election of an Appointed Director pursuant to section 3.02; and
- (vii) the removal of an Appointed Director pursuant to section 3.06(a).

Source: General Bylaw 2018-1 of WE Charity Foundation, March 5, 2018.

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Exhibit 10 – Charity Intelligence Rating of WE Charity

Excerpts from Charity Intelligence Rating of WE Charity 2018 and 2019 Results

Results and Impact

WE Charity's 2019 annual report is not yet posted. These results refer to 2018.

WE Charity reports that \$265,921,623 of social value was created globally in F2018 by youth involved in the WE Schools program. In surveys of U.S. and Canadian educators, WE Charity found that through its domestic programs, 90% of students demonstrated increased leadership amongst their peers and 83% of teachers feel better equipped to teach about social justice issues.

WE Charity reports that over 200 women were empowered in F2018 through a new Women's Empowerment Centre in Kenya. The centre has a computer lab, banking facility, artisan production space, and daycare.

While Ci highlights these key results, they may not be a complete representation of WE Charity's results and impact.

Charity Intelligence has given WE Charity a Low impact rating based on demonstrated impact per dollar spent.

Finances

Please note: WE Charity changed its fiscal year-end to August. The 2018 figures are for only 8 months and are not comparable with 2019 figures for 12 months.

WE Charity is one of Canada's largest charities with \$27.5m in donations and corporate sponsorships. In addition, WE Charity received \$20.9m from WE US and \$1.2m from WE UK, \$8.5m in donated goods in-kind and volunteer time, and \$1.6m in Canadian government funding. Excluding the funds from WE US and WE UK (since each has its own fundraising costs), WE Charity's fundraising costs are 8% of donations. Administrative costs are 6% of total revenues. WE Charity's total spending on overhead is 14%. This is within Charity Intelligence's reasonable range.

At August 2019 year-end, WE Charity had cash and investments (gross funding reserves) of \$11.5m compared with \$14.0m at year-end August 2018. WE Charity's bank loans increased to \$13.7m in 2019 compared with \$11.1m in 2018. This creates a negative funding reserve of \$2.2m. For the second year, WE Charity is in breach of its financial covenants on its bank debt. Its bank has waived these conditions for the current period. These bank loans are secured against WE Charity's properties valued at \$39.4m.

WE Charity's audited financial statements disclose related party transactions: In F2019, WE Charity paid ME to WE \$3.6m for promotional goods, travel and leadership training services, and rent. WE Charity received contributions from ME to WE of \$4.4m. WE Charity paid \$1.4m to We365 Holdings Inc. for support for Canadian programs. We365 Holdings Inc. is entirely owned by WE Charity. WE Charity gave Imagine 1 Day, a controlled charity, \$860k in F2019 and \$300k in F2018 for programs in Ethiopia, giving children access to education, including building schools and latrines. Imagine 1 Day owes WE Charity \$3.1m.

On January 1 2019, WE Charity registered a charity, a public foundation, WE Charity Foundation. WE Charity's audit does not report any transaction with WE Charity Foundation and is not consolidated in Charity Intelligence's analysis.

This [finance] report is an update. Charity Intelligence is reviewing the financial information with WE Charity's management. Changes and edits may be forthcoming. Updated on July 10, 2020, by Kate Bahen.

Source: Bahen, K. (2020, July 10). Charity Intelligence rating of WE Charity.

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Exhibit 11 – WE Transparency Report 2019

Excerpts from Internal and Third-Party Evaluations, Accreditations, Reports and Statements for WE Charity and ME to WE Programs, Operations and Governance 2019

We actively seek out independent third-party assessments of our work, engaging professional evaluators like Mission Measurement, Knightsbridge, BCorp, Fair Trade, Plan to Protect and, of course the youth, educators and community members around the world who participate in our programs. As part of our commitment to transparency, WE has for years shared these evaluations, reports, certifications, testimonials and policy documents online. We wanted to make it even easier to share these resources by compiling them in this booklet. The goal is to share our journey of self-evaluation, learning and growth with you, our supporters, donors and participants. As the organization strives for continuous improvement, we seek to build on our strengths and address our weaknesses so we can achieve the greatest possible impact.

WE Charity Financials and Governance¹

At WE Charity, our goal is continuous learning, growth and improvement. That's why WE engages third-party experts to review our financials, governance and organizational oversight. In accordance with our commitment to openness and transparency, we share this information with our donors, partners, and the general public.

We believe social enterprises represent an important means to deliver social impact. Inspired by groups such as Grameen Bank, REStore (for Habitat for Humanity) and Goodwill, ME to WE is a social enterprise. As a pioneer, we strive to establish and uphold best practices for the sector. From the very beginning, WE has engaged recognized experts and authorities to advise and evaluate every aspect of our social enterprise.

International Programs and Trips

For over 20 years, WE Charity has engaged in sustainable development work that empowers communities as active partners in positive change. Aligned with the United Nations' Sustainable Development Goals, WE Charity employs our unique five-pillar sustainable development model that addresses the underlying challenges that lead to extreme poverty: education, health care, clean water and sanitation, environmentally sustainable food security and economic opportunity. Integrally woven into and supporting our development work are ME to WE travel experiences. ME to WE travelers experience an immersive cultural experience rooted in community friendship and trust, actively contributing to and supporting the work of WE Charity in developing communities. It's a safe, immersive and socially responsible way to travel. (p. 8)

Domestic Programs

WE Schools seeks to bring service-learning into every classroom. The WE Schools program is aligned with Ministry of Education and Common Core guidelines, and impacts more than 4.3 million students at over 16,000 schools in North America and the UK. Service-learning is a form of experiential learning where global issues are directly linked to core curriculum, and students learn about the subject through volunteering, action and real-world problem solving in their own communities. WE Schools resources are developed in partnership and with direct input from educators, and we routinely seek feedback from teachers and school board officials to continually improve. We also engage third parties to study and quantify the impact of the WE Schools program. (p. 14)

Note:

1. <u>WE Charity consistently posted its Financial Statements, Annual Reports, and Transparency Reports on its</u> <u>website</u>. As of April 25, 2021, the 2019 Financial Statements for WE Charity were not available on the WE Organization website.

Source: WE Organization. (2019). <u>WE Transparency Report 2019 Internal and Third-Party Evaluations, Accreditations,</u> <u>Reports and Statements for WE Charity and ME to WE Programs, Operations and Governance</u> (p. 13).

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THE ROLE OF TEACHER AGENCY: CHALLENGES IMPLEMENTING AN ICT INITIATIVE IN EDUCATION IN INDIA

Glenda S. Stump; Meera Chandran; Omkar Balli; and Punam Medh

Gopika Jadav was a program lead at the Connected Learning Initiative (CLIx), an award-winning action research program for implementing information and communication technology (ICT) innovations in education. CLIx was implemented in 461 schools with approximately 2000 teachers across the four Indian states of Chhattisgarh, Mizoram, Rajasthan, and Telangana from 2015 to 2019. After the successful implementation of CLIx Phase I in these four states, the CLIx project team recommended scaling the innovation, expanding it to additional schools in Phase II. All four states had expressed an interest in the expansion, yet officials were wary of challenges related to scaling. One key challenge was that state teachers were, in their view, slow or resistant to innovations. State officials wondered whether a new group of teachers would willingly adopt the technology required for successful implementation during a second phase. It was well recognized that the response of teachers was of prime importance in efforts toward school improvement or school reform.¹ However, there was a contradiction in the way teachers were regarded in the Indian context; they were respected as a guru in one instance and labelled as unskilled, even unprofessional, in another.²

Jadav's challenge was to develop a compelling argument to convince state officials that teachers did indeed demonstrate agency and willingness to adopt technology innovations in the successful CLIx Phase I, and that teacher agency played a key role in this success. To move forward to CLIx Phase II, this innovation had to be adopted by the state and integrated into the school ecosystem. Jadav needed to dislodge officials' preconceived notions regarding teachers in India and persuade them to recognize teachers as agents capable of enacting pedagogic change and adopting new innovations, thereby providing the needed support for the success of CLIx Phase II. State support for teacher agency was critical for the scaling and success of Phase II as additional schools would become part of the program and the states would assume a greater role in implementation.

As Jadav walked back to her desk after a long workday, she wondered how she should approach this challenge — what information she should analyze from Phase I, what evidence she should provide to justify her position, and how she should present her recommendation to state officials to convince them that teachers did indeed demonstrate agency during Phase 1. Jadav knew that if she was not successful in her mission, the state would not approve the expansion of CLIx in a Phase II or, alternatively, they might approve the expansion without recognizing and supporting teachers' agency in its implementation. In either case, many schools would be denied the opportunity or the benefits provided by the initiative in the next phase of the project. Where should she start?

^{1.} Imants & Van der Wall, 2020.

^{2.} Sarangapani, 2020.

Gopika Jadav, Program Lead, CLIx

In her career spanning 20 years Jadav worked on various projects with Indian state governments and with the federal Ministry of Human Resource Development before becoming an integral part of CLIx. She had a sharp understanding of how the states functioned and their proclivity, not just for any data, but for specific kinds of data that provided evidence for decision making. This insight helped Jadav to guide CLIx throughout its formative years.

Jadav and her team of field resource coordinators had spent considerable time and effort trying to convince state officials that Phase I would not have been successful without teachers' initiative and contribution. By the end of Phase I, the project team had overcome some of the early infrastructure and teacher capacity challenges, which enabled further adoption of the project through teacher buy-in. Jadav recognized that the ongoing support provided by the CLIx project team played an important role in the development of teacher agency during Phase I and that in Phase II, this supportive school ecosystem would need to be nurtured by the state. The problem that Jadav faced was that even though the success of CLIx Phase I relied upon teacher agency for success, she could not identify a direct way to measure and provide evidence for it.

Context/Background

The school system in India is the second largest in the world, with 264 million students and 9.68 million teachers in 1.51 million schools, of which two-thirds are government-operated. Schooling in India is free and compulsory for children from the age of 6-14, and the government school system has made major progress in the last decade in ensuring universal access to elementary education. Despite growth in private schooling, government schools are the main provider of schooling for the majority of students, particularly those from less privileged backgrounds and students in rural and underserved communities (see Figure 1 – Typical Classrooms in Government Schools). Government schools face severe resource constraints in terms of school infrastructure and provisioning for trained teachers. In line with the National Policy on Information and Communication Technology (ICT) in School Education,³ government schools were to be provided ICT labs, each with a minimum of 10 networked computers to encourage integration of technology in school education. However, the actual provisioning of computer systems and their optimal usage is varied across the states.

Teachers in government schools in an Indian context occupy a low status in the hierarchy of the government school system. The literature supports this view, from a historical perspective⁴ as well as from the perspective of recent shifts in the political economy of education⁵ occurring in the Indian school system. These shifts subject teachers in government schools to a discourse of efficiency that pits government schools in competition with private schools, which are seen as producing better learning outcomes. The efficiency argument fails to account for the scale of the government school system, which provides for a large number of students from marginalized groups.⁶ Secondary-level teachers in government schools have strong identities as subject teachers and are professionally qualified and experienced in their work.

- 4. Kumar, 2005.
- 5. Mukhopadhyay & Ali 2020.
- 6. Mukhopadhyay & Sarangapani, 2018.

^{3.} Government of India, 2012.

CLIx Innovation

The main purpose of the CLIx innovation was to supplement classroom learning with carefully designed technologybased modules in the areas of mathematics, science, communicative English, and digital literacy. The online modules were accompanied by written resources for teachers as well as students.⁷ The modules were built on the foundation of "pedagogic pillars," or principles of needs-based design to enhance engagement and learning effectiveness. These pillars—collaborative learning, authentic learning, and learning from mistakes—guided the use of contemporary technology and online capabilities to engage students and to make learning effective. CLIx recognized the role and involvement of teachers in pedagogic transformation and therefore emphasized teacher professional development (TPD) to inform teachers regarding the use and benefits of technology innovations. The TPD was intended to empower teachers by providing useful knowledge and instruction regarding pedagogy, as well as the tools involved in the CLIx innovation and thus, went beyond the mere imposition of ICT in schools.

The overall aim of this innovation project was to introduce technology-based learning in state-run schools along with a student-centred pedagogy, which was counter to the more traditional pedagogies used in government schools. While this idea itself was not unique, CLIx was different and ambitious, as it envisioned this innovation at scale, aiming at students in higher grades—8th, 9th, and 10th—in 461 schools across four states with approximately 2000 teachers.

Given the central role of teachers in this innovation, an important challenge was the socio-cultural and technopedagogical diversity of the teachers. The four CLIx states represent diverse geographical regions, Chhattisgarh in Central India, Mizoram in the Northeast, Rajasthan in the Northwest, and Telangana in the South, with teachers from diverse linguistic, cultural, and ethnic backgrounds. Given the socio-political histories of these states, there were considerable variations in their educational systems, state leadership and administrative systems, regulations regarding teacher education, recruitment policies, professional development opportunities, working conditions, academic timelines, school infrastructure, and curriculum. For example, secondary school teachers in Telangana benefited from robust in-service professional development compared to teachers in the remaining three states. Teachers in Mizoram and Rajasthan were older and were in regular employment, whereas in Chhattisgarh, teachers were relatively younger and more likely to be under contractual employment. The number of teachers teaching "out of field," (i.e., without a graduate degree in the subjects they taught) was highest in the case of English language compared to mathematics and science. Most importantly, teachers' ability to use ICT varied considerably both across and within each of the states.

Like teachers, students who participated in CLIx were diverse across the four geographic regions. Although they were similar in terms of their family's less privileged backgrounds, students were diverse in terms of their linguistic ability, access to technology, and ICT skills. In government schools, English grammar was taught as a subject for only one period per day and the remainder of the day's instruction was done in the local language; thus, students had limited proficiency in speaking or understanding when English was used as the language of instruction. Although some students had limited forms of technology in their homes, many students had the opportunity to engage with it only in the school setting.

CLIx was designed to be an action research project to work directly with the diverse demographics involved in the program. Researchers aimed to gather data from multiple streams of ongoing CLIx activities in a cycle of planning, implementing, observing, and learning about the impact of action taken as the CLIx curriculum was implemented within the participating schools.

^{7.} See the Connect Learning Initiative website for a list of modules.
The 3-Year CLIx Journey

The Planning and Development Phase – Year 1

CLIx Year 1 (2016–2017) was about planning the innovation, putting together teams and resources, and initiating the development of the technology-based modules. The year kicked off with the selection of CLIx intervention schools. The selection process was based on participation in the government's ICT@School scheme⁸ wherein each school would have a minimum of 10 computers. An infrastructure mapping study was conducted in potential participating schools to understand the nature and status of the ICT infrastructure available. The results of this study showed that the condition of ICT infrastructure varied considerably from state to state. In all, 101 schools in Rajasthan, 30 schools in Chhattisgarh, 30 schools in Mizoram, and 300 schools in Telangana were selected for implementation of the CLIx intervention. The computer labs of selected intervention schools were prepared by repairing the existing machines.

In addition, various teams were put in place. Table 1 presents a summary of the teams and their activities.

Table 1 – CLIx Teams and Functions

Teams	# Members	Activities
Curriculum team	15	Initiated the design and development of student modules/resources.
TPD team	15	Created and implemented teacher training workshops to support student modules for mathematics, science, communicative English, and ICT.
Technology team	15	Developed student and teacher platforms on which modules would be delivered. Also supported the development of technology tools such as simulations.
Field teams	35	Ensured readiness of school computer labs, supplied technical and academic support to teachers, and liaised with state and district officials for implementation of the innovation.
Research team	10	Developed protocols along with data collection instruments to assess and evaluate the processes and outcomes of CLIx.

Table 1 – CLIx Teams and Functions

Teacher Intervention - TPD Workshops

The TPD team designed specific interventions to facilitate the development of teachers' agency for implementation of CLIx modules. They designed and conducted face-to-face workshops to develop a culture where teachers' ideas, values, and beliefs about ICT could be openly shared with peers. In those workshops, the TPD team also introduced CLIx student modules to familiarize teachers with the learning objectives and intended pedagogy. Many teachers did not have prior knowledge of ICT, so beginner level exercises were a part of the TPD design, which helped them learn and gain confidence. However, teachers were not introduced to all the CLIx student modules during the face-to-face workshops due to time constraints and because some of the initial modules were still under development at the time of training.

Teachers' Response to TPD Workshops

Analysis of post-workshop survey data revealed that teachers found TPD workshops to be interactive, engaging, and a space where they could share their ideas and raise concerns about CLIx, (e.g., [what they liked most] "Learning through [a] collaborative approach; helpful and co-operative nature of team members;" "We exchanged our ideas with the workshop group. This is what I liked most;" "This workshop was completely different from previous trainings. Participants were openly expressing their difficulties. In response, facilitators gave answers with correct examples and in a very co-operative way...").⁹ Even though the teachers enjoyed and appreciated the workshops far more than they did most of their regular professional development training, they seemed to harbour a few apprehensions. For example, they articulated that CLIx content was limited to only a few topics and required a lot more class time than they normally spent on the same topics in their regular schedule. They also raised concerns about the often failing lab infrastructure and about class sizes being too large to fit into the computer labs at one time (e.g., "276 students in class, poor student to computers ratio. Periods of maths teachers are held at the same time, availability of lab [is] a concern.").

Teachers' Actions Post TPD Workshops

Following the training, teachers were often unable to practise or implement the modules because their school labs had been unused and in poor condition. The lack of adequate time for practise with new technology-enabled content and the time lag between training and actual module implementation together resulted in teacher frustration. Many teachers still attempted to integrate the modules into their curriculum. **Table 2** presents the number of schools that implemented at least one module for students during the first year.

Although three states showed high tryouts, one state clearly lagged. Upon investigation into the low numbers in Telangana, field team members found that teachers articulated difficulty in accommodating CLIx modules in their existing teaching schedule, as the classes were not formally added to the schools' timetables (daily schedule). Additionally, many teachers articulated a lack of confidence to implement CLIx modules after a training workshop of just a few days. Many of them expressed reservations about their ability to tackle the technical aspects of teaching with ICT.

Table 2 – States With at Least One Module Implementation During Year 1

	/	
State	Participating CLIx schools	CLIX schools implementing in Year 1
Rajasthan (RJ)	101	81 (80%)
Chhattisgarh (CG)	30	24 (80%)
Mizoram (MZ)	30	28 (93%)
Telangana (TS)	300	14 (5%)

	Table 2 – States	With at Least One	Module Impleme	ntation During Year 1
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The Development and Implementation Phase – Year 2

In Year 2 (2017–2018), additional student modules were developed. To ensure access to the student resources, local server machines and additional peripherals such as headphones and splitters were provided to schools in three of the four

states. A new platform to host CLIx modules was developed and made available in all intervention schools. The field teams discussed the goals of the CLIx curriculum with state officials, who then decided to integrate CLIx classes into the school timetables.

Teacher Intervention – Introducing the RTICT Program

The TPD team conceptualized, designed, and launched a post-graduate certificate program called Reflective Teaching with Information Communications and Technology (RTICT) aimed at bolstering teacher involvement and engagement. The program was meant to motivate and support teachers after the learnings from Year 1. RTICT was a blended program that included coursework completed on an online platform hosted by the local university and face-to-face workshops that gave teachers hands-on experience with CLIx modules, serving as exemplars of technology-enabled, student-centred pedagogy. The RTICT program also had a community of practice (CoP) component hosted on Telegram, an instant messaging application. To promote sustainability and a local context for the training, teacher educators (TEs) were identified in each of the states. The TEs were provided with professional development training to support teacher training and the rollout of the RTICT program.

Participation in RTICT

A large number of teachers (1828) across four states enrolled in the first RTICT online course. They also attended the 112 in-person workshops, which were the face-to-face component of the program. Teachers articulated appreciation for the interactive nature of this component because they were familiar and comfortable with the workshop format. The face-to-face component then became part of the state-mandated teachers' professional development and teacher feedback indicated that they appreciated this change. While the average teacher attendance in the face-to-face component was reasonably high (75%), only 3.32% of the participants obtained the required grades to complete the online course component. One possible reason for the low completion was that the online RTICT courses themselves were not state-mandated and offered via a mode that teachers were less familiar with.

Although teachers did not engage fully with the RTICT courses, they did become active in their CoPs. In their domainspecific Telegram groups, the nature of teachers' interactions changed; instead of posting messages containing only social greetings, they began to post more messages and photos containing their thoughts about pedagogy and CLIx implementation.

Teachers' Actions Post TPD

Whereas 147 schools implemented at least one CLIx module in Year 1, 252 schools did the same in Year 2. The main reason given for non-implementation was a lack of infrastructure in the school labs. In response to this, Jadav's team, in collaboration with the research team, developed an implementation monitoring tool (IMT) to track availability of infrastructure, teachers' concerns, and resultant support. Field team members completed a digital version of the IMT on their cell phones each time they visited a school. The tool consisted of eight sections collecting information that was static (e.g., school name and location) as well as dynamic (e.g., lab functionality on the day of the visit). **Table 3** presents the focus of each section and provides examples of related questions.

Analysis of data from the IMT revealed that some teachers were still uncomfortable rolling out the modules independently. They also faced platform issues, such as unsuccessful loading of assessments, failed translation of certain modules, and malfunctioning features of customized tools. As the field team observed that technical glitches were impeding teachers' motivation to implement digital activities, the team made multiple visits to participating schools, focusing on supporting teachers as they learned to navigate and troubleshoot the platform.

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Table 3 – Implementation Monitoring Tool Summary

Section/Focus	Example Questions				
	Which state is the school located in?				
Preliminary information	Date & Time				
Lab functionality	Is the CLIx platform functioning? (Y/N) Are there at least ten computers in the lab? (Y/N)(If N) What is the total number of computers in the lab?Are all computers functioning (Functionality = working computer, and related components except headphones & splitters)? (Y/N)(If N) How many computers are not functional?				
	Are the CLIx classes included in the school timetable?				
	Is there a designated person from the school who manages the computer lab? (Y/N)				
	(If Y) Who does this? (e.g., headmaster, teacher, etc.)				
Module implementation prior to visit	Which science/mathematics/English modules have been implemented prior to this visit?				
	Reasons for not implementing any science/mathematics/English modules in the school				
	Did the teacher complete all units of the science/mathematics/English modules named above?				
	(If N) How much did they complete?				
	Which of the following teachers attended the F2F workshop this year?				
TPD	Which of the following teachers actively view and create posts on a mobile chat application, (e.g. Telegram, WhatsApp)?				
	Which of the following teachers have interacted with the TEs through Telegram/any other mode in the last 15 days?				
Module implementation at	On the day of the visit, was a session observed? (Y/N)				
time of visit	Which module was observed?				
	Were the pairs/groups of students discussing the modules? (Y, at least 50% of the students for 50% of the class time/N)				
Student observations	Were the pairs/groups of students helping other groups? (Y, at least 50% of the students/N)				
	Did students use the local language to communicate with each other? (Y/N)				
	Did the students use the workbook?				
	Did the teacher use batching to make sure all students have access to the lab? (Y/N/NA)				
	Was the teacher present to conduct the entire CLIx lab session? (Y/N)				
reacher observations	How did the teacher begin the class?				
	What did the teacher do during the CLIx lab session?				

 Table 3 – Implementation Monitoring Tool Summary

	What are the teachers' questions/concerns regarding the module? (Please record in teacher's words)
Teacher/headmaster concerns; observer impressions	What are the headmaster's concerns regarding the use of ICT for teaching? (Please record in headmaster's words)
Impressions	What is going well in the roll out process? (Your impressions)
	What needs attention? (Your impressions)

The Phasing Out Year/Adoption Year – Year 3

By Year 3 (2018 –19), most of the platform issues from the previous years had been addressed. Eighty percent of the participating schools had included CLIx sessions in their school timetables. Schools with large class sizes created small student lab batches¹⁰ to ensure that all students had access to the ICT lab. An increasing number of teachers became comfortable with the CLIx online platform and were able to troubleshoot basic technical issues on their own. **Table 4** presents the number of schools that rolled out different student modules during Year 3. Each school typically had at least one teacher per subject (English/mathematics/science) for implementation.

No additional modules were developed during Year 3. For continuous professional development of teachers, the postgraduate RTICT program became modular and optional, wherein teachers could select one or more courses and complete the program within five years. Different pathways for programs that met teachers' short-term goals were offered to encourage their engagement.

During Year 3, a larger, more systemic issue began affecting CLIx implementation. A large number of teacher transfers occurred, particularly in two states—Rajasthan and Telangana—leaving fewer teachers trained to implement CLIx modules. This turn of events required extensive efforts to train the new teachers.

In addition to the high number of teacher transfers, Telangana continued to suffer from poor infrastructure in many schools. Only 150 of the 300 selected schools had between 70% and 100% functionality of the computer lab, which limited teachers' implementation of the modules despite their completion of the training program. The computer labs in schools in the other three states were in reasonably good condition by this time, as the schools were able to develop an infrastructure that was supportive of module implementation.

Table 4 – Number of Schools that Implemented Modules by Year

Year	Rajasthan (RJ)	Chhattisgarh (CG)	Mizoram (MZ)	Telangana (TS)	Total
Year 1: 2016–17	81	24	28	14	147
Year 2: 2017–18	100	28	28	96	252
Year 3: 2018–19	101	28	30	96	255

Table 4 – Number of Schools that Implemented Modules by Year

10. The average class sizes were over 40 students in grade 9 across CLIx schools, with some schools in CG and RJ having a maximum of 80-100 students. The lab size in all schools was the same, with not more than 10 systems. Sending students in smaller batches to the lab was a necessary strategy in these cases.

Findings from CLIx Phase 1 Research

The final year of CLIx was an intense phase of module rollout after critical conditions such as functional ICT labs, related infrastructure, access to CLIx resources, trained teachers, and effective school-based support for implementation were deemed to be in place. CLIx field personnel provided school-based support on an average of five visits per school for 82% of schools. In 91% of the school visits, servers were functioning, peripherals such as headphones were available, and computers were functioning throughout the academic year. Power did not pose an issue for 75% to 85% of the cases. Nearly all software and platform-related issues were resolved, hardware issues were reduced from the previous year, TPD attendance was moderate to high, and teachers had access to smartphones to participate in online CoPs.¹¹

It was under the above conditions that teachers, the key actors in the schools, were positioned to make normative judgements about the value of using CLIx modules to teach their respective subjects. Teachers made practical judgements about determining the topics to be implemented, managing student batching for optimal use of the ICT lab, and engaging students in the lab through meaningful pedagogic processes, etc.

In the final academic year of implementation, data were collected via lab and class observations, surveys, and the CLIx platform. Lab observations were recorded on the implementation monitoring tool (IMT) during field visits to schools. Information on student usage of modules was also derived from the IMT observations, as well as from the CLIx digital student platform that captured data on unique user logins for each module. Teacher surveys provided information related to their concerns about CLIx implementation, self-efficacy for digital skills, beliefs about use of ICT, and attitudes toward ICT-based teaching. Last but not least, data were obtained via qualitative observations of teachers during their implementation of CLIx modules in their respective schools.

CLIx Teachers' Changing Beliefs and Values

CLIx teachers' response to surveys conducted at the beginning of CLIx (baseline survey) and at the three-year mark (endline survey) included their self-reported ICT skills, beliefs about use and effects of ICT, perceptions regarding the challenges of integrating ICT in their teaching, and their pedagogic practices. Given the large-scale transfers that occurred in two states, there were only 162 teachers across the four states for whom survey responses were available from both the baseline and endline surveys. This group was designated as a panel, and their baseline–endline responses were compared to determine any change in self-reported ICT skills, beliefs, and perceptions over the time they were a part of CLIx

ICT Skills

The panel teachers reported statistically significant improvement in their own ICT skills from baseline to endline in two respects: "Advanced digital skills," which improved by 0.35 points (on a 1-5 Likert-type scale) and "Online ICT engagement," which improved by 0.21 points (on a 1-4 Likert-type scale). There was a decline in reported basic ICT skills (-0.10), but this was not statistically significant. This decrease in perceived basic skills was surprising to those who conducted the TPD workshops because they noted teachers' basic ICT skills to be very low to begin with. However, teachers may have overestimated their basic skills in the baseline survey, only to develop a more realistic view after they were introduced to new forms of edtech in the trainings. **Table 5** describes the attributes of the three factors that were assessed in the surveys.

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When the panel group was categorized based on the extent of their TPD, it was found that 76 out of 162 teachers (47%) who had received the full three years of TPD reported significant improvement in their advanced digital skills (0.33 points) and online ICT engagement (0.25 points). This group also reported a non-significant decline in basic ICT skills (-0.06).

Table 5 – Attributes of Factors Assessed by Survey

Factors	Attributes
Basic ICT skills	Ability to start a computer, handle a mouse device; save files; use word-processing software, spreadsheets; type in English, type in Hindi, Telugu, Mizo
Advanced ICT skills	Ability to download/upload files; photograph and record audio/video clips on phone/digital camera; use online maps, simulations; download and use apps on mobile phone; use video conferencing; program
Online ICT engagement	Experience of searching internet for personal or professional work; experience of interacting with online community

Table 5 – Attributes of Factors Assessed by Survey

Source: CLIx Research Team, 2020, p. 31. **Credit:** Adapted from Table 5.1 in <u>Making EdTech Work for Secondary</u> <u>School Students & Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.

Beliefs About Teaching With ICT

The panel teacher group reported a slight decline (-0.02 points) in their positive beliefs regarding use of ICT for teaching. Their perception of challenges in accessing computers and training, as well as problems with devices, power, and internet access, remained the same or declined slightly over time (0 and -0.02 respectively), whereas their perception of extrinsic challenges with respect to teaching with computers showed a statistically significant increase (0.20).

The subgroup of panel teachers with full TPD also reported lower positive belief (-0.03) about the value of teaching with ICT in the endline compared to baseline, despite their increase in skills. On the one hand, their perception of challenges in accessing computers and training, as well as problems with devices, power, and internet access was non-significant and similar to the entire group (-0.14 and -0.09 respectively). On the other hand, they reported a lower increase than the entire group in extrinsic challenges of teaching with computers (0.09). Taken together, these findings suggest that although these teachers reported an increase in advanced skills and perceived ICT implementation as less challenging than their peers, they were still uncertain of its pedagogical value.

Teachers' Perceptions of CLIx

From a macro perspective, conditions for CLIx module implementations were favourable in terms of lab infrastructure, availability of modules and resources, extent of TPD provided to teachers, and regular school-based visits with support by CLIx field personnel. However, from a micro perspective at the individual or school level, the accommodation of CLIx in the everyday school schedule was a different matter. Qualitative data revealed teachers' views regarding CLIx implementation in their classrooms.

Teacher Concerns

In the endline survey, teachers' responses to an open-ended survey question point to their concerns regarding CLIx implementation. These responses (N=273) were coded using the Stages of Concern (SoC) from the Concerns-Based

Adoption Model (CBAM)¹² which describes seven categories of possible concerns experienced by individuals as they encounter an innovation (see **Table 6**).

Results showed that most teachers (45.4%) were in Stage 1, the Informational Stage, in which concerns pertain to knowing more about the innovation. A high percentage of teachers (35.9%) were in Stage 3, the Management Stage, in which concerns pertain to more practical issues such as managing large class sizes, batching students for ICT lab, etc. A small percentage of teachers (16.8%) articulated concerns that mapped onto Stage 4, the Consequences Stage, in which concerns pertain to consequences of the program for their students' learning.

When compared with stages of concern for all teachers who completed the endline survey, 19% of the panel teachers who received three years of TPD articulated concerns in Stage 4 as compared to 17% in the entire group.

As shown in **Figure 2**, there was a high percentage of teachers whose concerns revolved around either gaining more information about the innovation (Stage 1) or managing the day-to-day aspects of implementing it in their classrooms (Stage 3). (See Figure 2 – Comparison of Stages Between All CLIx Teachers and Those with 3 Yrs of TPD)

Table 6 – Number of Teachers by Stage in Each State

Stages of concern	CG	MZ	RJ	TS	Total	Stage total as % of total
Stage 0 (unconcerned)	1	0	0	1	2	0.7%
Stage 1 (informational)	17	17	36	54	124	45.4%
Stage 2 (personal)	1	1	0	1	3	1%
Stage 3 (management)	9	35	7	47	98	35.9%
Stage 4 (consequences)	8	22	15	1	46	16.8%
Total	36	75	58	104	273	100%

Table 6 – Number of Teachers by Stage in Each State

Source: CLIx Research Team, 2020, p. 26. **Credit:** Table 4.3 in <u>Making EdTech Work for Secondary School Students & Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.

Factors That Promoted or Impeded CLIx Adoption/Implementation

Interviews with a small group of teachers across the states provided in-depth insights into their perceptions about factors that impacted the adoption and implementation of CLIx. **Box 1** presents the factors that the teachers described.

Box 1 - Reported Factors That Impacted Clix Adoption/Implementation

Promoted adoption/implementation of CLIx:

- Teacher professional development that was practise-based. TPD provided clarity on CLIx student module content and understanding of optimal module implementation.
- CLIx field teams' school-based support. CLIx teams were accessible as well as successful at getting labs fixed and running smoothly.
- Quality of the student module content. Modules provided students with clear conceptual understanding using pedagogy that encouraged active participation.

Impeded adoption/implementation of CLIx:

- Lab infrastructure and low computer-to-student ratio in schools with high class size. Managing the large class size and engaging students who could not be accommodated in the labs at the same time as their classmates was inhibiting from an operational perspective.
- Coverage of select topics in the syllabus through CLIx ICT-based pedagogy while the rest of the topics were taught in the conventional mode provided dissimilar coverage of topics.
- CLIx module content was not always relevant to their required school curriculum. The required curriculum had to be completed within a specified time frame, leaving less room for ICT-based innovation.

Source: Based on CLIx Research Team (2020, p. 51).

Teachers' Implementation of CLIx and Pedagogical Practice

Teacher pedagogical practices varied based on individual and institutional factors prevalent in the given contexts. The IMT data provided a glimpse of the extent and quality of teacher initiative and engagement in the CLIx module rollout as recorded during school visits by field teams as part of school-based support across the four states. Teachers' own accounts of their pedagogical practices were available from the endline survey data, and lab observations made by CLIx research associates during the endline provided an additional perspective.

Teacher Engagement in CLIx Rollout

During initial rollouts, teachers were sometimes obligated to respond to other administrative duties; in those cases, CLIx field personnel oversaw the students. Teachers were present in the lab for the entire session in 71% of the 500 lab observations recorded from 255 schools. When present for the entire session, teachers actively engaged in pedagogical processes and discussion with students in 73% of the cases. In 53% of those cases, they were observed initiating the discussion, while in the remaining 41% of the cases, they engaged with students only when they were called upon. In about 6% of the cases, they did not engage actively in any manner. As shown in **Table 7**, when teachers were in the lab for only part of the session, they did not engage in discussion with students most of the time (82%).

Table 7 - Teachers' Use of Discussion in CLIx Labs

Teacher engagement	Initiated discussion with entire lab	Did not initiate discussion with entire lab	n
Present for entire lab session (71%)	73%	27%	354
Not present for entire lab session (29%)	18%	82%	146

Table 7 – Teachers' Use of Discussion in CLIx Labs

Source: CLIx Research Team, 2020, p. 25. **Credit:** Adapted from Table 4.2 in <u>Making EdTech Work for Secondary</u> <u>School Students & Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.

Pedagogical Practices

Data for teachers' pedagogical practices during CLIx implementation were obtained from observation of their regular classrooms as well as CLIx lab sessions. The observations were conducted to identify pedagogical principles constituted by the design of CLIx TPD and student module offerings. Data were also obtained via observations in classrooms of non-CLIx teachers for comparison.

Out of a total of 92 regular classroom observations (60 CLIx and 32 non-CLIx), CLIx teachers showed desired teacher behaviours, such as relating lesson content to real life and checking for students' conceptual understanding. This finding occurred more frequently among CLIx teachers when compared to the non-CLIx teachers. However, there was still a relatively high percentage of CLIx teachers who never checked for conceptual knowledge, or encouraged students to speak during the observations. (See **Table 8**).

Figure 3 shows that a relatively high percentage of other desired behaviours were being practised by teachers over 75% of the lab time in 29 qualitative CLIx lab observations. (See <u>Figure 3 – Teacher Behaviours During CLIx Lab Sessions</u> <u>by Duration</u>.)

The desirable behaviours included teachers providing clear instructions to students regarding their activities (46.7%), explaining the task in detail (43.3%), and checking if students were engaged and on task (43.3%). There were comparatively fewer instances of teachers asking questions to check for clarity (23.3%).

Frequency counts from CLIx lab observations (see Figure 4 – Teacher Behaviours During CLIx Lab Sessions by Frequency) also showed teachers providing additional support (72 instances), praising students and acknowledging their inputs (23 instances), and using students' mistakes as teachable moments (21 instances).

Overall, teacher behaviours indicated more engagement with students when they were present in CLIx lab sessions for the entire duration. The qualitative analysis of CLIx lab sessions showed teachers exhibiting behaviours that served to reinforce student learning by ensuring they were clear about the task, remained on task, and learned from their mistakes. Additionally, as presented in **Table 8**, CLIx teachers showed a comparatively higher frequency of desired constructivist pedagogies compared to the non-CLIx teachers in their regular classroom teaching.

Table 8 - Teacher Behaviours in CLIx and non-CLIx Regular Classrooms

	Relating to real life		Checking co	onceptual knowledge	Getting students to speak	
Frequency of benaviours	CLIx	Non-CLIx	CLIx	Non-CLIx	CLIx	Non-CLIx
Frequently (> 5 times)	48.4%	15.6%	22.6%	12.5%	16.13%	18.8%
Occasionally (1–2 times)	22.6%	46.9%	35.5%	50%	41.9%	43.8%
Never	29.0%	37.5%	41.9%	37.5%	41.9%	37.5%
Total observations	31	32	31	32	31	32

Table 8 – Teacher Behaviours in CLIx and non-CLIx Regular Classrooms

Note: Frequencies are reported as a percentage of observations.

Source: CLIx Research Team, 2020, p. 46. **Credit:** Adapted from Table 7.3 in <u>Making EdTech Work for Secondary</u> <u>School Students & Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.

The Dilemma

The state's willingness to approve the expansion of CLIx into Phase II hinged on Jadav's ability to develop a compelling recommendation with supporting data that demonstrated teacher agency in Phase I. This issue held significance not only because substantial effort and resources would be needed for teacher professional development in Phase II as the program expanded to additional schools, but also because the program's success in the next phase was even more dependent on the teachers' agency, as the states would assume a greater role in implementation.

Jadav needed to convince officials that teachers were critical to the implementation of the program. She needed to dislodge officials' preconceived notions regarding teachers in India and persuade them to think of teachers as agents capable of enacting pedagogical change, thereby providing the needed support for the success of Phase II of CLIx. Jadav wondered how she should approach this problem, what evidence she should provide to justify her position, and how she could present her recommendation to convince state officials so that additional schools in these four states would have the opportunity to adopt and reap the benefits of the CLIx program and associated technology in Phase II. Where should she start?

Figures



Figure 1 – Typical Classrooms in Government Schools

Figure 1a – A classroom in a Rajasthan government school. [See image description] **Credit:** Copyright © 2016 Connected Learning Initiative. All rights reserved. Used with permission.

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Figure 1b – A classroom in a Telangana government school. [See image description] **Credit:** Copyright © 2016 Connected Learning Initiative. All rights reserved. Used with permission.

Figure 2 – Comparison of Stages Between All CLIxTeachers and Those with 3 Yrs of TPD (N=273)



Figure 2 – Comparison of Stages Between All CLIx Teachers and Those with 3 Yrs of TPD. [See image description]

Note: Total number of respondents: Overall: CG-36, MZ-75, RJ-58, TS-104; TPD3Y: CG-30, MZ-34, RJ-12, TS-21

Source: CLIx Research Team, 2020, p. 26. **Credit:** Figure 4.4 in <u>Making EdTech Work for Secondary School Students</u> <u>& Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.

Figure 3 – Teacher Behaviours During CLIx Lab Sessions by Duration



Figure 3 – Teacher Behaviours During CLIx Lab Sessions by Duration. [See image description]

Source: CLIx Research Team, 2020, p. 48. **Credit:** Figure 7.3 in <u>Making EdTech Work for Secondary School Students</u> <u>& Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.



Figure 4 – Teacher Behaviours During CLIx Lab Sessions by Frequency

Figure 4 – Teacher Behaviours During CLIx Lab Sessions by Frequency. [See image description]

Source: CLIx Research Team, 2020, p. 48. **Credit:** Figure 7.4 in <u>Making EdTech Work for Secondary School Students</u> <u>& Their Teachers [PDF]</u>, © TISS, <u>CC BY-SA 4.0</u>.

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Image Descriptions

Figure 1 – Typical Classrooms in Government Schools

Image A

The image shows a classroom filled with students who are sitting on the floor, with boys in the left foreground and girls in the right background. The students are mostly dressed in matching blue uniforms and are seated closely together in rows with bookbags in front. Some students have textbooks open in front of them, either in their laps or on their bags, and students are looking towards the front of the room, on the right side (not pictured), suggesting they are engaged in a lesson. The classroom walls are plain, with a blackboard visible on one side. There are two ceiling fans and windows in the background allow natural light to enter.

Image B

The image depicts a classroom scene with a group of female students seated at communal desks, with their backs to the camera. The students are wearing blue and white uniforms, and they are facing a blackboard at the front of the room. A student stands at the blackboard facing the class, possibly presenting. The classroom walls are pale and worn, adorned with several small posters or pictures near the ceiling above the blackboards. Backpacks are placed on the floor next to the desks. Natural light filters in from doors or windows on both sides of the room, casting shadows across the room.

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Figure 2 – Comparison of Stages Between All CLIxTeachers and Those with 3 Yrs of TPD (N=273)

The image is a horizontal stacked bar chart comparing CG, MZ, RJ, TS, and Total. Each group has two rows, one labelled "Overall" and the other "TPD3Y." The bars represent different stages (0 to 4), with corresponding colour codes: Stage 0 is orange, Stage 1 is light blue, Stage 2 is purple, Stage 3 is brown, and Stage 4 is dark blue. Each portion of the bar is labelled with a percentage, indicating the distribution of stages within each group. Percentages for each stage vary across the rows, showing how each category is divided. The data is included in the following table:

Group	Stage 0	Stage 1	Stage 2	Stage 3	Stage 4
CG – Overall	3%	47%	3%	25%	22%
CG – TPD3Y	3%	47%	3%	27%	20%
MZ – Overall	0%	23%	1%	47%	29%
MZ – TPD3Y	0%	18%	0%	53%	29%
RJ – Overall	0%	62%	0%	12%	26%
RJ – TPD3Y	0%	75%	0%	8%	17%
TS – Overall	1%	52%	1%	45%	1%
TS – TPD3Y	0%	33%	0%	67%	0%
Total – Overall	1%	45%	1%	36%	17%
Total – TPD3Y	1%	37%	1%	42%	19%

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Figure 3 – Teacher Behaviours During CLIx Lab Sessions by Duration

The image is a horizontal stacked bar chart illustrating the frequency of observed teacher behaviours. Each category has a horizontal bar divided into three segments. These segments are color-coded: blue for "More than 75% of the time," brown for "About 50 – 25% of the time," and dark blue for "Less than 25% of the time / Never." The data conveyed in the graph is provided in the following table:

Category of Behaviour	"More than 75% of the time"	"About 50 to 25% of the time"	"Less than 25% of the time/ Never"
"T provides clear instructions"	46.67%	23.33%	26.67%
"T explains the task in detail"	43.33%	16.67%	36.67%
"T asks questions to check for clarity"	23.33%	26.67%	46.67%
"T checks if students are engaged and are on task"	43.33%	30.00%	23.33%

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Figure 4 – Teacher Behaviours During CLIx Lab Sessions by Frequency

The image is a bar chart representing various teacher behaviours and the number of instances they occur. The y-axis is labelled "Number of instances," ranging from 0 to 80 in increments of 10. Four vertically oriented bars represent each behaviour, with heights corresponding to their respective values. The x-axis lists four different teacher behaviours. The bar values are as follows:

- Uses models or materials to explain = 8 instances
- Uses students' mistakes as teachable moments = 21 instances
- Praises or acknowledges questions & incorrect responses = 23 instances
- Provides additional support to some students = 72 instances

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Attributions

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PIPEWORK WAREHOUSE INC.: MANAGING DISRUPTIONS IN SUPPLY AND DEMAND

Fatih Yegul; Jane Gravill; and Juliet Conlon

All figures in Canadian dollars unless otherwise noted.

It was a Monday morning in late September 2021 when Troy Gilbert, Plumbing Category Manager at Pipework Warehouse Inc. (PWI), logged onto PWI's enterprise resource planning (ERP) system sales module to check updates on customer orders and inventory levels in preparation for the day ahead. Gilbert was surprised to discover that the stock level for standard 3" pipe—a commonly used product that PWI typically kept in stock for their top-tier customers—was close to zero. Gilbert knew that many of his regular top-tier customers would soon be placing their weekly orders for their construction projects and were likely to require the commonly used 3" piping to continue their work. Unfortunately, PWI would not have sufficient supply on hand. Gilbert wondered whether regular customers would start searching elsewhere to source their products. Gilbert also knew that lead times from suppliers for high-demand items were long, and prices on replacement stock were increasing rapidly, causing challenges in setting their own sales prices.

Gilbert commented,

Our biggest concern was [companies] that we do not traditionally do business with going on to our website and basically ordering all our products, and the system would just process it through, and our logistics department overnight would ship it. And I wouldn't know about it until in the morning when we realized we have nothing left on the shelves.

Gilbert was supposed to meet with the management team in a few days to offer them a summary of this situation. Gilbert needed to recommend a strategy to the management for how the company would respond to the frequent price hikes and manage their sales channels and inventory at a time of limited supplies while avoiding considerable damage to the top-tier customer service levels. The company relied upon these customers for regular sales. Gilbert resolved to spend some time organizing his understanding of the problem and generating a list of short- and long-term solutions.

Pipework Warehouse Inc.

PWI was a wholesale distribution corporation established over 50 years ago and operated in the HVAC (heating, ventilation & air conditioning) and plumbing industry, which was worth \$35.16 billion in 2019 with a growth rate of 9%¹. The growth in this industry represented an opportunity for PWI to leverage its extensive industry knowledge and experience to expand and meet growing demands. PWI had 250 non-unionized employees located in nine wholesale branches, three luxury showrooms, and two distribution centres in southwestern Ontario. PWI distributed thousands

1. Simionato, 2022.

of different products (SKUs)² primarily to customers in Southwestern Ontario. PWI supplied the items it sold from large North American distributors and manufacturers and imported some directly from overseas (Asian and European markets). The distributors stocked many imported items, and the manufacturers had to supply several raw materials from international markets. Thus, PWI conducted its business in a complex global construction supply network. See **Exhibit 1 – Position of Pipework Warehouse Within the Construction Industry Supply Network**.

Gilbert had several decades of experience in the wholesale distribution business, mainly in the HVAC and plumbing industry. He worked for PWI for 22 years, the last 11 years of which he worked as the category manager, more specifically, product manager—plumbing. His primary responsibility was to oversee both the sales and supplies in this role. Gilbert needed to comprehend the demand patterns from the customers and ensure sufficient items were in stock to fulfill those demands, as PWI only sold products that were already available in stock in its warehouses. PWI's organizational structure was flat. Gilbert reported to the sales growth manager—plumbing, who reported to the CEO. See Exhibit 2 – PWI Organization Chart.

Gilbert explained,

As category managers, it is non-stop; we are talking all day, every day with the sales managers. ... Our goal is to grow sales, and ... my primary concern is making sure what product we are going to have, who we are going to source it from, who is the vendor we want to partner with. ... We serve the vendors, and we serve our customers as a wholesale distributor.

A Disrupted Supply Chain and Unanticipated Labour Shortages

With the arrival of the COVID-19 pandemic, the once-obscure concept of "supply chain," something rarely contemplated by the public, became the focus of daily news headlines.³ The supply chain's sudden leap into public interest was attributed to widespread delays reported in the shipping container industry. The extreme backlogs observed across global containerized trade since 2020 made the anchoring of ships at the largest international ports, at times by lines measuring 80 vessels long, commonplace by winter 2021.⁴ Backlogs experienced in the shipping industry had farreaching repercussions that impacted wholesalers, manufacturers, distributors, and consumers with long wait times. With the shipping industry responsible for transporting approximately 90% of goods traded globally,⁵ containerized goods on ships equated to items consumers use every day, from cement and fuel to computers and furniture. Early in the pandemic, while few products saw temporary increases in demand (e.g., hygiene products⁶ and computer hardware⁷), the demand for most products, including construction materials, plummeted for two months as many

activities around the globe were halted.⁸

2. stock keeping units

5. BIMCO, 2021.

6. Statista, 2020.

7. Page, 2020.

8. Statistics Canada, 2023.

^{3.} A search in Gale OneFile News Database with the term "supply chain" in document titles one year before and after March 11, 2020, (when the WHO declared COVID-19 as pandemic) reveals a 64% increase in the number of reports published in news outlets globally.

^{4.} Cassidy, W.B. (2022, January 3). A Supply chain still upside down: Shippers seek resilience in upended transportation markets. The Journal of Commerce, 23(1) 8-14.

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The uncertainty surrounding the emergence of COVID-19 in late 2019 left many experts expecting a downturn in trade. Anticipating a reduction in business, shipping firms idled 11% of their international fleet.⁹ However, instead of a collapse in trade, import demand for consumer goods saw a surprising increase due to changes in consumption and shopping patterns after the pandemic was declared and shutdowns or lockdowns became common.¹⁰ Lacking adequate time and planning to reposition empty containers to ports where they were needed, the shipping industry encountered a mismatch between supply and demand, resulting in empty containers in all the wrong places.¹¹

Although the impact of COVID-19 explained much of the upheaval in the shipping industry, the pandemic was not the only culprit. A string of dramatic events further strained the shipping system, most notably, the blockage of the Suez Canal in March 2021 by the 400-metre ship the Ever Given. The six-day canal closure strained the shipping industry by delaying nearly 400 vessels from crossing between the Mediterranean and the Red Sea.¹² The August 2020 explosion at the port of Beirut in Lebanon,¹³ a month-long labour dispute at Canada's second-largest port in April 2021¹⁴ and extreme weather¹⁵ all made matters worse. Facing a steady pace of disruptions in 2020 and 2021, the shipping industry and the delays it encountered grabbed the world's attention.

Workforce shortages further exacerbated business operations during this period. Speaking specifically about the construction industry, Heath Catt of the construction and design-build company Burns & McDonnell described the impact of labour shortages, claiming, "The trend is also taking its toll on suppliers and fabricators, affecting shop production levels and driving up the prices of manufactured equipment."¹⁶ Contributing to shortages were worksites with on-site COVID-19 outbreaks. One analysis of worksites experiencing COVID-19 outbreaks in Los Angeles County, California, found that most outbreaks occurred in manufacturing (26.4%).¹⁷ In Vietnam, where thousands of factories were completely closed for periods of time during the pandemic, manufacturers struggled even months after reopening to reach production capacity, limited by 70% or less of their workforce in place.¹⁸ Labour numbers from the United States indicated unmet demand for workers, with 2.2 million more job openings than unemployed workers in the economy as of September 2021.¹⁹ With companies unable to reach full production capacity, it was no surprise when retailers and manufacturers reported that their inventories plunged.²⁰ Labour shortages added another layer to the multitude of disruptions brought on by the pandemic and disruptions of the production and supply chain processes in 2020 and 2021.

10. UNCTAD, 2021.

- 11. UNCTAD, 2021.
- 12. Taylor, 2021.
- 13. Kinsey, 2021.
- 14. Szakonyi, 2021.
- 15. Eschner, 2021.
- 16. Labs, 2020.
- 17. Contreras et al., 2021.
- 18. Boudreau, J., Nguyen, D., & Chau, 2021.
- 19. Dubay, 2021.

^{9.} Britain's economic recovery from the pandemic is far from smooth, 2021.

^{20.} Britain's economic recovery from the pandemic is far from smooth, 2021.

PWI's Order Fulfillment Challenges

Businesses in many industries have survived unprecedented times since the onset of the pandemic, facing considerable fluctuations in demand and supply trajectories. PWI was impacted by these fluctuations and had to determine how to effectively manage the dynamic supply chain trends, customer expectations, employees, and relationships with business partners to keep the business afloat.

PWI's sales and demand were tracked over the 86 weeks since the beginning of COVID-19 lockdowns, with the last five weeks forecasted. See Exhibit 3 – Approximation of PWI Sales & Demand Trajectory Since Lockdowns. In the initial months, government-imposed measures to minimize the pandemic's cost to public health included the suspension of construction permits. Many businesses and residential occupants had to halt their renovation projects indefinitely. As a result, the demand from contractors for PWI products plummeted to historic lows. GDP numbers from the construction industry in Canada imply a similar demand trajectory. See Exhibit 4 – Construction Industry Monthly GDP in Canada Before and After the Onset of the COVID-19 Pandemic.

PWI had to respond to this extraordinary drop in sales by making the tough decision to scale down its operations, reduce order quantities from suppliers, and downsize its workforce. Gilbert explained that scaling down was not an easy decision for PWI management. Still, the uncertainty about the future was too high, and the company had to take steps to stay in survival mode while waiting for the markets to normalize. About eight weeks after the start of the lockdowns, the government eased up the restrictions, allowing contractors to restart their projects, provided they complied with the new public health protocols.²¹ Thus, the demand that had sunk to its lowest point in nine weeks caught up with prepandemic levels in approximately the same amount of time. In Gilbert's own words:

March of last year, when the Pandemic kind of loomed, all of us went into panic mode or control mode; none of us knew what [the] business was going to do. We all thought it would be extremely quiet; it was a great period of unknown at that point. I think all of us were pleasantly surprised at how fast it did bounce back by late May, even into June, we were seeing things start to pick up.

Although demand rose back to normal levels, PWI had to navigate another unexpected problem. With its reduced workforce, the company was having difficulties fulfilling customer orders due to reduced capacity in material handling operations, and the pandemic-stricken labour market was not offering any relief. Gilbert explained: "...getting people back or bringing new hires into the systems are always a problem." It had grown even more complicated with people on emergency financial assistance from the government and prioritizing their health and well-being over going back to in-person workplaces.²² Labour shortage had, therefore, become a chronic issue for PWI and the entire industry, both for office-based work and especially for warehouse positions.²³ PWI had to readjust its pay scales upward to attract more employees to address the issue. PWI also had to consider improving its processes and introducing automation in its warehouses and sale processes to reduce the number of workers required. Gilbert described the process,

In the last year (2020), we've added some robotics. (...) because you are in a warehouse [with big] walking distances, so they have point-to-point robots, where you drop a tote, and the robot transports [it] to wherever [needed]. We are now starting to look at, okay, when do we start automating the warehouse? When do we start [adding] automated pick towers? (...) It is a math exercise like anything is investment versus return.

23. Conerly, 2021.

^{21.} Fox & Herhalt, 2020.

^{22.} Antunes, 2020.

The Situation in Fall 2021

After the early disruption, PWI's sales slowly and steadily increased and reached historic highs at the end of the summer of 2021 (a 20% increase compared to pre-pandemic levels). Although PWI benefitted from this growth trend, the organization found itself in another unfamiliar territory during this time. Another unexpected impact of the pandemic on PWI was the drastic increase in suppliers' prices. Suppliers were raising their prices as frequently as four times a year! In pre-pandemic times, prices rose once a year on par with the annual inflation rate. In the new post-pandemic environment, prices of some products saw a price hike of more than 50% cumulatively within just a year. Gilbert explained,

Our biggest vendor increased the prices such that a water heater that had been selling for \$900 last fall was selling at \$1400 one year later. Furthermore, intercontinental container shipment rates have jumped to record levels, up to tenfold in some cases compared to the previous year, adding to the supply cost pressure.

While managing the challenges due to severe cost inflation, PWI faced a more significant obstacle in the fall of 2021. Service levels from its suppliers started to drop considerably as none of its suppliers were able to ship the quantities ordered by PWI within the usual lead times. Shipments were either short in quantity or delayed in delivery by several weeks or months. PWI did not experience any limitations regarding warehousing space, but the suppliers were not able to ship sufficient products. The company found itself in uncharted territory. Gilbert indicated there were challenges in his role, as PWI was challenged to determine how to meet the demands of its customers. It became clear that PWI would not be able to ship the quantities customers requested on the sales orders and needed to develop a strategy to prioritize customers' demands. PWI worked to determine the best criteria upon which to base their customer demand prioritization. Gilbert explained this concern,

Our biggest concern was trying to keep the product that our tier one customers needed. If they were not able to get the supplies from us, they would have to shift around their contractors from project to project depending upon the supplies they could find until they would have to halt their mega projects, all because they could not source basic products like piping or wiring. Our job transitioned from strategically planning our purchasing decisions to chasing product in the system in attempts to find at least some of what we were looking for to satisfy—and keep—our customers.

PWI handled a significant portion of its sales through email purchase orders that were automatically converted to sales orders in its ERP system (sales automation). Companies could also place their orders using PWI's e-commerce website. The sales automation and e-commerce systems had been implemented within the last few years and provided PWI with significant cost savings in its operations. Thanks to the back-end integration of the inventory, sales, and e-commerce systems, customers could quickly check the inventory levels in each location and place their orders accordingly via email or through the website. Before the sales automation system, customers were required to go through sales agents to place their orders, which required manual communication between the buyers and sales agents. Freed from such tasks, sales agents now had more time to work on expanding the customer base.

PWI and its customers were satisfied with the efficiency of this ordering system, until the supply shortage unexpectedly hit PWI and its competitors. PWI could no longer allow the customers to order specific high-sales-volume products in the quantity they required because there were insufficient quantities in the inventory to satisfy all orders. PWI also noticed that some customers wanted to purchase in higher quantities only to stockpile as a way of safeguarding against scarcity and inflation.

Contractors had their construction projects planned and were, therefore, aware of the dates when they would require the plumbing, HVAC, PVF, and hydronics products. However, there was typically a shortage of appropriate holding space on construction sites, so receiving products early was discouraged. Thus, as a common practice, many PWI customers chose to reserve products to be shipped later. PWI had sufficient inventory space to accommodate this approach;

therefore, it made sense from a customer satisfaction perspective to hold the shipments for several weeks. However, the viability of this policy, too, had to be reassessed due to the supply shortage and inflationary pressures.

Gilbert and his team now faced several imminent challenges. Frequent price hikes coupled with unreliable and extraordinarily long lead times from suppliers caused immediate product shortages, which demanded urgent management interventions.

Gilbert had to determine recommendations for the top management within weeks, if not days, regarding how to handle the e-commerce website and the sales automation system. PWI had invested a considerable amount of money, time, and resources in establishing the sales automation system and had benefitted from its operational and financial efficiencies for years. Customer feedback regarding the system was positive. However, Gilbert knew that it was not feasible for PWI to maintain the e-commerce website and the sales automation system operating as usual under the current, rapidly changing pandemic conditions. Something needed to be done, or PWI would have no inventory to provide to their toptier customers.

Managing inventory also required a strategy for dealing with the increasing price hikes from suppliers. Gilbert had to decide when to reflect the price hikes from the suppliers to the customers. Whenever there were changes in prices, the suppliers communicated the new list to PWI. Category managers then had to determine whether to immediately reflect the increases in the purchasing costs to its existing inventory or wait until receiving the next batch with the inflated price.

PWI also had to determine how to revise its policy to allow customers to reserve products with delayed shipments.

Gilbert had to decide on some fast and efficient short-term solutions to recommend to PWI management to ensure his department could meet demands at a time filled with disruptions. Gilbert also had to recommend a long-term strategy to the management for how the company would respond to the frequent price hikes and manage its sales channels and inventory at a time of limited supplies in a way that avoided damaging the company's relationship with the top-tier customers it relied upon for regular sales. Where should he start?

Exhibits

Exhibit 1 – Position of Pipework Warehouse Within the Construction Industry Supply Network



of Pipework Warehouse Within the Construction Industry Supply Network. [See image description.] Source: Based on Xue, X., Li, X., Shen, Q., & Wang, Y. (2005). An agent-based framework for supply chain coordination in construction. Automation in Construction, 14(3), 413-430. Credit: © Fatih Yegul, Jane Gravill & Juliet Conlon. CC BY-NC-ND 4.0.

Exhibit 1 - Position

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Exhibit 2 – PWI Organization Chart. [See image description.] **Source:** Based on data supplied by Pipework Warehouse Inc. **Credit:** © Fatih Yegul, Jane Gravill & Juliet Conlon. <u>CC</u> BY-NC-ND 4.0.

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Exhibit 3 – Approximation PWI Sales & Demand Trajectory Since Lockdowns^{*} (Indexed; March 2020 = 100)

*Note: Numbers indicated in the last five weeks were forecasted.



Exhibit 3 – Approximation PWI Sales & Demand Trajectory Since Lockdowns. [See image description.] **Source:** Based on data supplied by Pipework Warehouse Inc. **Credit:** © Fatih Yegul, Jane Gravill & Juliet Conlon. <u>CC</u> BY-NC-ND 4.0.





Exhibit 4 – Construction Industry Monthly GDP in Canada Before and After the Onset of the Covid-19 Pandemic. [See image description.] Source: Based on data from Statistics Canada. (2024). Table 36-10-0434-01 Gross domestic product (GDP) at basic prices, by industry, monthly (x 1,000,000). https://doi.org/ 10.25318/ 3610043401-eng Credit: © Fatih Yegul, Jane Gravill & Juliet Conlon. CC BY-NC-ND 4.0.

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Image Descriptions

Exhibit 1 – Position of Pipework Warehouse Within the Construction Industry Supply Network

The image is an organizational chart diagram illustrating different roles and entities in the supply chain network. A box at centre is labelled "general contractor." At the top centre is a box labelled "property owner," flowing up from property owner are three suppliers. At left is a box labelled "designer," flowing further left are structural, architectural, electrical, and other designers grouped together. Below are three additional suppliers. To the right are civil contractor, equipment contractor, and other contractors, linked together, flowing further right are suppliers A, B, and Pipework Warehouse. Flowing down from Pipework Warehouse are distributors, manufacturers, and raw materials suppliers.

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Exhibit 2 – PWI Organization Chart

The image is a hierarchical organizational chart featuring a tree structure with several levels. At the top is "CEO / President." Below this, there are five main branches: "Director, Finance," "Sales Growth Manager, Plumbing," "Sales Growth Manager, HVAC," "Manager, HR," and "VP, Supply Chain." Each of these roles further branches out:

- "Director, Finance" connects to "Manager, AR" leading to "AR Staff" and "Controller" leading to "Finance Staff."
- "Manager, IT" connects to "IT Staff."
- Both "Sales Growth Manager, Plumbing" and "Sales Growth Manager, HVAC" have a branch to "Product Managers." There is an arrow pointing to "Product Managers" with a label "Troy Gilbert."
- "Manager, HR" connects to "HR Staff."
- "VP, Supply Chain" connects to "Purchasing Staff" and "Warehouse Staff."

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Exhibit 3 – Approximation PWI Sales & Demand Trajectory Since Lockdowns^{*} (Indexed; March 2020 = 100)

The image depicts a line graph with the date range on the x-axis and the index values from 40 to 140 on the y-axis. Two lines are plotted: a solid gray line represents sales and a black dashed line represents demand. Both lines start around index 100 in March 2020. Both lines initially dip sharply, reaching their lowest point below 60 by mid-2020, before gradually rising with fluctuations. In mid-2021, the sales line goes down towards index 100 while the demand line goes up towards 130. Key annotations include "Beginning of lockdowns" at the chart start, "Slump due to lack of demand (permits suspended, businesses under lockdown etc.)" in mid-2020, and "Record sales thanks to unprecedented demand" in 2021 when the lines split.

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Exhibit 4 – Construction Industry Monthly GDP in Canada Before and After the Onset of the Covid-19 Pandemic

The image depicts a line graph where the x-axis represents time, ranging from January 2020 to October 2021, with each month marked. The y-axis represents a monetary value in millions of dollars, starting from \$110,000 to \$160,000, with increments of 5,000. The line begins at the \$150,000 mark in January 2020 and decreases sharply until April 2020, reaching an approximate low of \$118,000. The line quickly rises to almost \$145,000 in June 2020, then gradually increases, peaking above 150,000 in April 2021. The line slightly declines and stabilizes around \$150,000 by October 2021.

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