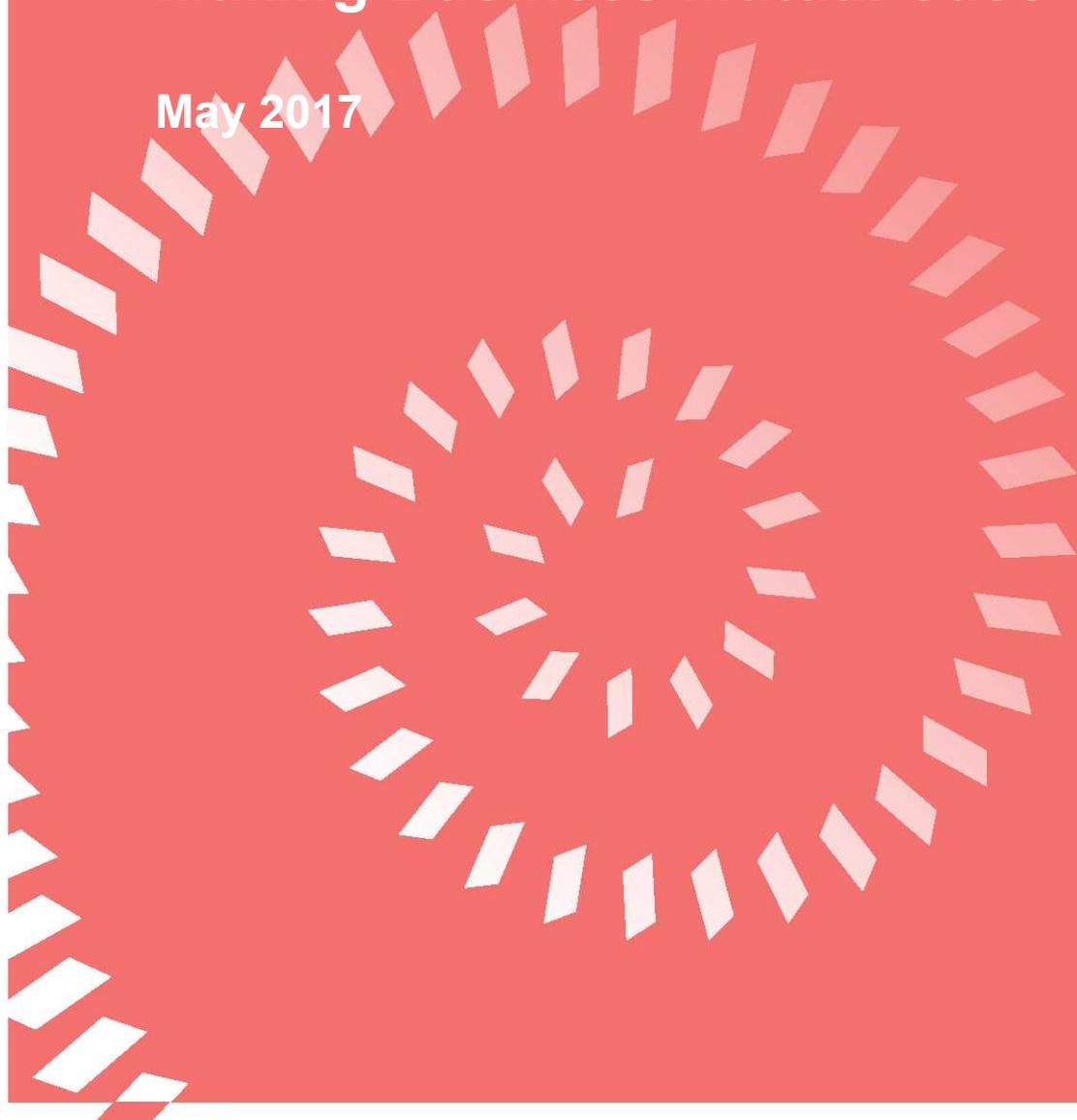




# Al-Sanabel Catering: The Hura Model

**Making Business Mutual Case**

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# Al-Sanabel Catering: The Hura Model

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## ***About the Making Business Mutual Case Studies***

This series of case studies explores how mutual approaches to business can help companies and their partners tackle some of the most pressing global challenges. The businesses featured in this series share a commitment to objectives beyond purely financial performance, as well as a serious intent to implement mutual practices through new forms of ownership, governance, leadership, measurement and management.

In particular, these cases address the measurement of multiple forms of capital, ecosystem shaping approaches, leadership development, business education, and policy formulation through laws and regulation that promote mutual conduct. The authors appreciate the collaboration of participating companies in creating these cases.

These cases were first developed for the annual *Responsible Business Forum*, the convening event of the Mutuality in Business Project, a joint research programme between Saïd Business School, University of Oxford, and the Catalyst think tank at Mars, Incorporated. The *Responsible Business Forum* brings together global companies, MBA candidates, scholars and activists to share their experience in confronting key challenges in their ecosystems to generate financial, social and environmental value.

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Author's Note: This is a descriptive case study, based on publicly available materials as well as on the information shared by the company described. This case study is not meant to provide critical analysis of the literature or information used to develop it. All errors and omissions are the authors' own.

<b>Case Name</b>	Al-Sanabel Catering: The Hura Model
<b>Al-Sanabel Catering</b>	Launched in 2008, Al-Sanabel Catering is a pioneering social enterprise, the first of its kind in Israeli-Arab society. It was established to meet the joint goals of minimising school lunch waste and empowering women within the local Bedouin community of the Negev. The initiative is based on sound business principles, but envisioned and designed to address important social purposes.
<b>Ecosystem Pain Point</b>	About 300,000 children across the country, 55,000 of them Bedouin children, are eligible to receive a hot meal under the Israeli Food Security Act of 2004. <sup>1</sup> Efforts by private external contractors to supply these meals for the Bedouin children in the Negev have proven problematic. Differences in diet and culture lead to enormous waste because children tend to throw away unfamiliar foods.
<b>Design Strategy</b>	Al-Sanabel was established the joint goals of addressing the food waste issue among Bedouin schools and helping empower local women. The initiative currently employs 21 women, most of whom have never had a job before, were ignored even within their own community and are fully dependent on state support. The project recruited women without any job experience or prospects, with the aim of offering them an opportunity to obtain vocational training and skills while working at a stable job. An additional aim of Al-Sanabel is to invest in the local economy. This occurs through both the daily business decisions as well as through the investment of company profits.
<b>Performance</b>	After encountering challenges that resulted from the tension between its social goals and the need to maintain financial stability in a competitive market, Al- Sanabel began turning a profit. In 2011, the service registered a profit of 1.6% out of a turnover of approximately USD 1 million, while producing about 2500 meals a day. In order to leverage the success, the production lines were expanded in 2012, making the current daily production capacity 15,000 meals. In 2014, the enterprise's annual turnover was about USD 2.9 million, registering a profit of about 21.5%.
<b>Prognosis</b>	The Israeli government recognised the potential of the Hura model and seeks to scale the initiative. Al-Sanabel will assume full responsibility for ensuring that the standards of performance are the same as those of Hura. Following the Hura model, the programme aims to supply up to 20% of the hot meals nationwide (approximately 60,000 meals per day) by social enterprises. Such initiatives will be established in towns where there is an entitlement for hot meals.

<sup>1</sup> Central Bureau of Statistics, State of Israel, 2011, [http://www.cbs.gov.il/publications13/local\\_authorities11\\_1531/pdf/478\\_1303.pdf](http://www.cbs.gov.il/publications13/local_authorities11_1531/pdf/478_1303.pdf)

## **Al-Sanabel Catering: The Hura Model**

### **INTRODUCTION**

Al-Sanabel Catering is a pioneering enterprise, the first of its kind in Israeli-Arab society. It was established to empower one of the most marginalised groups in Bedouin society – Bedouin mothers, some of whom are in single parent households. The initiative aims to enable mothers to work and support their families. It is based on sound business principles, but envisioned and designed to address important social purposes.

Amal Elsana Al-Hajuj originally came up with the idea in 2006 during a routine visit to the Bedouin village of Hura. Amal noticed a truck unloading crates of food at a village school. Her familiarity with the school lunch programme (implemented through “The Food Security Act” passed by the Israeli parliament in 2005) in the village and her experience with women’s empowerment programmes in the Negev led her to conceive of a new social business initiative: As Amal describes:

And then I began thinking ... not as someone with expertise in social enterprises . . . not as someone who knows how to set up a kitchen. But I said to myself, we have unemployment. There is a law. And there are women who know how to cook. So I began thinking: how I can set this programme in motion?<sup>2</sup>

Amal’s question about linking local women’s skills with meeting a critical social need gave her the impetus to launch Al-Sanabel Catering.

### **Getting Started**

Al-Sanabel Catering was founded in August 2008. In order to raise philanthropic funds while ensuring economic sustainability, AJEEC-NISPED<sup>3</sup> chose to incorporate the initiative as a public benefit company. The initial capital, some ILS 850,000, AJEEC-NISPED raised from two sources: the Dutch Embassy in Israel, which had partnered with the organisation on other projects, and UJA Federation of New York. Finding a physical space to house the kitchen, and gaining municipal support would prove crucial to the whole enterprise. After a couple of slammed municipal doors, Amal received the support of Dr Al-Nabari, the Mayor of Hura. In just a few months, Amal had raised the initial capital and had found a local partner for setting up the business. All that remained to be done was to secure the first customer: The State of Israel.

The key market-enablers for the initiative were the 2005 Food Security Act and the poor quality of regional food suppliers. The 2005 Act determined that elementary school students in communities classified in the lowest socio-economic (levels 1-3) are eligible for a hot meal as part of their extended schooling four times per week; students in Hura’s elementary schools fall into this category.<sup>4</sup> However, although the children in Hura technically received their hot school meals each week, most of the

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<sup>2</sup> Amal Elsana Al-Hajuj (Founder of Al-Sanabel Catering), personal communication with the author.

<sup>3</sup> The Arab-Jewish Centre for Equality, Empowerment and Cooperation – Negev Institute for Strategies of Peace and Development (AJEEC-NISPED) is an Arab-Jewish non-profit organisation based in Israel’s Negev, dedicated to strengthening active citizenship through education and economic empowerment.

<sup>4</sup> Central Bureau of Statistics, State of Israel, 2011,  
[http://www.cbs.gov.il/publications13/local\\_authorities11\\_1531/pdf/478\\_1303.pdf](http://www.cbs.gov.il/publications13/local_authorities11_1531/pdf/478_1303.pdf)

meals ended up in the bin. It quickly became clear that the children were simply not accustomed to the taste and seasonings of the food supplied by the regional contractor. The food was different from what they were familiar with at home. This market failure offered Al-Sanabel Catering the opportunity to leverage its competitive advantage: the children of the Bedouin diaspora in the area would enjoy food cooked by local women in accordance with local culture and flavors.

By 2008, the Al-Sanabel Catering service was established as a social enterprise and legally registered as a *Halatz*, a Public Benefit Company. Soon it was supplying local schools with fresh Bedouin-cooked meals for Bedouin children.

## **DELIVERING ON PURPOSE**

Al-Sanabel's vision extends beyond improving an existing service and turning a profit. From the very beginning, the founders of the enterprise saw an opportunity to empower women and influence the entire Bedouin community.

Al-Sanabel currently employs 21 women, most of whom have never had a job before, were ignored even within their own community and are fully dependent on state support. The project intentionally recruited women without any job experience or prospects, with the aim of offering them an opportunity to obtain vocational training and skills while working at a stable job.

Through Al-Sanabel, these women have received extensive personal and professional skills training. Enrichment and empowerment courses deal with day-to-day skills. For example, Al-Sanabel workers receive training on proper nutrition, home economics, budget management, healthy lifestyle, driving, reading and writing. The professional and business skills include sewing, business entrepreneurship, to name only a few. The women who work at Al-Sanabel must participate in training courses that typically take place during school vacation periods during which there is no catering activity. The enterprise funds the cost of the courses and the materials needed. Al-Sanabel also pays the women for the hours they study at the same salary level they earn when working in the factory.

Their empowerment goes beyond group training. Al-Sanabel workers receive individualised investment in accordance with their qualifications and aspirations. As one example, an employee was sent to a cooking course, and today she works as an assistant chef. In another case, an employee expressed interest in higher education and began her studies, with all expenses paid by the enterprise.

Another aim of Al-Sanabel is to invest in the local economy. This occurs through both the daily business decisions as well as through the investment of company profits. To this end, the enterprise gives preference to working with local suppliers for raw materials, technology, machine maintenance and transportation. Al-Sanabel aims to impact the whole local economy. To do so, the enterprise tries to create an engine for economic growth and additional circles of employment, while at the same protecting the sustainability and competitive edge of the enterprise.

However, maintaining the coherence of these goals has not always been easy. Originally, the company decided to work exclusively with local suppliers from Hura. On further examination, Al-Sanabel discovered that the policy was inhibiting the enterprise from meeting the criterion of community empowerment because of the excessive costs being charged by local suppliers. In effect, the policy undermined the broader social goals of the enterprise. A review of payments to local suppliers

showed that, in some cases, prices were as much as 30% higher than those of non-local competitors.

In response, a new policy on suppliers was set in 2009, according to which Al-Sanabel would use the cheapest supplier (providing they met quality standards). In order to support local suppliers, however, the company would be willing to pay local companies a premium of 5% on market prices. This change in policy was crucial to ensuring the sustainability of the enterprise. It also highlights the delicate balance between community empowerment and maintaining a competitive business model. Now, Al-Sanabel is the only catering service to provide high quality freshly cooked food – delivered and eaten on the same day – to local schools.

As a social enterprise, Al-Sanabel faces a number of specific business challenges and dilemmas that derive from the tension between its social goals and the need to maintain financial stability in a competitive market.

### **MANAGEMENT PRACTICES: DOING GOOD AND DOING WELL**

In seeking to protect and develop the Hura model of Al-Sanabel, some important organisational structures and partnerships have been established.

During the first years of operation, the Board of Directors was responsible for strategic management and the factory manager and chef were in charge of implementation. At the time, there was no financial management and no calculation had been made regarding the level of turn over necessary to maintain long-term financial stability. In 2009, the enterprise ran into financial difficulties. As part of the fundraising effort, Itzik Zivan came on board as a Business Advisor on a voluntary basis. Zivan, a veteran businessman, saw that the venture had not taken into account its operational costs, and that the number of meals produced (1,800) was less than the break-even point. Zivan also identified the need to broaden the existing governance structure to one that would have good balance between the business and social angles. He established several steering committees focused on different aspects of management in the organisation.

#### **The Board of Directors**

This board consists of the company's main stakeholders, representing all three sectors (public, business and civil society). The board makes decisions based on accepted management principles, systematic reporting and follow up. The board's four members meet approximately once per month to track production. During their meetings, the board members receive reports from the factory manager, as well as discuss expansion and strategy as a whole.

#### **The Investment Committee**

This committee includes all the members of the board, in addition to two employees of the catering business. It meets on a yearly basis, following the publication of the financial report. The investment committee discusses the dispersal of profits and the manner in which they are invested. During these meetings, the committee decides what to invest in and within what framework, given a set of options prepared in advance by the members. The committee's decisions do not apply to the entire profit, but only to 20% of it. Forty per cent (40%) of the profits are immediately allocated to projects of AJEEC-NISPED and 40% to projects in Hura. The investment committee then determines where the remaining 20% should be invested in community-social projects across the entire Bedouin society in the Negev.

Following the organisational and operational changes that Zivan spearheaded, the finances stabilised and the company grew. Over the years, the total output of the business grew from an average of 1,330 meals in 2008 to some 5,100 in 2013. Profit grew from a loss of USD 50,554 to a profit of USD 618,236 in 2014. This economic turnover demonstrates that the catering venture is succeeding to operate in an economically sustainable fashion, while also generating revenues for supporting important community projects. With these sound business structures in place, Al-Sanabel has been able to achieve both its social and business goals. Given the momentum of recent years, the enterprise continues to plan for the future.

### **PROGNOSIS: LOOKING TO THE FUTURE**

In light of the success of Al-Sanabel and the clear potential of the Hura Model, the government is currently working with Al-Sanabel to roll out similar models nationwide. Scaling this initiative will not necessarily involve Al-Sanabel managing each new project, but Al-Sanabel will assume the responsibility for ensuring that each initiative achieves the same high standards as in Hura. The overall strategic goal is for 20% (approximately 60,000 meals per day) of the hot school meals that fall under the Food Security Act nationwide to be supplied by social enterprises, per the Hura model. Through leveraging the Food Security Act, towns with a low socio-economic demographic will have the opportunity to gain employment and empowerment through new Hura models. Currently, two new enterprises, in addition to the ones already in operation in Hura and Migdal Ha'emek, will be launched and will supply about 10-15,000 meals each per day.

### Saïd Business School

Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, yet deeply embedded in an 800-year-old university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge education programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

### Mars Incorporated

Mars' approach to business has long since been guided by five principles – quality, responsibility, efficiency, freedom and mutuality. Together they inform and guide the actions of all Mars associates every day as they do their jobs and interface with the outside world. The Mars' leadership has tasked its economic research unit, Catalyst, to start new work into unexplored territory for business; to identify critical drivers of mutuality and, using business pilots, to develop and test new metrics and management practices that can help boost mutuality in business situations. This work is called the Economics of Mutuality.

### The Oxford-Mars Mutuality in Business Partnership

On the back of these promising findings, a multiyear partnership with Oxford University's Saïd Business School was established in 2014 to focus on the development of a business management theory for the Economics of Mutuality with corresponding teaching curriculum, new management practices, and case study research. The research programme has combined the pursuit of normative questions – what is mutuality and how should it be enacted? – with grounded, ethnographic research on current thinking and practices. This has led to the development of field experiments and case studies examining how large corporate actors conceive of and pursue responsible business practices, and how these relate to their financial and social performance.

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