



**PROFILE:
RICH GILMARTIN**

Rich Gilmartin is Chief Operating Officer of Gulf Coast Enterprises and Vice President of Vocational Services for its parent organization. He is past Chair of the Affirmative Business Alliance of North America, the Florida Association of Rehabilitation Facilities, and the Panhandle Chapter of the National Association of Rehabilitation Professionals in the Private Sector. He has also been a director of the National Council of Work Centers for the Severely Handicapped, his local Private Industry Council and his local Rotary Club. Gilmartin received Master's degrees in psychology (1977) and business administration (1989) from the University of West Florida. He has been a consultant for the Social Security administration since 1982 and from 1987 to 1999 performed accreditation surveys of rehabilitation provider organizations throughout the country for CARF (The Rehabilitation Accreditation Commission). Gilmartin and his wife Linda have one child.

FAREWELL TO THE “CLIENT WORKER”

Fifteen years ago, Rich Gilmartin and his colleagues at Southeastern Vocational Services (SVS) abandoned the “client worker” model.

It was the key moment in the evolution from a sheltered workshop with 30 employees to a \$30 million business with more than 600.

“For almost ten years,” remembers Gilmartin, “we’d been doing such things as light industrial work and mail sorting, but on a very small scale – and strictly on a transitional basis. We looked at our people as clients first and workers second. When they were finished using our rehab services, they moved on.”

But Gilmartin and others began asking themselves a key question. “It was a huge issue,” he says, “and we wrestled with it for a long time. Should we provide employment only for the purpose of training . . . or should we give people opportunities to stay with us and build a career?”

“I’ll bet we struggled with it for almost a year,” he recalls, “and we finally realized it was a disservice to give people an opportunity to earn seven to nine dollars an hour, plus benefits — then tell them they had to go out and earn only two-thirds of that, with lesser benefits.” So SVS decided to create its own business for those “who elected to make it their preferred place of employment . . . and if the employee wanted to seek alternative employment we’d provide assistance through our rehab side.”

At about the same time, The Affirmative Business Alliance of North America (ABANA) came into existence, “and that further shaped our thought process,” says Gilmartin, who later chaired the ABANA Board. “It helped us evolve beyond the concept of a ‘client worker’ to the concept of an ‘employer-employee’ relationship.” The central tenets were completely different. “We decided to operate as a business, not a rehab agency,” says Gilmartin, and that meant two things: Senior executives became business managers, not social workers; and line workers became employees, not clients.

The cultural shift was dramatic . . . but it was only the latest in a series of challenges for Gilmartin.

ORIGINS

What do you do when your parent organization sells everything it owns to a national corporation? Everything, that is, except your department . . .

Gilmartin responded by keeping the department alive for a year – then found it another home.

The organization known today as Gulf Coast Enterprises existed originally as one of many programs operated by the Rehabilitation Institute of West Florida, which provided both in-patient and outpatient medical care for people with physical disabilities. Gilmartin came on board in 1977 and took over the vocational services division in 1980.

In 1983, the Institute sold all of its medical services and assets – everything except its vocational programs — to Hospital Corporation of America. Gilmartin ran the vocational program independently for a year before merging it into Lakeview Center, a multi-service community mental health center, and changing its name to Southeastern Vocational Services.

Finally, when Gilmartin and his colleagues made the decision to become an affirmative business, SVS created a subsidiary called Gulf Coast Enterprises.

Today, SVS is still a subsidiary of Lakeview, a \$46 million nonprofit with more than 60 different social service programs, and Lakeview is an affiliate of Baptist Health Care, a \$400 million regional chain of hospitals in Florida and Alabama.

EARLY DAYS

Gilmartin says Gulf Coast Enterprises came into existence primarily because the unemployment rate in Northwest Florida “was still fairly high. It was around seven to nine per cent and that meant it was difficult for people with disabilities to find jobs in the traditional labor market. So we tried to discover whether there was any other way – not *instead* of but *in addition to* the traditional method – to help people become productively employed.”

SVS had been doing a shelf-stocking contract for a couple of years. That became the first business for Gulf Coast Enterprises and very quickly the company began to capitalize on the Javits-Wagner-O’Day (JWOD) legislation that required a large number of federal contracts to be set aside for rehab agencies. Four of those contracts started on the same day in October of 1986 and a fifth a month later, including operating the telephone switchboard system at Eglin Air Force Base (except for the Pentagon, the largest governmental switchboard operation in the country), a mail sorting and distribution center on the base, a custodial contract with the naval training center in Orlando and a second shelf-stocking contract at Whiting Field in a neighboring town.

Today the company is the largest private employer of persons with disabilities in Northwest Florida. It operates seven different businesses, including custodial services (cleaning more than six million square feet of space each day), food

Rich Gilmartin talks about . . .

- The shift from a “client worker” mentality to an “employer-employee” relationship
- Why it’s not always necessary to be the lowest bidder
- The futility of trying to operate businesses with part-time managers
- The dangers of expanding too rapidly
- What happens when you don’t listen closely enough to your customers
- The true meaning of “exceeding expectations”
- The power of opening your books to employees
- Becoming more profitable long-term by sacrificing short-term profits

services, warehousing operations, telephone switchboard services, mail distribution, administrative support services, and industrial services (including packaging, light assembly, bulk mail preparation and sorting services).

Seventy-seven per cent of the employees are persons with disabilities and about half of those have some type of behavioral disorder (chronic mental illness, substance abuse); the others have a developmental, physical or neurological disability. Eighty-five per cent of the disabled employees are either no longer on public assistance or are receiving considerably reduced support.

Gulf Coast will reach \$24 million in annual sales by the end of the current fiscal year and expects to hit \$30 million by September of 2002. "It was a big hairy-assed goal we set a couple of years ago," laughs Gilmartin, "and I almost wish I hadn't established it. Not because it isn't achievable, but because I wish the message I'd sent was that we wanted to be declared by our customers as the best provider in all the business sectors in which we operate. I think that would have gotten us to the thirty million in a more friendly way – in a 'pull' way as opposed to a 'push' way."

Part of the continued expansion for Gulf Coast and other ABANA members will be doing sub-contracting work for businesses overseas that have markets in the United States.

ENVIRONMENTAL DANGERS

Gilmartin sees three threats to his growth projections . . .

Dogmatism: The Rehabilitation Services Administration is currently considering a number of changes in language that Gilmartin says could make it tougher for disabled people to find productive employment. The push for new language is being led by what he calls "dogmatic advocates who believe the only way for success in this field is through supportive employment. We *do* supported employment, and we believe it does positive things for people who desire to go that route, but we also believe in an individual's right to choose where he or she wants to work. We think the federal government's emphasis on the importance of client choice should be preserved."

If the regulations are revised according to the wishes of "tunnel-visioned supported employment advocates," Gilmartin says state vocational rehabilitation offices will no longer be able to receive funding for a client if they place the client with an employer such as Gulf Coast Enterprises, "even though the person might make more money, work more hours and have richer benefits."

The economy: There has been a dramatic shift in the unemployment rate since the birth of Gulf Coast Enterprises 15 years ago. "It's down to two to four per cent," says Gilmartin, and that's not necessarily good news for his business. "People with disabilities are much more capable of obtaining employment now than when the unemployment rate was seven per cent or higher," he says, "but a low unemployment rate limits our ability to grow as a business if we want to do so by employing people with disabilities."

Technology: "The issue here," says Gilmartin, "is that in order to keep our price in the competitive range, we're consistently looking for ways to introduce new technology – which usually translates into automation or more efficient equipment. For example, on the custodial side, we've traditionally had a person manually operating a floor machine that can do swipes of 24 to 28 inches wide. He'll go down a long hall and come back up the other side to strip wax or buff. But now we've identified some labor-saving machinery that's much more expensive on

the initial end but will reduce our labor consumption and allow us to hold down our costs.”

That means “we’ll be employing fewer people in the short run, but in the long run it can make our prices competitive and allow us to secure more contracts and ultimately create even more jobs.” But even if that weren’t the case, he emphasizes, “we’d have to do it anyway because otherwise we’d be whittling ourselves out of the market.”

CRITICAL SUCCESS FACTORS

In addition to **shifting away from the client worker model**, Gilmartin has identified 12 other factors that have been important to the success of Gulf Coast Enterprises.

Pricing: “I don’t necessarily mean the lowest price,” says Gilmartin. In fact, Gulf Coast frequently wins contracts despite having a higher price than its competitors. “Often,” he says, “the customer has already been there . . . and realizes maybe they shot themselves in the foot by going with the lower price. Now they’re looking around because they feel like they’re not getting what they expected – or maybe they’re just asking for a higher level of service.” That said, emphasizes Gilmartin, “if we can’t at least be in the ballpark with regard to a market price, then we have no business being in that market in the first place.”

Full-time (and experienced) managers: “We learned the hard way,” admits Gilmartin. “We tried hiring people to oversee contracts as one part of their job . . . and they wound up being distracted by too many other obligations or responsibilities. Or they didn’t have the expertise for the particular activity. And on every one of those occasions it didn’t work out as well as it could have. When we finally got the message, we started putting in people who knew the business and whose sole responsibility was the business, and in every instance they turned it around.”

Accessibility: “If we’re not accessible to the customer, we probably won’t be their vendor very long,” predicts Gilmartin. For example, “customers often tell us that the management for previous vendors stayed at a great distance, never came to talk with them — and if decisions had to be made, the local person was not empowered to make them. So we mount a concerted effort to empower the person on the site to make the greatest scope of decisions possible — and we also have people from our corporate offices traveling to each site on a regular basis, in part to spot problems before the customer sees them and they become big problems.”

Managing growth: Gulf Coast has always moved cautiously toward expansion. “In the early days,” says Gilmartin, “we wanted to operate outside our immediate area in order to generate revenue and create more jobs, but we set up a couple of criteria. If we were going to go beyond our own backyard, the work had to generate a certain number of jobs and be within two hours of Pensacola, either driving or flying.” The first outside contract was in Gulfport, Mississippi, a food services program at a naval retirement home about an hour’s drive from Pensacola.

“Some time later,” says Gilmartin, “the strategy seemed to be working, so we changed our thresholds. We eliminated the response time requirement. If we didn’t already have a presence at whatever location we were exploring, then the business needed to have gross revenue of \$200,000 a year, which enabled us to create a significant number of jobs. And if we already had a presence, we didn’t even keep the \$200,000 threshold.”

Gulf Coast also began to say no to certain types of businesses. “Over time,” says Gilmartin, “we decided to be more focused in what we did.” For example, the company decided to get out of the groundskeeping business

because of its seasonal nature. “We didn’t want to be constantly scaling up and back,” he says, “because it would have put too many people on the unemployment line – the very opposite of our objective.”

Despite its caution, however, Gulf Coast still found itself at times outstripping its infrastructure. “We made some significant mistakes,” admits Gilmartin. “We were still operating as though we were a 25 to 100 person operation long after we’d passed that point. If I had it to do over again, which of course I don’t, we’d better define the type of human resources support and technologies we needed at each point of growth and have a plan in place.” The damage occurred mostly in the areas of employee frustration and morale.

Reputation: Gilmartin believes Gulf Coast Enterprises has a positive public image that contributes substantially to sales . . . and part of the image is the company’s reputation for turning down certain types of work such as highway litter pick-up. “The image we want to project,” he says, “is that people are doing productive work, not charitable work, that they’re earning a day’s pay for a day’s work and that the workers themselves can be satisfied with what they’re doing.”

Listening: One of the problems Gilmartin and his staff have managed to overcome during the years has been “not hearing a message early enough.” As an example, he cites the company’s custodial contract on the naval air base in Pensacola.

“They’d been telling us for months that we were missing the mark,” he remembers. “They weren’t ringing any fire alarms or loud bells, but they were saying that improvements were needed here and there. We were listening – we thought – but then we discounted the information and came up with reasons why things were the way they were and why we were doing everything we could be doing. Then they set off the fire alarm. ‘We’ve been telling you for six months that things need to be fixed,’ they said, ‘and we’ve seen no noticeable attempt to fix them. So now your contract’s at risk.’ It took us 18 months to eradicate that situation and turn it around. It didn’t take that long to fix the problems, but it did take that long for the base to believe our fix would stick.”

Exceeding expectations: As do most businesses, Gulf Coast Enterprises emphasizes customer service, but Gilmartin believes his company takes it a lot farther. “If you just do what people expect, and that’s it,” he says, “they almost don’t know you’re there — and when it comes time for contract renewal or adding contracts there’s no substantial advantage. On the other hand, it makes a difference if you do something a little out of the ordinary — like leave behind your business card with a handwritten note, or leave a Hershey’s Kiss on someone’s desk, or if you find a \$20 bill on the floor and call it to the attention of the ownership instead of shoving it into your pocket and walking away . . .

“It can be any number of things,” he says. In many situations, for example, the previous vendor didn’t wear uniforms. Gulf Coast employees not only wear uniforms, “but we put our name on them and we let customers pick the color. It all sets a tone immediately that is different than what the customers expect.”

Benchmarking: Gilmartin believes measuring employee performance is critical. “Before we started actually measuring things,” he says, “we would sometimes say ‘This is important’ and then not measure it, or we’d measure it for a time and stop — and lo and behold performance would deteriorate. We learned that if you’ve declared something to be important and then stop measuring it, you can’t expect anything to change — but if you keep measuring it, there’s always some type of change.” So, “we do the paper trail,” he says, “the surveys, but we also do focus groups and have periodic performance meetings with our clients. We track things historically to see if they’re on the rise, or flat – or, worse yet, going downward.”

Letting employees be part of the solution: Over the years, Gilmartin has learned that some of the best problem solvers he has are his line employees . . . but only if they know that a problem *exists*.

“For example,” he recalls, “we were doing okay with our mail sorting and distribution business on the Air Force base, but we weren’t generating the type of financial contribution we wanted. We were real close, but we were constantly in the red, so we resigned ourselves to the fact that it was as good as it was going to get.

“But one day the contract administrator who reports to me went to a meeting with the employees and laid it all out. We’d never done that before. The employees had never been told

they were in the red . . . and when they heard about it they basically said, ‘we can fix it!’ It only took them four to six months to get us into the black. The changes had to do with scheduling, in terms of coverage. The employees identified times during the day when they were overstaffed, so when attrition occurred they did some rescheduling and worked thinner. It turned the contract around.”

That experience prompted Gilmartin to open his books to all his employees. “We have a very open policy here now,” he says. “If employees want information about what’s going on financially or how decisions are being made, we give it to them.”

Spread the wealth: The turnaround experience in the mail sorting operation went so well that “we did two things,” says Gilmartin. “We returned part of our profits to the employees through their compensation – and we gave another piece back to the Air Force base. Those two actions were very good for us. If we’d simply tucked the profits under our hat, we could have been more profitable in the short run. But by sharing them with our employees and our customer, we became even more profitable long term.”

Stewardship: Gulf Coast emphasizes to its employees that they are responsible for *all* the company’s resources. Essentially, says Gilmartin, “we want our people to take ownership of both our tangible and intangible resources, regardless of their specific jobs. We don’t want them thinking it’s somebody else’s responsibility. For example, in most organizations, if you see a visitor who appears to be lost, hopefully a staff member will give that person directions . . . but in our system, the expectation is that you’ll actually walk them to their destination, no matter what else is going on. That leaves a powerful impression.”

Attending to the requirements of specific businesses: Because Gulf Coast Enterprises engages in so many lines of business, Gilmartin and his senior managers have also learned to be aware of different success factors for each of them. For example, presentation is a critical issue in the food industry. “At the naval retirement home,” says Gilmartin, “food takes on a higher level of importance for people because it’s one of the few things they have to look forward to in the course of the day, so the way we present the food is important.” In the warehousing business, “the most important ingredients are the control you have over inventory tracking, reporting and analysis.” And in mail distribution for the Air Force, “there’s a huge issue of timing – we have a plus or minus 15-minute window for each pickup, and we make 144 stops twice a day, so we live or die by time management.”

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Gulf Coast Enterprises

TYPE OF BUSINESS:

An affirmative business that provides custodial services, food services, warehousing operations, telephone switchboard services, mail distribution, administrative support services and industrial services (including packaging, light assembly, bulk mail preparation and sorting services)

Mission: To provide training and career opportunities for persons with special needs and barriers to traditional employment (*the goals are to create meaningful jobs and to decrease the individual's dependence on public supports*)

Year founded: 1986

Structure: A program operated internally by a nonprofit

Headquarters city: Pensacola, Florida

Geographic market: Southeastern United States (Florida, Alabama, Georgia, Kentucky, Mississippi, Tennessee)

CURRENT FINANCIAL PERFORMANCE

(fiscal year ending September 30, 2000)

Annual sales: \$12,940,317

Net profit: \$1,638,904 (12.4 per cent)

SOCIAL RETURN ON INVESTMENT

Number of full-time employees: 420

Number of full-time employees who are disabled or disadvantaged: 300 (71 per cent)

Number of part-time employees: 180

Number of part-time employees who are disabled or disadvantaged: 120 (67 per cent)

Employees with zero or reduced public supports who rely on wages earned at Gulf Coast Enterprises: 85 per cent

INITIAL INVESTMENT

Planning time required before operations began: Six months

Dollars required before operations began: \$5,000

Source of planning dollars: Investment by parent corporation

Time until the business generated positive cash flow: Ten years

Additional working capital required before generating positive cash flow: \$400,000

Source of working capital: Investment by parent corporation

Time required to recover planning dollars and working capital: 15 years

PARENT ORGANIZATION:

Lakeview Center, Inc. (founded 1954), an affiliate of Baptist Health Care

Mission: To provide the highest quality behavioral health care and vocational services to meet the needs of the people and communities we serve

Programs: Sixty-eight programs in areas such as crisis stabilization, behavioral medicine, mental health services for children and adults, youth day treatment and residential services, special programs for people who are developmentally disabled, residential and other programs for people recovering from substance abuse, telephone crisis counseling, vocational preparation and employment services, and others

Annual operating budget: \$46 million

Number of employees (FTE): 1,200

Number of people (unduplicated) served per year: 12,000 – 20,000

SENIOR MANAGEMENT TEAM

President and CEO: Morris L. Eaddy, Ph.D.

Chief Financial Officer: Gary Bembry

Vice President, Vocational Services: Richard Gilmartin

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