

## Ocean Village Ventures

### THE READINESS IS ALL



**PROFILE:**  
**RICK WALKER**

Rick Walker graduated from Dartmouth College in 1975, then worked for seven years in the business world before bringing his experience to St. Coleta's of Massachusetts as Director of Adult Services. He left in 1988 to become Vice President of the National Fire Protection Association and the following year made the transition from Board member to President and CEO of Road to Responsibility. Walker has also served for the past 14 years as a consultant to families and corporations on issues ranging from management development to strategic planning, and he has been a member of the Board for a number of organizations, including the Massachusetts Association of Rehabilitation Facilities. Over the years, he has received numerous awards from organizations such as The Giraffe Project, Ernst & Young, Tom's of Maine and the Commonwealth of Massachusetts. Walker and his wife Catherine (Cass) have three children.

First came the motel. Then the bookstores. The ice cream store. The function hall.

But before them all came the committee . . .

“We were heading into uncharted territory,” remembers Rick Walker, President and Founder of Road to Responsibility (RTR) in Marshfield, Massachusetts, “so we formed a New Ventures Committee. We had Board members, staff members, the people we served and their family members. We brought everybody together and talked about doing something that was very, very different from what any of us were used to doing in our job placement program or in our old sheltered workshop model.”

Today RTR operates seven small businesses. In every case, the goals are to be self-sufficient and to generate employment opportunities (Walker calls it “real jobs for real people with real needs”). Not incidentally, they are also intended to educate the public about the potential of individuals with disabilities. Collectively they are known as Ocean Village Ventures, and they generated \$553,309 in sales during FY00, with a net profit of \$24,249. Walker plans to open one or two additional businesses each year for the next five years.

“A lot of people say we’re in too many,” says Walker, “but the issue for me is risk management. Collectively, their impact is large – but each of them is small, so failure wouldn’t be critical to the agency as a whole. The point is . . . we need to be prepared to eat our mistakes, and most nonprofits are not real good at that.

“For example, each of our little businesses is generating some revenue and creating some jobs, but if the ice cream store continues losing money because we’re not able to solve our location problem, I’ll kill it. We can’t afford those kinds of losses. Or if the whole bookstore business goes completely kablooey and starts doing terribly, I’m not going to let it imperil the agency as a whole. Or somebody could build a giant Motel 6 down the street and be better prepared to respond to the market. We don’t have pockets deep enough to compete in a situation like that, so it means we’d fold our cards and go off in a new direction.

“It’s the way we make the Board and staff comfortable with what we’re doing. We all know how tough dollars are in the nonprofit world, so how can we justify losing money in one of our businesses and then tell staff members they aren’t allowed to lose money in their programs?”

## OF GIRAFFES AND . . .

Walker believes the New Ventures Committee “instilled a sense of risk-taking across the organization” and set the tone that’s made it possible for an entire network of businesses to emerge.

Once the committee created a mission statement, he says, “we circulated a mailing to everybody we knew that essentially said, ‘This is what we want to do . . . you got any ideas?’” Although the mailing didn’t generate any immediate suggestions, Walker says “it did something else that’s been critical to our success. To me, it was much more important to establish going in that we were planning to do *something* than to define what that something was going to *be*.”

Walker had seen other nonprofits flounder when they took a different approach, and he believes the committee helped RTR avoid at least three common pitfalls: Tunnel vision, a tug-of-war among staff members, and a disconnect between the staff and the Board.

“Too many nonprofits,” he says, “spend too much time frozen on one particular idea. They say, ‘We want to do a coffee shop’ — and meanwhile three or four great opportunities float by the window. So instead of starting out with a specific idea, we told our stakeholders what we wanted to do and asked them for help. That approach helped us get everybody on the same page and helped them understand we were doing something new and different — so when it actually happened it was much less shocking and dislocating than you might expect.”

He also believes “we lucked into a solution to a problem that’s plagued a lot of other nonprofits. I’ve seen a great deal of internal friction between traditional program people and the people starting business ventures . . . we’ve had a little of that, but we spent a lot of energy on internal communications, talking about why we were doing this and why it was important, and it never became the tremendous distraction I’ve seen elsewhere.”

Finally, he says “nonprofits frequently spend a lot of staff time planning something — and then they go to the Board and get killed. Or they finally begin to involve people outside the organization and discover the environment isn’t ready for them.”

Others have recognized the willingness of RTR to take risks. In 1991 the organization received a national award from The Giraffe Project (honoring individuals and organizations that “stick out their necks for the common good”) and in 1998 RTR became the first nonprofit to win an Entrepreneur of the Year Award in the national competition sponsored by Ernst & Young, the Kauffman Foundation and NASDAQ.

## Rick Walker talks about . . .

- Taking risks and eating mistakes
- Calming the fears of his Board and staff
- Why deciding to do *something* is more important than defining what that something should *be*
- What happens when a nonprofit gets “frozen” on a specific business idea
- Growing from one employee to 170 in 23 days
- Why it’s better to be lucky than good
- What to do with 40,000 books
- Firing people who are developmentally disabled
- The impact of his business ventures on fundraising

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But reactions from the nonprofit sector still exasperate him. “My god, the resistance,” he says. “To a great extent, nonprofit people are not risk-takers, and their unwillingness to think outside very standard parameters constantly amazes me. I see a few of them trying things, but usually on a very, very limited scale. Quite frankly, we’ve had a lot better luck getting people outside the nonprofit world to understand what we’re doing and feel comfortable with it.”

## ORIGINS

Over-all, Road to Responsibility is a \$15 million agency with 400 employees serving about 1,000 people who are developmentally disabled (the organization also serves people who are mentally ill, autistic and physically disabled). It provides a wide variety of residential, work and recreation programs.

But that wasn’t what Walker and his wife Cass had in mind when they founded the agency in 1988.

“We’d met while we were working at another human service agency,” says Walker, “and then I’d gone off to the business end of the world, but we both had a very personal connection to folks who were developmentally disabled.”

So the Walkers formed a small nonprofit to provide recreational opportunities (including such things as trips to Disney World, baseball games and museums, bowling nights, dances and dinners). Cass worked full-time and Richard served on the Board.

“Within the first year,” he remembers, “we had revenues of \$250,000 and served more people than we’d ever thought possible.”

Then serendipity struck . . . and not for the last time in the history of Road to Responsibility.

“Another disability provider wound up in financial difficulty,” remembers Walker, “so the state came to us and asked for help. We already had a corporate entity, so we simply took over the state contracts . . . we didn’t merge with the other agency. But we only had 23 days’ notice – and we went from one full-time person to 170. During that first year we grew to a \$4 million agency.”

## THE FIRST BUSINESS VENTURE

In some ways, the plunge into state-funded programs revitalized RTR’s entrepreneurial instincts.

“It’s funny,” muses Walker. “We were an entrepreneurial organization at our roots. Our intention was never to fall into the trap of state funding . . . and then, boy, we landed right in the middle of it. So part of starting our ventures network was returning to our roots. When you’re doing things for the government, you steel yourself to

the fact that you can't always do what you want to do . . . you lose a lot of control. But we really wanted to provide the things we knew were needed by the folks we served."

One of those things was better jobs.

"A lot of our ventures activity welled up from the people we serve," he says, "from their desire to work in the community. We were never able to satisfy our people one hundred per cent. We placed them in hundreds of jobs, as so many good disability providers are able to do, in supermarkets and in fast food outlets, but always our people wanted something more unique and we had a great deal of difficulty finding it for them.

"So we said we'll create it ourselves."

The first venture came into existence about a year after the New Ventures Committee had outlined its vision and alerted the organization's stakeholders.

"You get lucky," laughs Walker, "and, hey, I'd rather be lucky than good any day of the week! We had been looking around for a house to rehab as a residence for some of our people who were coming out of institutions, and we got a call about a failing motor inn that had been built just six years before. So we went to look at it. Three separate buildings. Looked more like an apartment complex, and it seemed as if it might be a good fit.

"But then we said to ourselves, 'Guess what, we've been talking about starting a business, so why not run a motel?'"

It was 1992 and the economy had tanked, "so we were able to make a very favorable deal," says Walker. "We wrenched \$150,000 out of the FDIC and bought it for another \$600,000 (less than half of its 2001 appraised value of \$1.4 million). "We closed the deal the Thursday before Memorial Day weekend and had a sold-out motel the next day."

Marshfield is exactly halfway between Boston and Cape Cod, so visitors come from all over the country. The Ocean Village Motor Inn has 14 rooms and is filled almost every day from May through October. Annual revenues range from \$150,000 to \$175,000 and Walker says the motel "has been a self-supporting business for its entire existence.

"But more than that," he adds, "it does the two key things we wanted it to do: Generate jobs year round and provide an avenue for people with disabilities to move on to similar jobs elsewhere." More than 70 have done so, each of them receiving a graduation certificate after their training period with RTR. "A big problem in the motel industry," says Walker, "is that there's no time to train people. Motels and hotels need somebody to come on board and clean the room the next day," and the RTR certificate convinces human resource departments that they are capable of doing just that.



**OCEAN VILLAGE VENTURES:** *Road to Responsibility operates seven businesses, including three bookstores, two motels, an ice cream store and a function hall.*

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"In the beginning," he laughs, "we were known as 'the insane nonprofit that runs a motel.' The skepticism of people in the community was amazing, but the public education aspect of this has been a lot greater than I thought it would be. We gradually captured people's attention and changed their perceptions."

RTR did it by "stressing from the beginning that we were running a business," says Walker. "You don't stay here to help the disabled — you stay because it's clean, because it has a TV, because

of its location and its price. But we'll also put some material in your room about RTR and oh, by the way, you'll see our housekeepers working and we have pictures on the wall. We don't hit you over the head, but very clearly you get an education you wouldn't have expected. As a result, it's the only motel I've ever heard of where when somebody is checking out and paying their bill with American Express or Master Card, they add a donation!"

## THE PORTFOLIO GROWS . . .

At the core of RTR's approach to business development is a determination to pursue a double bottom line. "We could have said let's go out and buy a printing company that doesn't employ our people but spins out boxes of cash to support Road to Responsibility," says Walker. "Instead, we decided to create businesses that generate jobs for our folks, entities that can be self-supporting — but we don't expect them to support the rest of the agency.

"And early on," he says, "our people identified retail work as something they really wanted to do . . . so we set out to develop a network of bookstores."

The first store opened in Marshfield in 1997 — and stocking the place didn't turn out to be a problem.

"We said to ourselves, 'We need books,'" says Walker, "so we sent out a memo to our supporters. Within 30 days we had 40,000 books! And not just boxes of wet, moldy books, but beautiful books!" On top of that, "we'd been counting on one of our supporters who owned a bookstore in another town for technical advice. When she received our letter she said, 'Oh, my, I didn't think you were that close — we're re-modeling our store and I can give you all the bookshelves and fixtures from our existing store!"

The Marshfield store has been self-sufficient since its launch, revenues have climbed by 20 per cent in the past year (to approximately \$50,000), and in recent years RTR has opened two additional stores, starting from scratch in Plymouth (1998) and buying an existing store on Cape Cod (1999).

As for the ice cream store purchased by RTR in 1999, Walker admits he is "very, very skeptical about food businesses. But, again, we've generated a certain level of buzz in the community because of our other businesses, so a realtor brought this one to our attention. He told us we had a reputation that we do things nobody else would do and said, 'I wouldn't have thought about calling a nonprofit about an *ice cream* store, but I called *you* guys.' He told us, 'Don't miss this one, this guy's desperate to sell.'" The store "had been around for 17 years and the owner had become a Marshfield icon," says Walker. "When she retired she made her son promise to run it for

one year — but as soon as the year was up he wanted out. He was up to here with ice cream. He told me he'd been making ice cream since he was eight years old and didn't want to look at it again."

The store is currently losing money, "and a lot of that has to do with location," says Walker. "I think it's worth hanging on to if we can solve the location problem, because the jobs it creates are fabulous for our people. We make our own ice cream, and we specialize year-round in ice cream cakes as well as the counter cones, so it's a lot of good steady work."

RTR purchased a second motel in 2000 and Walker says "the opportunity came to us from our program staff. They thought it would be perfect for us — and to me that's a real sign that the whole agency has coalesced around this concept. Our staff members aren't in the game of saying 'That's the crazy other thing we do — it doesn't have anything to do with our programs.'"

The Ocean Village Function Hall joined the network of ventures this year after the building had lain vacant for four years when the government decided to shut down the South Weymouth Naval Air Station. "About 120 nonprofits applied to take over the various buildings on the base," says Walker. "Most of them wanted the buildings to do housing programs, but we asked if we could have the NCO Club and run it as a rental facility for community events. It took more than a year to become fully operational . . . dealing with the military is a *very* slow process. . . but we completely renovated the hall and the kitchen and it's up and running now."

## WHAT'S NEXT?

Not all the ideas Walker and his colleagues explore bear fruit. "It's odd," he says, "you'd think a used golf equipment store would be a great idea, but we went to our supporters and the idea absolutely fell flat."

But it hasn't discouraged him. RTR is currently in the process of creating an offshoot from the bookstore that will sell books over the Internet to other used bookstores across the country. "It's taking off," he says. Other ventures being investigated are a pet shop and a café attached to the bookstore in Marshfield.

Walker's strategic goal is to make sure RTR's non-government revenues (a combination of ventures and fundraising) increase at the same rate as his funding from government — and he's found a healthy correlation between his ventures and both his fundraising and his relationships with the public sector. "The businesses give us a story to tell to potential donors that's very real and very unique," he says, "and we've seen a tremendous growth in our contributed funds," from \$133,000 in 1992 to more than \$484,000 in 2000. Beyond that, state agencies are now giving RTR about \$250,000 per year for job training and coaching (dollars that are not included in the profitability figures for the individual businesses) and "are fighting over who gets to refer people to us."

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## CRITICAL SUCCESS FACTORS

In addition to **preparing stakeholders** and **managing risks**, Walker has identified five other factors that have been critical to his organization's ability to build a network of small businesses.

**Making no excuses:** “We will make no compromises on quality just because the work has been done by people with disabilities,” says Walker. “If you rent a room at our motel it will be the bloody cleanest hotel you’ve ever been in. If you go into our ice cream store you’ll have a perfect experience. Not, ‘Isn’t that cute,’ but ‘This is great!’ I make life miserable for people around me on that issue.” Walker says community skepticism about the ability of Road to Responsibility to successfully operate its businesses “can only be overcome in two ways. Number one, don’t give them an avenue for an opening by having quality failures. And the other is to outlive the bastards and patiently go about what you’ve been doing.”

**Being willing to fire people who are developmentally disabled:** Walker says “you’ve gotta be absolutely ruthless about making changes whenever they’re needed. We fire people if they don’t perform. What we actually do is tell them, ‘This isn’t working out,’ and transfer them back to our supported employment programs. On the flip side, the full-time employees in our bookstores receive the same benefits I get . . . and I hope they’ll stay with us until they retire.”

**Retaining expertise:** “You’ve got to figure out just what it is you can do best,” says Walker, “and you don’t want it to be expertise of such a narrow focus and in so few people’s hands that it can walk out the door.”

**Acquiring capital:** “Access to the capital markets is just so difficult,” mourns Walker, “but we’ve done a lot of creative stuff where the sellers financed our purchases — and I’ve used every other method of financing I can think of. But it’s never enough. We always end up with enough money to launch things but not enough to give them a rocket booster, so we always have to go from hand to mouth . . . and that’s tough . . .”

**Capitalizing on what nonprofits know how to do:** “What kills most small businesses,” says Walker, “are the things that nonprofits are often very, very good at. Personnel management, accounting systems, cost management, purchasing systems. For us, it’s a matter of taking those assets and applying them to our small businesses.”

## FINAL WORDS OF ADVICE

Walker sees a direct relationship between the success of his business ventures and RTR’s ability to raise money from individual donors, corporations and Foundations.

“There are a million nonprofits in this country,” he says, “and they’re all competing for the same dollars. Do you have a story to tell? *Everybody* has a good cause, but that’s not enough any more. For us, doing business ventures is almost a branding strategy . . . because in this environment you’ve got to come up with something to identify your nonprofit as worthy of the public’s attention.”

# Ocean Village Ventures

## TYPE OF BUSINESS:

**A network of seven small businesses**

*Two motels, three bookstores,  
an ice cream shop and a function hall*

**Mission:** To create employment opportunities for individuals with developmental disabilities ("real jobs for real people with real needs") and to educate the public about their potential

**Year founded:** 1992 (*first business*)

**Structure:** A program operated internally by a nonprofit

**Headquarters city:** Marshfield, Massachusetts

**Geographic market:** The area of Massachusetts from Boston to Cape Cod; there are three ventures in Marshfield and one each in Weymouth, Kingston, Plymouth and Falmouth

## CURRENT FINANCIAL PERFORMANCE

(fiscal year ending June 30, 2000)

Annual sales: \$553,309  
Net profit: \$ 24,249 (4.4 per cent)

## SOCIAL RETURN ON INVESTMENT

Number of full-time employees: 11  
Number of full-time employees who are disabled or disadvantaged: 8  
Number of part-time employees: 16  
Number of part-time employees who are disabled or disadvantaged: 11  
Number of employees who have graduated to full-time work elsewhere: 70

## INITIAL INVESTMENT

*Dollars required before operations began:* \$1,045,000

*Sources of planning dollars:* First motel, \$150,000 from the FDIC plus \$600,000 in bank financing and \$40,000 in contributions from Polaroid, Boston Edison and individuals; Marshfield and Plymouth bookstores, total of \$2,000 plus in-kind donations; Falmouth bookstore, \$60,000, seller financed; ice cream store, \$10,000 grant from Copeland Family Foundation plus \$35,000 in seller financing; function hall, \$100,000 capital campaign; second motel, \$465,000, seller financed

*Recovery of planning dollars:* All borrowed funds are amortized in the profit and loss statements for the businesses; the organization does not expect to recoup grant or fundraising dollars

*Additional working capital required before generating positive cash flow:* The motels were profitable immediately; the three bookstores have required a total of \$65,000, the ice cream store \$50,000 and the function hall \$10,000

*Sources of working capital:* Agency funds and fundraising

*Time required to recover working capital:* Not yet fully recovered; agency funds are expected to be recovered through continuing operations

## PARENT ORGANIZATION:

**Road to Responsibility, Inc. (founded 1988)**

*Mission:* To provide the means, the opportunity and the support necessary to allow people with disabilities to take their place as productive members of the community

*Programs:* Residential services; supported living; employment; Open Roads (day habilitation); recreation; respite; family support

Annual operating budget: \$15 million  
Number of employees (FTE): 400  
Number of people (unduplicated) served per year: 911

## SENIOR MANAGEMENT TEAM

President and Founder: Richard J. Walker, Jr.  
Executive Director: Sharon Smith  
Vice President: Catherine J. Walker  
Associate Vice President: Donna MacDonald

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