

“WE WERE SUNK . . . ”



PROFILE:
BOBBIE LENZ

“Everything we did was geared around that one customer. Everything. It provided almost all our work. Then, boom! No warning. They went out of business, and we were sunk . . . ”

Thirteen years later, Bobbie Lenz can laugh about the trauma. It happened less than a year after she took over as Executive Director, and she said, “I don’t *ever* want this to happen again!” But she remembers it as “a good experience. It primed us for being more entrepreneurial. We really struggled for a while. But we started to look for a way to create more diversity in our customer base . . . ”

The disaster eventually led to the launching of a full service direct mail company three years later. Today UDAC Mailing has more than 200 regular customers and jobs ranging in size from 250 to 35,000 pieces. “Our motto is simple,” says Lenz. “No job is too big and no job too small!”

Annual sales for the most recent fiscal year were \$155,619, with a net profit of \$11,535, although the numbers are somewhat misleading. The parent organization still provides a subsidy to the mailing company of about \$12,000 - \$15,000 per year by housing it internally and supplying a variety of accounting and payroll services, but Lenz expects to begin covering those costs in the near future. UDAC Mailing is already one of the three major providers of mailing services in the Twin Ports area of Duluth, Minnesota, and Superior, Wisconsin, and is slowly expanding into Canada and other parts of the Upper Midwest.

CONVERTING A NONPROFIT ASSET INTO A BUSINESS ASSET

Along the way, almost by accident, Lenz and her colleagues discovered a unique selling proposition.

“Right from the beginning,” she says, “as a nonprofit, we were always mission driven, always centered on what was best for our clients. But very early in our existence we realized that running a business successfully meant we had to use the *same* approach with customers. ‘Here we are,’ we said. ‘What do you need? We’ll do *everything* to meet your needs.’”

That determination to do what was best for its clients *and* for its customers emerged from what Lenz calls UDAC’s core value: “The importance of choice. That’s what this business has been all about. These days, customer service is hard to find, but we’ve bent over *backwards* to provide *extraordinary* customer service. We’re definitely people-oriented, and that’s part of our heritage as a nonprofit.”

Bobbie Lenz has worked in the nonprofit sector for 25 years, 20 of them in management positions. She graduated from the University of Wisconsin-Stout in 1977 with a degree in vocational rehabilitation and began her career as a vocational counselor with Goodwill Industries. After holding administrative positions in several nonprofits, she took over as Executive Director of UDAC in 1987. Today Lenz is a member of the Board of Directors for both the Duluth Area Chamber of Commerce and the Greater Duluth United Way and is immediate past Chair of the Twin Ports Area Nonprofit Coalition. She has also served as President of the Minnesota Habilitation Coalition and as a member of the Minnesota Council of Nonprofits Public Policy Cabinet. She and her husband John live in Duluth and have two grown children.

There was also a practical reason to emphasize customer service. “Initially,” says Lenz, “here we were, this human service agency with severely disabled people doing mailings, and a lot of people had a problem with that. So we never used the heart on the sleeve, ‘Oh, please put these poor people to work,’ approach. Right from the beginning we said, ‘Use us . . . you need to . . . it’s good business.’ That’s why referrals and word of mouth have worked so well for us. You need to act like a business, not a human service agency.”

But there are certain prospects who continue to resist. According to Lenz, “some people use us because of who we are and what we stand for . . . but others won’t because of those same reasons. We have no control over that. All we can do is promote ourselves, educate people and use satisfied customers as testimonials. But there’s a certain segment of society that’s not going to believe in us.”

ORIGINS

Founded in 1969, UDAC began life as the United Day Activity Center. Since that time, it’s undergone many incarnations, some necessitated by changes in legislation, some cosmetic. The acronym UDAC became its legal name in 1993 and today it’s a \$2 million agency serving 165 people a year with 55 full-time employees. It provides a variety of services for people with disabilities, including community-based employment, vocational training, senior programs, recreation and leisure activities, therapeutic interventions, assistive devices and transportation. Lenz has been Executive Director since 1987.

Throughout its history, the organization has been driven by its core value, and all its literature reinforces the theme. “Every individual,” says Lenz, “regardless of his or her disabilities, has the ability and deserves the right to make *personal choices*.”

And one of those choices has been the desire to work.

UDAC operated a sheltered workshop almost from its inception and later began sending work crews into the community. These days, in addition to the mailing company, UDAC generates an additional \$177,000 of earned income each year through its commercial laundry, its customized packaging and assembly operations, its paper shredding service, and its housekeeping and other work crews. More than 135 people are employed at any given time.

The mailing business started as a series of jobs for one of the work crews. “Businesses here in Duluth hired them to stuff envelopes and put on labels,” says Lenz, “and it gradually became apparent to us there was a lot of work available. Businesses not only needed the basic work done, they also needed help getting the mailings ready, shipping them to the post office and getting

Bobbie Lenz talks about . . .

- Discovering your most important asset as a nonprofit is also your most valuable asset as a business
- How everything at UDAC flows from a single core value
- Her distaste for the “workshop” approach
- Charges of unfair competition from the small business sector
- What her disabled employees can do that machines cannot
- The importance of saying no to customers . . . and the surprising results
- How hard it is to get a customer back once the customer’s been lost

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them mailed at the lowest possible rate with the least amount of trouble. They didn’t know how to do those things . . .

“So . . . we saw the need and thought it would match really well with the needs and abilities of our clients.

“But I have to be honest with you. When we first started this thing, we didn’t really have anything specific in mind. We kinda started out and reacted to a need and went step by step and all of a sudden we had a small business, within the course of a year. Maybe if we had started out by saying we were going to develop a small business, it might have been kind of threatening to the human service types in our organization.”

More than 100 mailing company employees do piece-work part-time, typically from 9 a.m. to mid-afternoon. A staff of non-disabled employees “prepares the work and sets it up so it can be done by the people who have disabilities,” says Lenz, “and once it’s complete they get it ready to go to the post office.” Some of the part-timers are “tremendous producers and others are not,” she says. “Some are significantly disabled, and many have physical disabilities along with their cognitive problems. We use a lot of adaptive equipment to help them work. For some, it’s amazing they can earn even \$100 a year . . . but they *do*,” and the highest paid person earns about \$3,000. Many of the employees have been with the company since its birth — and in recent years the company has also begun attracting people from other rehab agencies.

Some of the employees work in the mailing business three days a week and on a work crew in the community two days a week. “It’s a balancing act,” says Lenz, “because we have a business to run and we have to run it right, but from the beginning we said we didn’t want this to be a workshop setting, and we’re very sensitive to the amount and type of work our employees want to do. Our ultimate goal is to help each of them reach the potential they set for themselves.”

OBJECTIONS FROM THE SMALL BUSINESS COMMUNITY

The most challenging part of running a business that employs people who are severely disabled is staying competitive in the marketplace . . . and Lenz has had to deal with some resentment from the small business community.

“They think we have an advantage because we’re partially subsidized,” says Lenz, and UDAC does receive fee-for-service funding from the public sector to provide transportation, job coaching, counseling and other services to its employees. “But I have to tell you,” she laughs, “if I were in this to make money I would never run this business the way we do.” She doesn’t lower her prices to capitalize on the subsidies – but her competitors have no compunction about reducing their prices when their high-speed equipment gets jobs done faster and cheaper. “Sometimes,” says Lenz, “it’s very difficult for us to do the work at the same price as someone who’s doing it with a machine.”

Ah, technology. It's both a curse and a boon for UDAC.

"We do have some mailing equipment as backup," says Lenz. "There is certain work our people can't do." But the issue is more fundamental: "Our primary goal," she says, "is to provide work for our clients. We've lost some business to companies that use laser technology to print addresses directly on mail pieces, but we prefer to have our employees paste on mailing labels by hand.

"On the other hand," she says, "there are *some* things we can do that machines cannot, so we do a lot of custom jobs, especially around the holidays and special events, where you have to assemble all kinds of things by hand before they can go out. Machines can't do that."

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THE ONGOING STRUGGLE . . .

One of the most time-consuming tasks for Lenz has been educating public sector officials, business leaders and her own staff.

For example, she's had to patiently help county officials understand that she's operating a business, not just a human services agency. "Try running a business when you can only be open 220 days a year," says an exasperated Lenz . . . but that's what UDAC Mailing had been forced to do until recently because the county wouldn't increase the number of days it authorized for support services. Lenz's patience finally paid off, and the total has now been raised to 240.

She also spends a good deal of time forging relationships with potential customers and fundraisers "by playing an active role in the business community, becoming very involved in civic groups and serving on the Board of Directors for the Chamber of Commerce." She doesn't begrudge it, because "it gives us a lot of credibility and visibility." Beyond that, she believes "the whole nonprofit sector took a turn during the 1990s. We began to get rid of our inferiority complex and realize we weren't that much different than the for-profit companies around us — that we were an integral part of the business community, with something valuable to contribute."

Internally, Lenz has experienced difficulty moving people from a rehab to a business mentality. "Our mailing people," she says, "are saying, 'Look, we've gotta get this project out by this deadline and it's got to be done right,' and the rehab people are telling us that some of our employees won't be working that day, for whatever reason. So there's always that tension of trying to make sure we're dealing with people and their needs and are still meeting the needs of our customers. Sometimes that gets a little dicey."

She says it took her staff a long time "to understand there was any cause and effect between what they did in the production area and how it affected our customers," and credits her crew chief, Loni Oswald, with helping to



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accelerate that change. “She’s a good communicator and she’s been able to share with the rehab staff what she needs in a way that creates more teamwork. But it’s still an issue, because the people we employ have significant disabilities.”

NEXT STEPS

What’s surprised Lenz most over the years is that “By gosh, we did it! It’s been fun to look back and see what we’ve done. And I think it’s important to pat ourselves on the back once in a while, not be so concerned with what we’ve failed to achieve but instead think about all those that haven’t succeeded at all. The abilities of our client workers continually amaze me. We *depend* on them, and they’re phenomenal in the things they can do. We can’t be successful if they’re not there for us.”

As for the future, “we *have* to grow our customer base,” says Lenz, and to that end the company is exploring the possibility of creating its own storefront and reaching out to customers in other cities. “As long as it’s printed locally,” she says, “we can pick it up, get the mailing list by e-mail, put it together and take it to the post office.”

Long-term, Lenz will also attempt to pump revenue by doing more mail fulfillment work and creating an integrated workforce, which means recruiting people who are not disabled to work alongside those who are. She also plans to upgrade equipment, increase the use of computers and work toward a more competitive wage for the people in the mailing room.

CRITICAL SUCCESS FACTORS

In addition to **providing extraordinary customer service** and **finding a balance between rehabilitation and business goals**, Lenz has identified seven other factors that have been critical to the success of her mailing business.

Industry expertise: “No matter what kind of business you start,” says Lenz, “you have to be an expert at what you’re doing. With us, we had to learn the mailing regulations. We keep up with them so our customers don’t have to.” Two years ago, when Lenz was searching for somebody to run the business, she turned to Oswald, who had significant experience working for the post office. “It made a very big difference,” says Lenz. “You *have* to keep up with the constant changes in postal regulations. If you don’t do that, you don’t have anything to offer.”

Reasonable expectations: “In the beginning,” says Lenz, “we tried to be everything to everybody, whenever they wanted. But, like every business,

there’s a limited amount we can do, so now we’re much more realistic. When a customer wants something done and we know we can’t do it, we’ll tell them. And guess what? They’ll often adjust their expectations and wait for us to do the work anyway.” The company learned its lesson the hard way in the mid-1990s. “We had a really phenomenal volume of work,” says Lenz, “and we weren’t able to keep up. We lost some customers and we learned that once you lose a customer it’s pretty hard to get ‘em back.” And she emphasizes that another aspect of promising to deliver is following through. “If we say, ‘Yes, we can do it,’” she says, “then we do.”

Strategic partnerships: Lenz says “we couldn’t have done this without the support and assistance of the post office — they’ve given us a lot of technical assistance and taught us everything we’ve learned about bulk mailing. For them, I’m sure having an organization like us is helpful, because it reduces the number of organizations showing up with bulk mailings that aren’t sorted or otherwise ready for mailing. When people like that come to them, the post office sends them to us.” The company also receives referrals from the many alliances it has with printers and advertising agencies.

Marketing: “Another key turning point in our history,” says Lenz, “was realizing we needed to write a marketing plan instead of depending only on word of mouth. We discovered we had to get out there and sell this business, and that became a critical piece.” UDAC started working with an advertising agency three years ago to develop a marketing plan and collateral materials and is about to launch a web site. Over the years, the organization has used direct mail and both newspaper and radio ads . . . all of which has helped shape in the field of play. “Interestingly enough,” she says, “the thing that still works best is word of mouth and referrals . . . but you’ve got to have visibility before the word of mouth can take place.”

Full-time management: “We started out by having somebody supervise the business part-time,” says Lenz, “but after about a year we decided we had to bite the bullet and hire somebody full-time. We realized that even if we thought we couldn’t afford it, *we couldn’t afford not to!*”

Seasonal fluctuations: Lenz says “one of the things we discovered very early is that this is an extremely time-sensitive business. We didn’t know that going in. Summer tends to be a very, very slow time, but once we start hitting September and October the crescendo just builds until Christmas. Sometimes we’ve had to bring in crews from other organizations such as Goodwill or the Human Development Center to help with our work.”

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Getting it right: Finally, she says, the customer won't pay for mistakes. "If you screw up, you're costing yourself money, so quality control is essential. You have to do it right the first time."

FINAL WORDS OF ADVICE

Lenz has one last recommendation for wanna-be social entrepreneurs.

"Read a book," she says, "take a class, do something, but write yourself a business plan. Don't be afraid of it." UDAC is currently incubating another business, "and I'm making the people in charge write a business plan. They're *so* into vision and conceptualizing and I'm saying 'That's really great, but then what happens?' I can see they're getting really frustrated with me, but we're not going to be able to go out and get the financing we need until we can prove we know what we're doing."

UDAC Mailing

TYPE OF BUSINESS:

Direct mail assembly and shipping services

Mission: To provide work opportunities for people with disabilities through a mailing service responsive to the individual and unique needs of its customers

Year founded: 1991

Structure: A program operated internally by a nonprofit

Headquarters city: Duluth, Minnesota

Geographic market: Duluth/Superior metro region and southern St. Louis County

CURRENT FINANCIAL PERFORMANCE

(fiscal year ending December 31, 2000)

Annual sales: \$155,619

Net profit: \$ 11,535 (7.4 per cent)

SOCIAL RETURN ON INVESTMENT

Number of part-time employees who are developmentally disabled: 100

Average hours worked per employee: 15-20 per week

Annual payroll for disabled employees: \$40,265

INITIAL INVESTMENT

Planning time required before operations began:

One year

Dollars required before operations began: \$46,590

Sources of planning dollars: Grants from the Northland and Ondean Foundations, plus a corporate contribution from St. Mary's Duluth Clinic

Additional working capital required:

\$12,000 - \$15,000 per year

Sources of working capital: Subsidies from the parent corporation for rent, accounting and personnel services

Time required to recover planning dollars and working capital: Not yet recovered

PARENT ORGANIZATION:

UDAC Inc. (founded 1969)

Mission: To provide customized services to people with disabilities based on their choices

Programs: On-site employment opportunities (mailing company and commercial laundry), community work crews, senior services, recreation and leisure services, transportation services and a wide variety of therapeutic services (including communication, occupational and physical therapies, plus assistive technologies and more complex therapies for those with special needs)

Annual operating budget: \$2,091,623

Number of employees (FTE): 55

Number of people (unduplicated) served per year: 165

SENIOR MANAGEMENT TEAM

Executive Director: Bobbie Lenz

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