



Spring 2009

*“...social enterprises are for-profit
or nonprofit businesses
whose products and services
address the major unmet
needs of society...”*

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An in-depth look at affirmative businesses, social enterprises that provide real jobs, competitive wages and career tracks for people who are physically, mentally, economically or educationally disadvantaged

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The value of a job

An introduction to affirmative businesses

By Jerr Boschee



JERR BOSCHEE
*Heinz College advisor
to the Chronicle staff*

Private sector companies view them as a drag on productivity. Society ignores, tolerates, fears or coddles them. Government and philanthropy pay the bills.

Every year, millions of Americans who are disabled or disadvantaged gaze longingly at those of us who have a job. For them, it represents a ticket to a better life, a measure of self-sufficiency and dignity in a difficult world. But few find employment. Few are even deemed capable. They may be developmentally disabled, former convicts, bi-polar, poorly educated, recovering substance abusers, gang members, single mothers on welfare . . . or anybody else standing outside the economic mainstream.

The social and financial cost to the country of excluding these people from the workforce is crippling. Not only do we fail to capitalize on a source of productive human capital, but we also bleed public and philanthropic funds to support many people who are actually capable of supporting themselves.

Yet millions of America's invisible citizens remain unemployed and undervalued. Most people who are physically, mentally, economically or educationally disadvantaged *are* capable of holding real jobs, earning competitive wages and building careers. Nevertheless, all but a few are still a drain on the country's treasure – despite being one of our *greatest* treasures.

Affirmative businesses are changing that equation. The revolutionary approaches to job creation and business strategy employed by the social enterprises featured in this debut issue of *The Chronicle of Social Enterprise* offer hope to millions of invisible Americans – and to a country thirsty for new vitality and skills.

UNIQUE CHALLENGES

Affirmative businesses are designed to provide three things for people who have mental, physical, economic or educational barriers to employment: Real jobs, competitive wages and career tracks. On the surface, they appear to be starting at a competitive disadvantage – employees either have no work experience or are limited by their disabilities. And they are competing against companies that do not employ people who are disabled or disadvantaged.

But the pioneers in the field have been successful for two primary reasons: They refuse to underestimate their workers – and they are doggedly market-focused.

Fundamentally, they are challenging their colleagues in rehab agencies and sheltered workshops to stop searching only for work their clients are already capable of doing, urging them instead to analyze the market, to find the most pressing needs, and to train their employees to meet them.

The most successful among them, such as John DuRand, have been especially adept at creating a blended workforce, a combination of people who have barriers to employment and people who do not, and re-structuring jobs to capitalize on each employee's unique abilities (*please see the profile of DuRand elsewhere in this issue*). For example, workers who are developmentally disabled are particularly effective at performing repetitive tasks, frequently out-producing people who are more easily bored.

SUCCESS STORIES

The concept of an affirmative business isn't new: Scattered examples can be found as far back as the Middle Ages. But the movement began to accelerate during the 1970s and by the turn of the century had become a global phenomenon.

In the following pages you will discover profiles of more than 20 social enterprises, plus stories about affirmative business incubators, the role of the federal government, and the rise of the movement internationally. All the stories, except for my personal recollections of John DuRand, have been written by graduate students from various departments at Carnegie Mellon University.

Among the affirmative businesses featured are icons such as Pioneer Human Services, Delancey Street Foundation, Minnesota Diversified Industries, Cooperative Home Care Associates, Housing Works and others that have become legendary throughout the industry – but we have also highlighted other businesses large and small.

For example:

- ***Applied Industries*** is located in a small town in Washington State but has been successfully employing people with developmental disabilities for half a century, surviving one crisis after another and averaging approximately \$2 million in annual sales every year for the past decade
- ***CO-ARC*** is one of 55 chapters in the NYSARC family (formerly the New York State Association of Retarded Citizens) – its affirmative businesses had total sales of \$16.4 million during 2006 and employed more than 400 people
- ***Envision***, which began as a state school for the blind in Kansas, today employs more than 175 people who are blind or have low vision; the business registered \$56 million in sales during its most recent fiscal year, for a net profit of 14 per cent
- ***Goodwill of Southwestern Pennsylvania***, whose motto is “building our community . . . one job at a time,” reached \$17.5 million in revenue from its 24 regional thrift shops during FY07 and employed more than 900 people who previously had barriers to employment, 550 of them full-time
- ***Northwest Center***, which abandoned the philanthropic model during the economic recession of the late 1970s, today operates 16 affirmative businesses employing more than 350 people who are disabled – FY07 sales were \$35.3 million
- ***Peak Performers*** is a temporary staffing business in Texas that employs more than 200 people who have a variety of intellectual and other disabilities and has annual sales of more than \$6 million

An introduction to affirmative businesses

- **PRIDE Industries**, which has annual sales of more than \$145 million, employs more than 2,700 people who have a variety of physical and intellectual disabilities (about 65 per cent of its workforce) and is the third largest manufacturing and service company in the greater Sacramento region
- **TROSA**, the largest residential therapeutic community in North Carolina, has returned more than 800 recovering substance abusers to mainstream society, employs more than 300 at any given time, and generated FY07 sales of \$6.1 million from its eight affirmative businesses

THE ECONOMIC IMPACT

The importance of a job to an individual is evident. But what is it worth to the American economy?

Consider first the money saved by removing individuals from society's safety net: Salaries for social service personnel, incarceration expenses, health care benefits, subsidized housing, child care allowances, temporary assistance to needy families, welfare payments, food stamps, unemployment compensation, and a laundry list of other transfer payments.

Then add to that the money spent by a person with barriers to employment once he or she secures a living wage job – the taxes the person pays plus the multiplier effect of the money he or she spends in the local community.

In 1981, economists commissioned by Control Data Corporation, a Fortune 100 company, combined the costs associated with the social safety net with the spending power of a living wage job and estimated the value of a single job to the American economy at \$52,000 per year. Today, a generation later, economists have informally and, to their minds, conservatively estimated the value at a minimum of \$80,000 per year and quite possibly more than \$100,000.

The implications of those estimates are startling: If the value of a single job is \$100,000, then the contribution to the American economy of a single affirmative business such as PRIDE Industries, which employs 2,700 people who are disabled or disadvantaged, comes to \$270 million *per year*. From *one* social enterprise.

At \$100,000 per job, the numbers mount rapidly: A group of affirmative businesses collectively employing 10,000 people is providing a \$1 billion stimulus to the American economy each year. Migrating 50,000 people into living wage jobs and keeping them there for a ten-year period provides a \$50 billion stimulus.

But those statistics barely hint at the potential. The businesses featured in this issue have been chosen because of their staying power, levels of self-sufficiency and diversity of people employed. But they represent only a small portion of an emerging industry. The ranks of businesses that specialize in creating jobs and careers for people who have barriers to employment are rapidly swelling – and it isn't just an American phenomenon.

Workability International currently has 135 members in 41 countries who collectively employ more than three million people. During the past decade, the number of affirmative businesses in the United Kingdom alone (where they are known as “social firms”) has grown from a handful to nearly 200, many of them birthed with seed money from the UK government. (*Please see the stories about international developments by Shannon Bell and Zo Veljee elsewhere in this issue.*)

EVERYBODY WINS

Collectively, affirmative businesses are a win-win-win. They offer public sector leaders and philanthropists a new way to address chronic unemployment, recidivism, welfare, inadequate education and a host of other challenges. They give nonprofits a *sustainable* way to achieve their missions. And they usher people with disabilities and disadvantages into the economic mainstream.

The articles in this issue identify some of the critical factors that enable pioneering affirmative businesses to compete successfully in the marketplace and at the same time employ large numbers of previously invisible men and women. But the issue is not intended only for budding social enterprises. Offering incentives to businesses that employ large numbers of people who are disabled or disadvantaged is good business for government agencies strapped for funds – and supporting affirmative businesses is a productive strategy for Foundations and individual donors seeking to leverage their “social” investments.

For those reasons, our team at Carnegie Mellon is making a special effort to bring this publication to the attention of leaders throughout the public, private and nonprofit sectors worldwide. And we hope our work encourages researchers at other academic institutions to explore the potential of affirmative businesses more extensively. ■

Mark Berger gazed at a sea of faces in a San Diego conference center, the first speaker from a panel of social entrepreneurs sharing their stories. The audience braced itself: Social entrepreneurs often have difficulty crisply describing what they do.

Berger is President and CEO of Partnerships with Industry (PWI), a social enterprise that provides training, placement and ongoing support services for adults with developmental disabilities, including those with autism, epilepsy, mental retardation and other challenges. PWI simultaneously meets the labor needs of more than 350 employers and serves more than 650 people daily through vocational assessment, contract services, group services and individual placements. Founded in 1985, it has four offices in San Diego, Riverside and San Bernardino counties, and its signature product is the Camelbak backpack – PWI has produced more than 700,000 of them already.

But Berger surprised and startled the audience of more than 200 people.

“What does our organization do?” he began, then answered his own question: “We create taxpayers!”

A “chance for change”

Pioneer Human Services

By John Cowen

PIONEER HUMAN SERVICES

Seattle, Washington

www.pioneerhumanservices.org

“A lot of people in our society have had to face challenges, some self-induced and some from family situations that are less than positive – challenges such as addiction and criminal history. Ultimately, they are all trying to overcome those challenges in a society that is not very accommodating, and we have a tendency to be a little socially schizophrenic.

We are a society, at large, that says to people, ‘If you can overcome your addiction or do your time because you did the crime, we want you to become a positive contributing member of society.’ But then we explicitly permit landlords to refuse to rent to this population and employers to refuse them employment. So we have a tendency to say one thing and do another.” (Steve Schwalb)

Offering people a “chance for change” is the mantra Steve Schwalb calls the primary driving force for Pioneer Human Services. He’s been CEO of the Seattle-based nonprofit since April 2007.



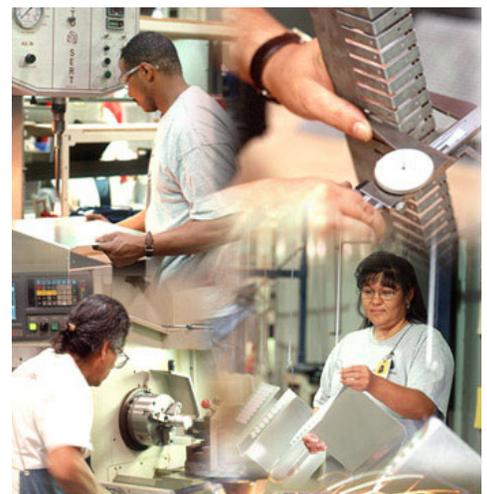
Pioneer provides critical services, including employment, to people overcoming the challenges of mental health issues, chemical dependency, and criminal histories. In 2007 it had an operating budget of nearly \$60 million, 99.8% earned by its 10 social enterprises, which are not only financially solvent, but also provide a source of employment for more than 1,000 people and help fund other programs offered by Pioneer.

The organization operates with a fundamental premise: “We believe the people we serve are people first,” says Schwalb. “They are not addicts, criminals, crazies . . . they are *people*.” He says this core value has two important implications. Number one: Clients deserve to be given respect and be treated with dignity in their efforts to overcome their challenges. Number two: “They must take responsibility and accept this ‘opportunity for change.’ We take a chance as an organization and they have to reciprocate and take a personal chance as well. It’s a two-part deal.”

Treating people as *people* first creates an organizational culture that has contributed greatly to Pioneer’s success. The real key, however, has been coupling that mentality to both an organizational structure and a financial strategy that Pioneer has employed since its inception.

THE BUSINESS MODEL

Because many of the people it serves have multiple challenges emerging from a family history of abuse, mental illness, criminal activities or substance abuse, Pioneer employs a comprehensive, *integrated* structure that offers the most essential services under one roof: Housing, employment, training, re-entry, and an array of treatment services such as chemical dependency detoxification and mental health treatment, among others.



The integrated structure was envisioned by Pioneer's founder, Jack Dalton, who epitomized in his personal life what Pioneer is all about. The son of a successful doctor, and a lawyer himself, Dalton found himself an alcoholic and a criminal. After serving time in the Washington State Penitentiary and returning to Seattle, Dalton recognized the need for a community resource for individuals who had chemical dependency issues and criminal records. He launched Pioneer Fellowship House and, a few years later, Pioneer Industries, all aimed at the goal of simultaneously providing housing, employment and treatment.

Not only was the integrated approach innovative in its time, but so too was Pioneer's financial strategy, an approach it has never abandoned since its inception in 1963: *Earn enough revenue to cover operational expenses so the organization is not reliant on others.*

Schwalb believes this is what being "sustainable" really means. "Our founders set the course so we wouldn't have to rely on fundraising," he says, and emphasizes that in this regard Pioneer is truly representative of the population it serves. People with chemical dependencies make a choice to rely on an outside force – alcohol and drugs – and it threatens to destroy their lives. So Pioneer has refused to rely on traditional funding sources and thereby create its own dependencies.

Individuals, says Schwalb, must make sustainable choices for their lives – and Pioneer must do the same to survive and thrive. He believes it would not be a sustainable strategy for Pioneer to rely on fundraising. "Depending on philanthropy," he cautions, "makes a strategic plan pretty vulnerable to the economy and the whims of people who give money. And if you don't have enough revenue to cover expenses you won't be around long."

STRATEGIC PARTNERSHIPS

Dalton began by providing housing and other social services, all the while understanding that what people ultimately need is employment and stable housing. And he especially understood the importance of creating and leveraging partnerships to create those jobs. Schwalb is a Dalton disciple.

"The ideal arrangement," he says, "is to start by having a business partner, a prominent customer, that respects what you do and will identify an opportunity where you can provide a product or service it needs."

That is precisely what Pioneer discovered in 1966 when it became a member of the Boeing Philanthropic Workshop Program. Boeing provided equipment it was already using and gave technical assistance and training to help Pioneer Industries get started.

According to Schwalb, what was truly remarkable was that despite all the inherent start-up delays and quality issues, Boeing still saw the value of the program and stuck with it, forming the necessary relationships to make it work. In 1966, at the beginning of the program, Pioneer had earned revenues of just over \$40,000. After only one year working with Boeing, earned revenues had grown to nearly \$400,000.





And the relationship continues to this day. Over the years, Boeing and Pioneer together created an entirely new business model, something called “operational philanthropy,” a term coined by Gary Mulhair, who served as Pioneer’s Executive Director in the 1980s and most of the 1990s. Instead of providing grants, Boeing has “operationalized” its philanthropy by hiring Pioneer and other affirmative businesses as sub-contractors.

In essence, Pioneer has become an integral part of Boeing’s business operations, not just a beneficiary of corporate largesse. Pioneer today manufactures more than

8,000 different parts for Boeing, and, over the years, has partnered with many other businesses and in numerous industries, which has allowed it to create more than 1,000 jobs and expand its breadth of services. By 1988, under Mulhair’s leadership, 70 per cent of operational expenses were covered by earned revenue from affirmative businesses. Mike Burns served as CEO from 1999 to 2007 and led the organization into an era of genuine self-sufficiency.

THE ENTERPRISES

While the benefits of operating an organization in a self-sufficient manner are obvious, Schwalb emphasizes it requires extraordinary coordination of expertise among management, staff, clients and customers. This is especially true, he says, considering the broad spectrum of services Pioneer delivers and the overall scope of the organization. Pioneer’s current social enterprises include the following:

- ***Pioneer Distribution Services*** provides assembly, packaging and warehousing for national and international corporations such as Nintendo, Sasquatch Books, Scientific Explorer, JanSport, and Made in Washington.
- ***Mezza Café*** operates in the Starbucks corporate office in Seattle and in the Skyline Tower in Bellevue. Each café offers a wide range of weekday menu items, as well as a full complement of catering services. Pioneer also operates a Taco Del Mar franchise as part of the Café in the Starbucks location.
- ***Central Food Services*** operates a kitchen facility, preparing and delivering nearly one million meals annually to a variety of external customers and to participants in Pioneer’s programs.
- ***Food Buying Service*** sells dry goods to nonprofits and government organizations, including food banks and school districts in the western states.
- ***Pioneer Industries*** provides precision sheet metal products to customers in a range of industries, including electronics, construction, commercial food preparation and telecommunications. In addition, it manufactures thousands of different parts for Boeing and a number of other aerospace and commercial customers. Specializing in machining and water-jet cutting, Pioneer Industries also produces cargo liner parts for Boeing aircraft.
- ***Pioneer Construction Services*** provides capital improvement, repair and maintenance services to its various locations and to a number of national brand retailers such as Macy’s, Toys R Us and T-Mobile.

- **Community Corrections and Re-entry** is the largest re-entry program in the Northwest, serving adults and juveniles in 16 residential programs under contract with federal and state agencies.
- **Pioneer Housing** operates 658 low-cost and alcohol/drug-free housing units in 19 buildings throughout Washington.
- **Residential, Outpatient and Intervention** programs provide an array of treatment services for adults, youth and families. The residential division includes chemical dependency detoxification, long-term involuntary and co-occurring treatment for adults, and mental health and sexually aggressive treatment for youth. Outpatient services include mental health treatment for adults and youth and chemical dependency treatment for adults. The intervention department includes a Secure Crisis Residential Center for youth and in-home wrap-around services for youth and families.
- **Pioneer Consulting Services** works with nonprofits, Foundations, and other groups in the area of social enterprise.

SOCIAL IMPACT

As of December 2008, Pioneer employed 1,136 individuals in 57 locations around the state of Washington. In January 2000, researchers at the University of Washington found that Pioneer clients had lower recidivism rates than ex-offenders in other work release programs by a remarkable margin, 6.4% compared to 15.4%. Later that same year, and again in 2005, Pioneer received the “Social Justice” award from *Fast Co.* magazine “for pioneering a new model for social change and setting an agenda for nonprofit organizations nationwide.”

That model has carried Pioneer Human Services through 46 years and Schwalb is confident it will continue guiding it through uncertain times. “Some of our businesses are struggling from the (economic) downturn,” he says, “but we are still better off than most nonprofits because we are able to make *business* decisions at the end of the day.”

And he returns, always, to the organization’s mantra: “The reason we have a business is not because we are trying to make profits for shareholders,” he says. “The only reason we provide all these services is because our clients need them. They need a chance for change.” ■



Keeping his skin in the game

Peak Performers

By Shannon Bell

PEAK PERFORMERS

Austin, Texas

<http://jobstop.ypguides.net>

“A CEO who goes to her Board members with a great idea and sells them on doing it ahead of time, has just taken her skin out of the game. It’s now shared skin. She’s not an entrepreneur. She’s a manager.”

That’s Charlie Graham drawing a line in the sand in his article titled “Social Entrepreneurs and Their Organizations.”

A social entrepreneur, he writes, “must be someone who takes a personal risk to create a business that has as its primary purpose to redress some human condition by meeting some set of demands from customers who in turn exchange enough money with the business to sustain itself to do more of the same.”

And Graham is the embodiment of the person he is describing.

TAKING THE LEAP

When Charlie Graham embarked on his journey to create the affirmative business Peak Performers he did so at a high level of personal risk. After the Board of Directors at St. Vincent de Paul in Portland, Oregon, told him it did not want to expand its temporary staffing agency for employing disabled individuals from Oregon to Texas, Graham resigned and moved to Austin in 1995.

He maxed out his family VISA card, borrowed against his home, and temporarily moved away from his wife and newborn, who remained in Oregon while he got Peak Performers on its feet. He risked everything because of his commitment to the purpose of Peak Performers: To set a new standard of employment conditions for disabled people in the United States.

“What really gets me going,” he says, “is to do what others say I can’t, the technically impossible. That’s why I like working with people with disabilities, because the world says *they* can’t.”

Graham’s conviction was forged by his experience growing up in a family with foster children. His foster brother showed him the capabilities of an individual who perseveres. Although his brother had been dealt a difficult hand in life, including the loss of his sight, he was determined to reach his full potential and eventually achieved a Master’s Degree. His brother’s example taught Graham that a physical disability should not limit an individual’s professional goals.



**SHANNON BELL,
CHARLIE GRAHAM**

Graham became an advocate for employing individuals with disabilities in a dignified manner with safe and healthy working conditions in careers that pay a family wage. At St. Vincent de Paul in Oregon and then through Peak Performers in Texas, he sought to break away from the traditional sheltered workshop model for disabled individuals in the United States – a model which can keep disabled employees cloistered and working for sub-minimum wages.

During 2006, Peak Performers had sales of \$6,171,414 and total expenses of \$6,175,619, for a marginal loss of less than 0.07 per cent. Its mission is to meet the staffing needs of its customers by supplying them with qualified employees and at the same time provide employment for disabled individuals that will eventually help them achieve full-time employment with one of its customers. Peak Performers measures its success by the number of employees leaving its payroll for full-time employment.

CHALLENGES

Seventy-nine per cent of the Peak Performers staff in 2006 consisted of people who were disabled, including three of its seven full-time and 206 of its 258 part-time employees. However, according to Graham, maintaining that high ratio requires constant recruitment and presents numerous other challenges.

Perhaps the most important challenge, one that Peak Performers encountered when it started and continues to confront today, is cash flow. As a temporary staffing organization, Peak Performers pays its employees every week, but its customers often take months to pay their bills for the staffing services rendered, therefore making “float” the company’s single largest expense.

When Peak Performers launched, local banks wouldn’t give it the money needed to cover its float because of its nonprofit status. And the dollar amounts were so high Peak Performers would not have survived if competitors Bob Funk and Bill Stoller from Express Employment Professionals, a privately held staffing franchise, had not agreed to lend Graham the money.

Float continues to be a daunting challenge as the organization grows. The more successful it becomes, the more cash it needs on hand to support its activities. Graham estimates that for every 100 employees he adds he will need an additional \$250,000 to cover the float gap.

Another major challenge confronting Peak Performers has been competition within its industry. For example, the success of Peak Performers soon led the local Goodwill Industries chapter to create a separate corporation to do temporary staffing, a business in which it had not previously engaged.

However, from the moment Peak Performers came into existence, Graham had concentrated on offering a skilled workforce to his customers. Most of the Peak Performers employees acquired their disabilities later in life as a result of illness or injury – and more than 80 per cent are skilled individuals who have expertise as nurses, administrators, accountants, lawyers, and other professionals.

That unique niche has allowed the company to remain competitive – and Goodwill chose to avoid competing directly by emphasizing its unskilled and semi-skilled workforce. ■

Charlie Graham's advice for social entrepreneurs

As told to Shannon Bell

Charlie Graham attributes the success of Peak Performers to running it 'as' a business, not 'just like' a business and suggests the following advice for social entrepreneurs:

1. Figure out who your customers are and why they are willing to pay you money and then deliver what they want. Survey them repeatedly to make sure they are getting what they want every time.
2. Business continuity is based upon consistently meeting economic demand. Politics is based upon whim and favor. Stay out of the latter and focus on the former.
3. Find a niche and stick to it. Work in your niche for depth and breadth of market share.
4. Set your pricing for longevity and never price gouge.
5. Share your income statements with all your employees and set group goals accordingly.
6. He or she who controls the money controls the business, so control all the money if you want to control the business (pay particular attention to who sets the prices and who signs the checks and controls the accounting).
7. Even if you are structured as a nonprofit in order to qualify for certain federal and state contracts (please see Michael Hall's article about NIB and NISH elsewhere in this issue), do not solicit contributions, because you do not want to confuse your staff. By refusing to take donations you send a clear message that the survival of the organization depends on customer satisfaction, not charity, and that you are providing a valuable service worth buying. ■



North Carolina transplant

Triangle Residential Options for Substance Abusers (TROSA)

By Han Lee

Triangle Residential Options for Substance Abusers

Durham, North Carolina
www.trosainc.org

Kevin McDonald, a former drug addict and criminal, spent 12 years at the Delancey Street Foundation in San Francisco. His adventure began when a California judge sentenced him to a rehab program – and he rapidly advanced through the ranks at Delancey until departing from the program in 1991.

In 1994 he moved to Durham, North Carolina, to launch TROSA (Triangle Residential Options for Substance Abusers). His goal? To help drug abusers and ex-offenders “recover from addiction, learn skills, and eventually build a new life.”

And his primary strategy? To “survive as a business,” not as a nonprofit.

McDonald started with \$18,000 and 15 ex-offenders – but by the end of FY07 TROSA had annual sales of \$6.1 million and more than 300 residents. Its largest business has been named for three years by the Durham daily newspaper as people’s choice for the best moving company in the Raleigh-Durham-Chapel Hill Triangle: In FY07, ending June 30, 2008, the moving company alone had annual sales of \$3.7 million.

Collectively, revenue from the eight TROSA businesses covered nearly two-thirds of the organization’s total operating budget of \$9.4 million and represented 90.2 per cent of the organization’s cash receipts. TROSA also received \$2.8 million in non-cash contributions.



KEVIN MCDONALD
Founder

HISTORY AND CURRENT STATUS

A licensed, comprehensive, two-year residential substance abuse recovery program, TROSA is now the largest residential therapeutic community in North Carolina. The organization is widely respected for its innovative therapeutic and entrepreneurial approach to the pervasive issue of substance abuse. More than three-quarters of TROSA’s staff members have graduated either from TROSA or a similar long-term rehab program.

TROSA operates a highly structured and disciplined program from several facilities in Durham and accepts substance abusers with one condition: They must have a strong desire to change their lives. Key elements of the program include vocational training, education, communication, peer counseling, mentoring, leadership training and aftercare. The program is provided at no cost to the individual.

Triangle Residential Options for Substance Abusers (TROSA)



TROSA serves a diverse population that otherwise might not have any hope. Approximately 70% of its residents are African American and 20% are women. Most have struggled with addiction to drugs or alcohol for more than ten years, and they range in age from 18 to 60. Some have serious health problems. Some do not read or write, and nearly half left high school without graduating.

TROSA's "Each One Teach One" motto, similar to the approach McDonald learned during his years at Delancey Street (*please see John Cowen's article elsewhere in this issue*), and the organization's focus on leadership training enable residents to learn important life skills and receive valuable vocational training. And, through its aftercare program, TROSA graduates are assisted with their job search and placement, with low-cost community housing renovated and owned by TROSA, with acquiring a car through TROSA's car donation program, and with maintenance of their new, drug-free lives.

TROSA's program attracts its target population through peer to peer recommendations and word of mouth. About 80% percent of its residents come from North Carolina and about a third choose the program as an alternative to incarceration.

The program works. More than 800 people have graduated, each moving into a full-time job, and more than 90% are still employed after 12 months. According to McDonald, a recent study revealed only eight per cent of TROSA graduates relapsed within one year of completing the program, compared with national averages for other treatment programs of 40 to 60 per cent. North Carolina Department of Corrections data for 2007/2008 showed an eight per cent criminal recidivism rate for TROSA graduates compared to a state rate of more than 40 per cent.

Because McDonald and his colleagues believe addiction is a medical issue, TROSA also keeps the doors open for former residents who still need help with their addictions – they can re-apply to come back to the program.

CRITICAL SUCCESS FACTORS

For substance abusers or drug addicts, changing their lives is not a short-term commitment. "It can't be a quick fix," says McDonald, and, for that reason, TROSA's program is comprehensive: The residents work in different businesses and capitalize on individualized programs of education, health and mental health care, and empowerment.

It's a challenge to keep the businesses running because of the turnover. "Our program is almost like a fast-food industry," says McDonald. "We consistently set up training, train residents, and then they graduate and move on to other employers." In order to operate efficiently, "our staff keeps extensive records, interacts closely with the residents" and does everything possible "to build trust."



Triangle Residential Options for Substance Abusers (TROSA)



According to McDonald, one of the biggest obstacles to the success of his businesses is the ingrained attitude of the general public about former criminals and substance abusers. They are distrusted at best, feared at worst. That reality has caused TROSA to install a “survival mode” mentality among all its staff members and residents, a work ethic and mentality that emphasizes professionalism at all times. McDonald believes it’s the only way to break down the public’s negative perceptions about the capability and trustworthiness of former drug abusers and criminals.

Efficient management of TROSA’s seasonal businesses is another critical success factor – and the company relies primarily on word of mouth advertising, so maintaining a sterling reputation is essential.

THE BUSINESSES

TROSA is grappling with the current economic downturn by focusing on improving its current businesses rather than starting new ones. The organization currently operates eight businesses.

- TROSA is the largest *independent moving company* in the Raleigh-Durham-Chapel Hill area and provides local third-party labor for many national companies. The client base consists primarily of residential homes, but TROSA also performs commercial moving and storage services. The company is licensed in the continental U.S. to provide interstate moving services.
- TROSA’s *frame shop* has been providing custom framing since 1994, offering custom framing, dry mounting, frame repair, shadow boxes, photographs, mirrors, diplomas and awards, and commercial framing.
- TROSA Lawn Care provides customized *lawn maintenance* services for residential and commercial properties, from small clean-up jobs to year-round lawn maintenance.
- Located in downtown Durham, TROSA Furniture is a *used furniture store* that offers a selection of gently used home furnishings and office furniture; the company offers free pick-up for donated items and free delivery for purchases.
- TROSA Catering provides *catering services* for customers throughout the Durham area.
- TROSA’s *temporary labor* business addresses a number of customer needs, ranging from set-up to clean-up for corporate and neighborhood events to the supply of seasonal workers.
- During the holiday season, from Thanksgiving through Christmas Eve, TROSA operates four full-service *Christmas tree lots*.

Triangle Residential Options for Substance Abusers (TROSA)

- In early 2007, TROSA partnered with a Durham artist to produce the *folk-art products* he designs and distribute them to art galleries nationwide.

The moving business served 5,000 customers in 2008, most during the summer: For approximately five or six months, the company carries out an average of 30 moving jobs a day. During the rest of the year, many of the men and women from the moving company spend time learning skills in the other businesses.



The non-cash, in-kind donations received by TROSA keep its warehouse stocked and supply a flow of goods for the used furniture store. Medical and therapeutic services for the residents are supplied by volunteer doctors, psychiatrists and therapists from individual clinics and from hospitals at universities such as Duke and the University of North Carolina. ■



Visionary foresight

Envision

By Mona Abdel-Halim

ENVISION

Wichita, Kansas
www. envisionus.com



LINDA MERRILL
President and CEO

A quiet, tree-lined street in southwestern Wichita is home to a visionary organization on the forefront of rehabilitation services for individuals who are blind or possess low vision.

What started in 1933 as a facility called The Wichita Workshop & Training School for Adult Blind, Inc., has grown to become Envision, a nonprofit business combining rehab with employment opportunities for its target population.

During its pre-Diamond Anniversary year in 2007, Envision's business activities employed more than 175 people, generated \$56 million in sales, and had total expenses of \$49.1 million, for a net profit of 14%, plus an additional \$1.4 million in incidental revenue from dividends, interest, and the sale of assets other than inventory.

HISTORY

As one of the first organizations of its kind, Envision started with a modest goal to support adult graduates from the Kansas State School for the Blind. This was initially accomplished by constructing a workshop where State School graduates worked, gaining the physical and financial benefits of selling packaged goods made by hand.

As interest in its work grew, the Workshop decided to seek funding in order to expand. In 1934, after much time spent seeking and applying for funds, efforts were rewarded from not one but three separate sources. Largely thanks to the Community Chest (now United Way), the Lions Club and the Family Welfare Association, Envision was able to take its growing nest egg and invest in expanding its production line, creating greater opportunities for its employees. Almost immediately, the workshop began making strides not only in the number of individuals employed, but also in retention of employees and their satisfaction on the job.

At this point in the organization's history it was already employing 14% of the blind population in Wichita, higher than the national average of 12%. The organization was also benefiting from resounding support in the business community, with contracts coming in at a faster rate than finished goods could be produced, along with the promotional support given to its products by the businesses.

Understanding the importance of fostering increased levels of awareness among the public soon led to the organization developing a public education division, doing double duty as a marketing method for its services and educating the public on an important topic.



The workshop also maintained a close relationship with its employees, making sure their needs were being met, and eventually began to operate on a case work basis to support them as much as possible. This soon led to a full-fledged rehabilitation arm that now stands as one of the organization's largest divisions.

By going so far as to provide its employees with volunteers willing to drive them to work, the workshop was slowly chipping away at any and all obstacles hindering its employees from committing to their work. Taken together, these efforts have enabled Envision to uphold its mission of enhancing “the personal independence of individuals with low vision or blindness through employment and vision rehabilitation.”



PRODUCTS AND SERVICES

One of the most productive strategic alliances the organization has made since inception is its partnership with the National Industries for the Blind (*please see Michael Hall's story elsewhere in this issue*), which helps broker contracts between the federal government and 112 different industry partners across the nation. As a result of this allegiance, Envision has now become a leading government supplier, creating business cards for several federal agencies at its Envision Digital Print facility. The growth of the business card line has now reached \$1.3 million in annual sales, creating stable and dependable work for Envision employees.

Envision's Low Vision Rehabilitation Center comprises one of the premiere and cutting edge vision service centers in the nation. A comprehensive approach to vision rehabilitation is taken at the center, from assessment to the utilization of adaptive technology aids which enable greater integration of the visually impaired in all facets of life. Rehabilitation is also coupled with advocacy among the general population, to increase awareness of the visually impaired among potential employers and others.

On the commercial end, Envision has exponentially increased its manufacturing arm through its facility expansion and growing number of government and private sector contracts. Now Envision manages operations in Wichita, Kansas City, and Pittsburg, Kansas, employing more than 100 people to produce items ranging from various bags (such as trash and grocery bags) to rifle slings and Hi-visibility belts.



Through Envision's government contracts, these products are sold at 15 Base Service stores across the United States, which are also operated by personnel who are blind or have low vision.

The continued demand for products and services has resulted in a similar growth in the number of employees, now approximately 175 people who are blind, the largest of any employer in its region.

In addition, the federal government sells products made by Envision in army base service stores and in retail stores across nine states, which has provided enough revenue to



re-locate Envision's manufacturing facility to a newer and more modern 130,000 square foot building equipped with special tools to help aid the work of those who are blind or who have low vision.

In celebration of its 75th anniversary, Envision honored its employees with a special banquet. Following dinner, singer and actress Raven Symone performed a public concert in Envision's honor, helping to bring the organization's mission to the attention of a much larger group of people.

NEW DIRECTION

Now, at the end of its 75th year, Envision has continued to exhibit foresight by establishing a campaign called "Beyond 20/20" with the aim of renovating Envision's Low Vision Rehabilitation Center, located in Wichita. The newly face-lifted site will be home to an expanded array of services for patients as young as three weeks and as old as 103 years. The site will also house centers for public education, assistive training, rehabilitative therapy and day care, among others.

With the funds raised by the "Beyond 20/20" capital campaign, Envision plans to continue creating meaningful work, competitive wages and benefits for people who are blind and/or have low vision – part of its ongoing efforts to reduce a crippling 70% national unemployment rate among this population. And the capital campaign has already been initially successful: The Bicknell Family Foundation pledged \$1 million in September 2008, Envision's largest single donation in history. With such funding, Envision will be able to generate even greater support, taking it to its next stage of development and continuing to empower the more than four million Americans who are blind or have low vision. ■

“Keep the saws cutting . . .”

Applied Industries

By Michael Hall

APPLIED INDUSTRIES

Longview, Washington

www.scattercreek.com/~applied

Since its founding in 1959, Applied Industries has weathered some terrible storms. It nearly sank during the economic downturns of the 1970s and 1980s, suffered ominous deficits in 1992 and 1993, lost its biggest customer in 2004, and during its Golden Anniversary celebration is facing the country's worst economic crisis in 80 years.

Somehow, Dale Novotny and his team have managed to keep the saws cutting . . .

Located in Longview, Washington, the company employs people who have developmental and other disabilities. The company's primary product, for decades, has been the production of wooden pallets. Gross sales during FY07 were \$847,228 and the company lost money. But that's happened before. The company builds a reserve during good times, then draws on it during bad. It has survived, and often thrived, by emphasizing total quality, not just product quality, including a focus on organizational culture, safety, customer service, process improvement and training. Next? Looking to diversify and open up new markets to bring the company back to profitability.

HISTORY

Located in Cowlitz County, Washington, and launched with a mission “to provide employment to people with developmental disabilities,” Applied Industries has stayed true to its founders' intentions. According to Novotny, “a lot of credit for our success goes to Nadine Williams, the first Executive Director.”

The original Board of Directors and Williams looked to develop a business that could be sustainable, self-sufficient and fulfill its mission. “The first contracts came from the Longshoremen's Union in the early 1960s,” says Novotny. “The union started to send work our way, and that's why we started to make wooden pallets.” The workers of Applied Industries have been at it ever since, although the number of employees has fallen to 21, its lowest point in years, compared to as many as 80 in the past.



THE WORKERS

The employees may have some sort of disability, but that doesn't stop them from doing high quality work. Last year the 21 employees made 202 recommendations about how to improve processes and operations – and 190 of those ideas were adopted.

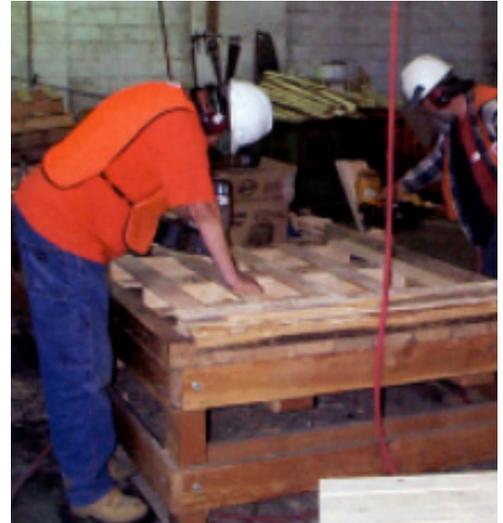
The workers also have a strong sense of shared values with Novotny and the rest of the management team. Novotny has implemented the Shared Value Process described in Rob Lebow's book *Lasting Change: The Shared Values Process That Makes Companies Great*. Lebow's system measures values on an 80-point scale and he defines a “world-class organization” as one where the gap between the personal values of the employees and the stated values of the company is 8.5 points or less; according to Novotny, the separation at Applied annually hovers around 0.1 points.

As for how the workers are compensated, a typical worker has 22 days off plus seven holidays, employer retirement contributions of 1.5 per cent of an employee's pay, dental, access to medical care and a most unique benefit: "Everyone gets free firewood," says Novotny. A number of employees are also receiving some level of government assistance through the state Medicaid program and Social Security.

QUALITY AS A COMPETITIVE ADVANTAGE

When thinking about quality, the first thing that occurs to most people is product quality. This was the case at Applied Industries for a number of years until the company faced large operational losses in 1992 and 1993. The losses forced Applied to critically evaluate how its business was run and redefine what was meant by quality.

Today, it no longer means just the number of defective products, but also a culture of mutual respect and shared values, plus an emphasis on safety. After a number of quality improvement initiatives, including recommendations from the workers, Applied has now gone almost nine years without a lost-time accident. This focus on workplace safety has obvious advantages in productivity and employee morale – and also has a direct impact on the bottom line: Among other things, with no workplace accidents in almost a decade, Applied Industries has been able to negotiate lower insurance premiums.



TRAINING

Having a high level of quality has paid dividends to Applied Industries, but it doesn't happen by accident. Novotny has made training a top priority for new workers and seasoned veterans alike. Using the Zapp empowerment program created by William Byham, Novotny motivates his workers. They start with basic quality training once they are hired, but also follow with six-month "check-ups" as part of an ongoing training initiative.

Organizational culture is embedded in all the training programs, including an emphasis on three core values: Honesty, customer service and continuous improvement. "You have to have open and honest communication regarding everything," says Novotny, "including the financials. You also have to provide timely information." He publishes a monthly open letter to employees and others associated with Applied, and doing so helps keep the values of the workers and the organization closely aligned.

The training programs at Applied are also a genuine competitive advantage. Novotny has noticed "warehouseers are moving toward national companies for their sourcing, unless you are focused on training."

CHALLENGES

The economy has had its impact over the years at Applied Industries and the current economic situation is creating renewed stress. “Company after company is going out of business up here,” says Novotny, including some of Applied’s best customers. This drop in demand is not only bad for Applied Industries itself, but also its competitors, thus making the overall market extremely competitive.

Sales for Applied have plummeted during the past two fiscal years, from \$2.2 million in FY05 to \$1.5 in FY06 to \$847,228 in FY07.

However, Novotny and the workers at Applied have seen economic downturns before, even losing a million-dollar account in 2004 when a local paper plant shut down. Each time, they have been able to bring revenues back to previous levels, most recently by diversifying and expanding their business lines. Five years ago, Applied started to supply specialty wood products for a variety of customers, including window manufacturers and a corrugated box company, and additional diversification is underway today.

This time around is more challenging than prior economic downturns – the local economy in Cowlitz County is being hit extremely hard. “We have an unemployment rate of 11.6 per cent,” says Novotny, “the highest in the state.” That compares to a state unemployment rate of 6.5 per cent and a national rate of 7.2 per cent, as reported by the U.S. Bureau of Labor Statistics.

Nevertheless, to help keep the saws cutting, Novotny is expanding Applied into cordwood and grape stakes, with the intention of attracting new customers from Washington’s wine country. And he emphasizes that “even during tough times, people still like to work at Applied.” ■



A leap of faith

Northwest Center

By Zo Veljee

NORTHWEST CENTER
Seattle, Washington
www.nwcenter.org

Nonprofits today are running scared. The economy continues to spiral downward; programs are being trimmed; employees are being laid off; and survival is paramount.

It's a nightmare we've seen before.

In 1979, the senior staff and Board of Directors at Northwest Center (NC) stared into the abyss – and took a leap of faith. Instead of concentrating only on reducing expenses and seeking help from traditional sources of charitable support, they began exploring the potential of the commercial markets.

As a result, during the next 20 years, under the leadership of Chief Executive Officer Jim McClurg, Northwest Center grew to become one of the most successful social enterprises in the world. David Wunderlin succeeded him as CEO in 1999, followed by Tom Everill in 2008.

During 2007, the 16 social enterprises operated by NC generated total sales of \$35.3 million, which represented more than 99 per cent of the organization's cash receipts; it received an additional \$6.9 million in non-cash support. Net assets at year end were \$17.9 million.

NC's 16 affirmative businesses employ more than 350 people who are disabled. The businesses include:

- Administrative services
- Assembly and packaging
- Auto sales
- Childcare
- Commercial laundry
- Document management
- Document shredding
- Employment agency
- Facilities management
- Food services
- Janitorial
- Landscape
- Magnetic component design
- Metal fabrication
- Pools
- Ship provisioning



JIM MCCLURG



RESPONDING TO THE CHALLENGE

The NC story began in 1965 when a group of Washington state parents refused to institutionalize their children with developmental disabilities and rejected the notion their children could not be taught. They banded together to create Northwest Center for the Retarded, an alternative educational program for children turned down by public schools.

Fourteen years later, the country suffered through double-digit inflation and an economic recession at the same time. Threats of government cutbacks for NC programs became more ominous every day.

“Typical nonprofit executives find themselves consumed by fundraising to keep the doors open,” says McClurg. “That can be very distracting and demoralizing.” He knew it was not the best way to build a future for NC.

So McClurg and his team began exploring alternative sources of revenue. The young adults who participated in vocational woodworking training were producing small wooden items such as toys, coat hangers and coat racks. The items were being sold in craft bazaars and in other informal venues – and the unrestricted income generated from those sales financed additional equipment and paid for the woodshop.

McClurg and a few others at NC began to think about the possibility of producing and selling more of such items “proactively” and “deliberately.” Although the revenue being generated covered only a small chunk of the overall cost of running NC’s programs, he and his staff recognized the potential. “If we could generate sufficient income by combining our training programs and our businesses,” recalls McClurg, “we could spend less time selling balloons and doing wine tasting . . .”

The Board of Directors approved the plan and the seeds of cultural transformation had officially been planted.

But much more needed to be done. “The transformation of an organization can take a long time,” says McClurg, “especially when it involves a complete cultural reformation and a shift in perspective.” Most Board and staff members still saw earned revenue as no more than an adjunct to fundraising. Only a handful of people pictured it as the future of the organization.

McClurg recalls that phrases like “social enterprise” and “earned revenue” did not exist in the nonprofit sector during the late 1970s. “Nonprofits such as Goodwill existed but worked in isolation,” he says. “There was nobody sharing best practices, so we all made the same mistakes.”

AN IMPORTANT STRATEGIC SHIFT

NC initially focused its businesses on the “immediate capabilities of clients,” which led it to engage in small enterprises such as custodial, gardening and landscaping services.

But as earned revenue began to capture the attention of more people among NC’s leadership, the organization re-considered its fundamental philosophy. “Who are we? Are we teachers or employers?”

That led to NC’s most important strategic change, shifting its emphasis from the capabilities of its clients to addressing market demand. The new question became: “What opportunities exist that our clientele could fulfill properly – with quality and a profit?”

“If we had remained inward focused on our clientele exclusively,” says McClurg, “I’m not sure the eclectic range of businesses we eventually developed would have emerged.”

GROWTH

McClurg oversaw two decades of expansion and NC became an affirmative business incubator. Some enterprises succeeded, some failed – and the rate of expansion was anything but linear. At times, NC would find itself having to choose among two or three attractive business opportunities. Then there were times when it wanted to expand but couldn’t find any compelling candidates.

As for acquisitions vs. starting fresh, NC’s strategy depended solely on a strategic analysis of the market. If barriers to entry were significant, NC would partner with an existing entity. In some cases, for example, NC added value through its labor while the partner provided capital and equipment.

McClurg credits NC’s success to “being opportunistic – there’s no silver bullet. What works for one nonprofit may not work for another.” But he does believe “mission alignment is critical, from top to bottom – from the Board to the janitor, from the business to the client.”

But mission alone is not enough to fuel an affirmative business or convince its customers to buy. “We are sometimes blinded by our nonprofit halo,” says McClurg. “We are so convinced of our ability to serve people well and benefit society. Our mission is so consuming to us we believe it will be consuming to others as well. But there’s a lack of understanding about what’s really driving the market.”

In its early days, therefore, NC made no effort to be identified as a nonprofit or an affirmative business. It preferred to compete purely on the basis of quality, price and delivery. It still does, although the concept of a “social enterprise” has become better known and more accepted as the years have passed.



FINAL THOUGHTS

What drives the people who start an affirmative business? McClurg describes it this way:

“When you can see the direct beneficiaries of your work on a daily basis, see them working on the job, driving a forklift, operating a machine, polishing a product – you can see in a tangible way the look on their face, the sense of self worth created through a person’s own effort.

“There’s no type of charity or welfare that can ever come close to the feeling you get when you give someone an opportunity.

“Despite all the headaches, it reminds you why you come to work every day.

“The sense of reward is indefinable and priceless!” ■



Two critical decisions

Cooperative Home Care Associates

By Jennifer Clarke

COOPERATIVE HOME CARE ASSOCIATES

South Bronx, New York
www.chcany.org

“The way we design social policy in this country is in the vacuum of economic policy, meaning we are not willing to deal with job creation or anything that amounts to funding the economic side. If they are to be of any value, social services and social policy need supportive economic policies designed to help poor people. Unfortunately, most economic policy is designed to benefit upper middle class and wealthy people.”
(Rick Surpin)

In 1982, a group of staff members at a community services organization in the South Bronx began searching for a way to provide employment opportunities for the African-American and Latino women who lived in their community. Few of the women had ever held full-time jobs.

Led by Rick Surpin, the group had previously tried to start an affirmative business employing African-American and Latino men, but the enterprise failed.

This time around, the team had learned from its mistakes – and it made two important decisions.

First, it avoided the trap it fell into with its previous entrepreneurial effort, when it tried to capitalize on the carpentry skills of the men it was trying to employ. This time, instead of looking at the women in the South Bronx and trying to discover what skills they had, then creating a business around those skills, Surpin and his colleagues decided instead to analyze the South Bronx to discover what type of businesses were needed.



This required a great deal of courage: It meant the team members believed the women it hoped to serve were capable of learning the necessary skills, a dignified and respectful approach not typically taken by community service organizations in the early 1980s.

THE SOCIAL NEED

What the team found was a dramatic shift in hospital reimbursement structures. The system provided, and still provides, powerful incentives for people to be released from hospital early and sent home. With major business publications touting the opportunities available in the home care market, Surpin and his team took notice.

But they also discovered 11 other organizations were already providing home care in the South Bronx. Some were from the private sector, some from the public sector and some from the nonprofit sector.

Unfortunately, the industry was in disarray. Employees never knew from one day to the next if they would have work: It depended on whether their agency had customers that day. Turnover in the industry was very high: More than 25 per cent of the employees departed each year. Wages were often below minimum, and there were few benefits.

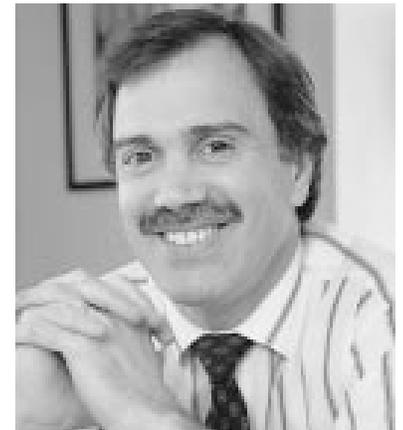
Cooperative Home Care Associates (CHCA) changed all that.

THE SECOND KEY DECISION

Surpin and his team made their second critical decision when they decided not to become the 12th home care provider but instead to become a temporary help staffing agency providing employees to the other 11. That meant CHCA employees had a much better chance of finding work each day.

CHCA also paid its employees a living wage, with benefits, and created a governance structure based on the cooperative model. There were ten seats on the Board of Directors, six reserved for employees.

Success came quickly. CHCA opened its doors in 1985 and since then has excelled at providing quality jobs for paraprofessionals. Within four years, CHCA had won the National Business Enterprise Trust award as a model business. And today CHCA anchors a national cooperative network generating more than \$60 million in annual revenue and creating quality jobs for more than 1,600 individuals.



RICK SURPIN

THE ORIGINS

In 1982, there had been several major scandals involving nursing homes in New York City. Medicare and Medicaid fraud had been uncovered and nursing homes were notorious for mistreating patients. In addition, health care workers had little incentive to take pride in their jobs because they were frequently underpaid.

And nursing homes weren't the only institutions that needed overhauling; home care aides were also underpaid, and typically over-worked.

Surpin remembers, "When I studied home care as an alternative to nursing care early on, I found that home health aides were the core of the service but were historically underpaid with minimum wage jobs, no benefits, no respect and no possibility for upgrading. It was striking to me that nonprofits would do that. They used the money for charity care, for nurses and management salaries, but they weren't interested in paying a decent wage to those who did the work.

"Basically, what you had was poor people taking care of poor people."

THE PARADIGM SHIFT

Things had to change, and with the advent of Cooperative Home Care Associates they did just that, converting the model to one of “enabled people” helping themselves and others. CHCA’s philosophy is to treat workers well and encourage them, through equitable wages and a “coaching-style” approach to supervision and training.

“We wanted a company that would employ people full-time, not part-time, and one that would have at least 100 employee-owners,” says Surpin. “We knew from our studies that most of the people we would attract would be accustomed to receiving public assistance, and our contracts had to provide incentives to keep people from drifting from welfare to work to welfare again, as many poor people do,” says Surpin.

CHCA’s workers today receive the highest possible salaries and benefits, and the company is both profitable and worker-owned. In addition, according to its website, CHCA furnishes workers the opportunity to “learn and grow as members of a health care team; and in doing so provide reliable, high-quality home health care services to individuals who are elderly, chronically ill, or living with disabilities.”

THE SERVICES

CHCA works in conjunction with other New York agencies to provide home care services for individuals who are elderly, chronically ill, or living with disabilities. The company also provides “private pay” home health care.

CHCA employees perform a number of essential tasks for the clients in their care:

- Bathing, dressing, and walking
- Transferring (*e.g.*, from bed to chair)
- Planning, preparing and, if necessary, feeding meals
- Toileting
- An exercise program prescribed by a nurse or a physical therapist
- Taking temperature, pulse and respiration
- Opening, closing, storing, re-ordering and reminding people to take medications
- Accompanying people on specific errands (*e.g.*, doctor appointments, shopping)
- Providing companionship and establishing a trusting, dependable relationship ■

“Each one, teach one”

Delancey Street Foundation

By John Cowen

DELANCEY STREET FOUNDATION

San Francisco, California

www.delanceystreetfoundation.org



MIMI SILBERT

President and CEO

What if someone told you there's an organization that has transformed felons, gang members, drug addicts and prostitutes into business owners, city council members, attorneys, certified public accountants and police officers?

Would you believe them?

What if they told you the organization has no professional aid workers, not even any professional employees at all? That there is no government funding? That all services are provided free of charge to the clients?

Would you believe them then?

Finally, what if someone told you the organization has transformed more than 14,000 individuals who were at the bottom of society into productive, tax-paying citizens with a renewed sense of dignity?

If your name is Mimi Silbert, you started believing it was possible nearly 40 years ago . . .

THE ORIGINS

Silbert and ex-con John Maher founded the Delancey Street Foundation in San Francisco in 1971 with a \$1,000 loan and a passion to help people others viewed as unredeemable. From then to now, the organization has been completely client-run and has followed the motto, “Each one, teach one.” There are no therapists, no case workers, no professional social service officers – only the people who need help rebuilding their lives. They rely on their peers, the only ones who truly understand their situation. And, most importantly, they rely on themselves, the only ones who can really make a change in their own lives.

Today, Delancey Street operates more than 20 affirmative businesses that in 2007 collectively generated \$15 million in annual sales. Total earned revenue during that year – including investment income, rent and interest on savings and investments – came to \$18.7 million, which covered more than 88% of the



DELANCEY STREET FOUNDATION 

organization's total expenses. Delancey Street also received \$3.7 million in cash contributions and \$7.1 million in non-cash contributions.

Silbert and Maher started Delancey Street by welcoming others to share their small apartment. According to Silbert, “whoever could cook became the head of Food Service, whoever had held a hammer became the head of Construction, whoever could read tutored those who could not.” Silbert, Maher and the others pooled their abilities and their funds and after only two years purchased a residential building, the former Russian Consulate. Nearly 100 residents were soon living there together; learning, teaching and helping each other.

THE MODEL

Ask any resident of Delancey Street and he or she will tell you “each one, teach one” is the core of the organization. Because there are no employees, residents must perform all the tasks necessary to make the living arrangements work. The model works *by empowering the people who have the problems to become the solution.*

In this way, each individual is given real responsibility and serves as a necessary support to all the others. According to Silbert, taking that responsibility is the first and greatest step toward rehabilitation for those who previously lived life knowing only how to look out for themselves and to destroy things around them.

New residents have to learn where they fit in and the only way is for the incumbents to teach them. This is another important piece of the model as it provides each individual with even more responsibility. Residents have to be able to teach what they do. When they succeed it brings them respect, enhances their leadership skills and offers them the same sense of dignity every human being strives for and needs.



Residents have a mandatory stay of at least two years. The average duration is four years, and in this time they receive an academic education as well as training in three marketable job skills, including at least one manual skill, one clerical skill and one interpersonal skill. Through this demanding vocational training program, former addicts, felons, prostitutes and homeless individuals are taught skills in the building trades, purchasing, contracting, computer and accounting services.

On any given day, Delancey Street serves an average population of 1,500 people. Senior residents serve as “staff” and all residents receive a small amount of “walking around” money but no salaries.

About one-third of the clients do not make it, but the organization keeps going and as a result has helped more than 14,000 individuals thought to be unsalvageable. That number is especially impressive given that the average client at Delancey Street has 18 felonies, an eighth grade education and seven years in prison.



When clients are ready to graduate, they get an outside job and usually continue to live in the Delancey Street complex for several months. They save their money in the Delancey Street-managed credit union and pay rent until they can move on and continue their new lives in the mainstream of society.

Silbert sums up the work being done at Delancey Street this way: “I see the lowest 10 per cent of society come through the door . . . but, a few years later, strong, decent human beings walk out . . .”

EXPORTING THE MODEL

The old Russian Consulate was located in a very wealthy area and the neighbors soon became worried about their new neighbors. Following the strategy Delancey Street has always maintained, clients took the responsibility upon themselves and began patrolling the area.

With the presence of these recovering ex-cons, the neighborhood actually saw a decrease in crime. Years later, when Delancey Street left the old Russian Consulate for a bigger building, the once skeptical neighbors expressed their sadness to be losing such a big part of their community. The model was working.

Carol Kizziah of Delancey Street remembers, “After [the] initial success in San Francisco, people said it only worked because the city is so liberal and (Delancey Street) is not a model that could be expanded to work consistently. So, in 1978, they expanded into rural, conservative New Mexico to prove it is an effective model that does work. And it works because of the structure and processes involved, not because of the outside environment in which it exists.”

Delancey Street further refined the start-up process just two years later by purchasing another home in New York. Residents from both San Francisco and New Mexico relocated and provided the management needed. Suddenly, ex-felons were being used for their “expertise” in leading a rehabilitation movement. The same strategy took Delancey Street to Los Angeles in 1984 and to North Carolina in 1987. Older buildings were purchased and renovations carried out by the residents.

As operations grew geographically, the organization also needed a new location in San Francisco, so the residents went to work to build it themselves. Construction began on a new complex, four stories high and covering an entire city block. In 1990, they completed a 400,000 sq. ft. structure that houses nearly 500 residents and is outfitted with training facilities to teach residents the skills they need to sustain the organization and become productive members of society.



THE BUSINESSES

Perhaps the most popular question all this invokes is: How has this been possible with no government funding?

The answer lies in the same mentality that has been the driving force for the entire organization. If you need something, create it yourself. Silbert began forming businesses operated by the residents. She remembers it all started when “one of the neighbors asked us to help clear out a living room for a party. I was standing there when a resident picked up the grand piano and said, ‘What do you want me to do with this?’

“That’s when I went, ‘Boing, boing, boing, boing!’ We’re a natural moving company! These guys sit in prison all day getting buffed, lifting weights eight hours a day. So we went home and wrote ‘Moving’ in real kooky letters, and ‘We’ll do it for less,’ and we put a flyer under the windshield of every car and we just leafleted, leafleted, leafleted for months, actually. . . until somebody finally called the phone number.”

Today Delancey Street Movers has a fleet of trucks and the company has expanded into catering, furniture design and transport services for senior citizens and people who are handicapped.



Next, Delancey Street created a construction business. By working so hard to renovate old buildings, transforming them into their own residences, and actually constructing the massive complex in San Francisco, a labor force with real skills in the building trade had been formed. This led to the creation of a construction and property management enterprise.

The Delancey Street Restaurant opened in 1991 and serves as one of the key training schools in the organization. The restaurant is also profitable, using all revenue, including tips, to cover the restaurant’s operating costs, with the rest going to support other programs. The restaurant is located

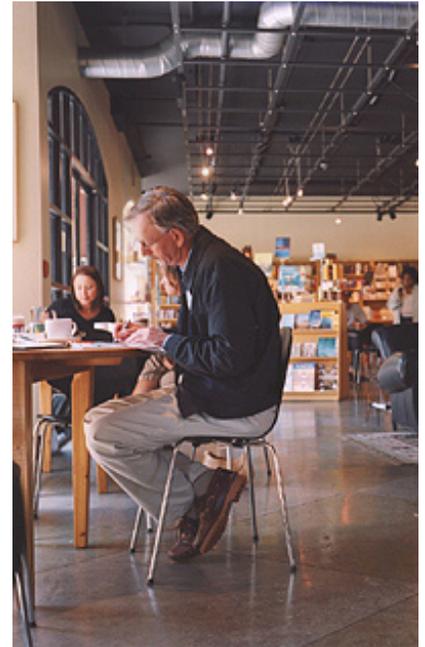
on the Embarcadero in San Francisco, is part of the central Delancey Street facility, and has received frequent recognition, including “The Friendliest Restaurant in San Francisco” and being named one of “San Francisco’s Delicious Dozen.” As with all aspects of the organization, the restaurant is run completely by the residents.

In total, the Delancey Street Foundation now operates more than 20 businesses, covering a broad range of industries and skill sets:

- Accounting and bookkeeping
- Automotive mechanical repair and painting
- Christmas tree sales and commercial decorating
- Coach and para-transit transportation services
- Coffeehouse, art gallery and bookstore

- Construction and property management
- Digital printing and banners, silk-screen, and framing
- Film screening
- Handcrafted wood, terrarium, iron works and furniture
- Moving and trucking
- Retail and advertising specialties sales
- Restaurant, catering and event planning
- Upholstery and sewing
- Warehousing
- Welding

Some of the businesses make money and some do not, but all serve as training schools for the residents, and their collective profits cover a major portion of the organization's operating expenses. ■



COARC

by Michael Hall

COARC

Mellenville, New York
www.coarc.org

Wouldn't it be nice to have a job suited exactly to your skills, abilities and needs? A job that enabled you to learn new skills and take on additional responsibilities – or, if you preferred, allowed you to maintain a manageable routine?

With its mission of “expanding abilities one person at a time,” the Columbia County Chapter of NYSARC (formerly known as the New York State Association of Retarded Citizens), or COARC, does just that.

At COARC there is an understanding that individuals with disabilities are all different, their abilities as varied as the colors of a rainbow. At COARC there is also an understanding that individuals with such varied abilities and needs cannot be fitted with a one-size-fits-all solution. With that in mind, COARC has developed a novel approach to meeting the needs of the people it serves.

It was chartered in upstate New York in 1965 as a local chapter of NYSARC by a handful of families who came together to fulfill the needs of their family members who had disabilities. Since then it has grown into an organization that had sales of \$16.44 million during 2006, representing 92.4 per cent of its total income, and employed more than 400 people. In addition to its two affirmative business units, COARC also provides a supported work program (Work Link), a summer day camp (Camp Mahican), community residences, and various children's services such as day care and pre-kindergarten classes.

THE SPECTRUM OF ABILITIES

It can be all too easy at times to group individuals who have developmental disabilities into a single category. However, a closer look reveals that each individual is unique, not just in personality and appearance, but also in terms of his or her abilities and needs.

Developmental disabilities such as Down's syndrome are an object lesson. While there are individuals with Down's syndrome who suffer from cognitive impairments, there are others who have achieved things most people without a developmental disability would have a difficult time accomplishing.

One example is Chris Burke, an actor featured in 83 episodes of the television series “Life Goes On” from 1989-1993 who later appeared on the television shows

“Touched by an Angel” and “ER” and in 2003 in the major motion picture “Mona Lisa Smile.” A second example is Karen Gaffney, who's earned an associate's degree, is president of the Karen Gaffney Foundation, and





is an avid swimmer who was part of a relay team that swam the English Channel.

Autism is another area in which the general public is only recently beginning to understand there's a spectrum of abilities and needs. According to the Centers for Disease Control and Prevention (CDC), "The thinking and learning abilities of people with Autism Spectrum Disorders can vary from gifted to severely challenged."

At COARC, it is not just an individual's cognitive abilities that differentiate them, but also what the individual is looking to get out of life. The employees in COARC's businesses not only are coming from different backgrounds and different situations, but are also looking for entirely different outcomes.

For some, the goal is to develop skills that will make them marketable for a job in the community at large – or just earn enough to buy a cell phone or rent an apartment that will enable them to become more independent. But "others are just looking for a meaningful job they can feel good about," according to Alex Schneider, COARC's Director of Development and Community Services.

THE BUSINESSES

Through two direct employment and one supported employment program, COARC has managed to meet the varied needs of the different individuals it serves. The two direct employment businesses are the Blended Services unit in Mellenville and Second Street Operations in Hudson; the supported employment program, Work Link, is also based in Hudson.

Blended Services is co-located with COARC's Training Center in Mellenville and employs between 75 to 80 people who work on a variety of jobs ranging from sorting to processing to one- and two-step assembly. Some work on a piece rate, others have hourly jobs that pay above the minimum wage.

Blended Services offers employees a variety of services ranging from pre-vocational training to independent living skills. "It also allows people to have flexible work schedules," says Schneider, a challenge for the business, which is trying to work with a wide variety of people who are looking for different outcomes from their work. For some, the job provides the means to be more independent and self-sufficient. For others, the flexibility provides a way to have meaningful employment while not jeopardizing their eligibility for important government programs.

"Most are on Medicaid and receive social security benefits," says Schneider, "so earning too much income could be a problem for those who rely on Medicaid."



The blended services program also has flexibility in the way workers are compensated. “Pay is hourly for jobs such as quality assurance and those working with shipping skids,” says Schneider. “For assembly jobs it’s a piece rate calculated on what would be the piece rate for a fair wage job.” For example, if a fair wage is \$8.50 an hour to assemble 100 units, then assembly workers are paid \$.085 per unit regardless of the time it takes to complete. The flexible compensation program allows workers who are not as productive to be paid for their work without feeling pressure to meet productivity quotas difficult for them to accomplish.

COARC Contract Manufacturing at Second Street employs between 12 and 25 people who work or are working toward hourly (above minimum wage) positions; some have advanced into fully benefited staff positions. At Second Street, there is complete integration of workers who have disabilities and those who do not. “No one knows who receives services and who doesn’t,” says Schneider. “You can’t tell who has a disability and who doesn’t.”

Working at Second Street Operations is considered a prime job for some of the individuals who receive services from COARC and can be a stepping stone for a job in the community at large. Because there are no distinctions between those with and without disabilities, Schneider adds, “expectations are there for quality work. They get full benefits – time off, healthcare, etc.” Nor does COARC ignore the special needs of those who do have disabilities: “It’s more about the job,” says Schneider, “but services are in place for those who need them.”

Work Link, COARC’s supported employment business, serves between 70 and 90 people, each of whom works competitively in the community at an area business and receives above minimum wage. The workers hold a variety of positions, ranging from flower arranger to bench-assembly operator. Some work full-time and receive benefits from their employers; some work only a few hours per week.

“LIFE IS A HIGHWAY”

At COARC, “life is a highway and I want to ride it all night long,” as Canadian singer-songwriter Tom Cochrane would have put it. To help people better understand how its programs all fit together, COARC has developed an analogy that helps place it in perspective, the COARC Employment Solutions Freeway (*please see the graphic*).

The analogy illustrates the concept that individuals are coming to COARC with different skills and abilities and looking to exit at different points, just as a freeway system works for drivers looking to get on and off at various points. As Schneider says “it’s nice to come in at one level, improve your skills and get a job in the community. And it’s especially nice to have a choice of destinations.” ■



Driven by a social mission

PRIDE Industries

By Shannon Bell

PRIDE INDUSTRIES

Roseville, California

www.prideindustries.com

PRIDE Industries is a successful business that provides a variety of outsourcing solutions to the manufacturing and service needs of companies throughout the United States. It employs more than 4,100 people, has annual revenue of more than \$145 million, and is the third largest manufacturing and service company in the greater Sacramento region.

But what makes PRIDE Industries unique is that it is able to operate as a business *driven by a social mission* – to create good jobs for people with disabilities while operating its business profitably. Its vision is “to be the premier employer of people with disabilities, the vendor of choice in markets it serves, and the recognized leader in meeting the needs of individuals overcoming barriers to employment.” To that end, it employs 2,700 people who have a variety of physical and intellectual disabilities and represent about 65% of its workforce.

HISTORY

The number of people this organization with a social mission employs and the level of annual sales are all the more impressive considering PRIDE’s humble beginnings. It was founded in 1966 in the basement of St. Luke’s Episcopal Church in Auburn, California, by parents of children with disabilities who “dreamed of a world where people with disabilities could achieve employment and full integration.”



The endeavor’s vocational and life skills training courses proved popular and in the 1970s PRIDE Industries moved to Roseville, California, to expand into the human services industry and pursue a double bottom line strategy. In the 1980s PRIDE hired Michael Ziegler as President and CEO and pursued business principles and self-sufficiency to support its nonprofit mission. Ziegler transformed the organization from relying for 90% of its funding from United Way and federal and state grants to self-sufficiency from earned revenue.

PRIDE Industries continued to grow into the 1990s and expanded its services into four core business areas: Government Services, Mail and Fulfillment Services, Facility Support Services, and Manufacturing and Logistics Services. It acquired ISO certification and, in 2000, an organization that started in a church basement purchased a 117,000 square foot headquarters facility in Roseville to house its employees. PRIDE now has seven additional facilities elsewhere.



Sales and the number of employees have grown at a steady rate. Sales surpassed \$10 million in FY92, \$30 million in FY97, \$90 million in FY03 and \$145 million in FY08. The number of employees with disabilities kept pace:

- 500 in FY91
- 1,000 in FY94
- 1,500 in FY98
- 2000 in FY01
- 2500 in FY03
- 2700 by FY08



For its work PRIDE Industries has received numerous awards, including being recognized as one of the “Top 100 Fastest-Growing Companies in Sacramento Region”; the “Heart of the Community Award” presented to Michael Ziegler in 2006; becoming the 13th largest private sector employer in the Sacramento Region; and ranking first among the “Top 100 Diversity-owned Businesses in California.” ■



The Goodwill approach

Goodwill Industries

by Han Lee

GOODWILL INDUSTRIES

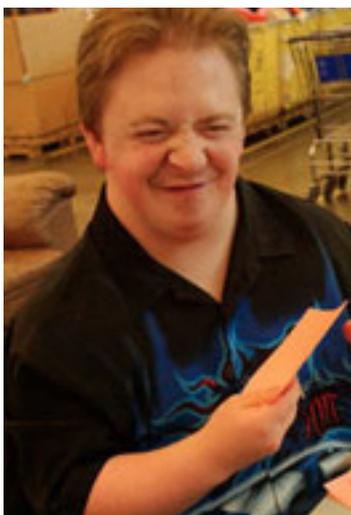
Rockville, Maryland
www.goodwill.org

Many nonprofit trade associations have encouraged their members to start affirmative businesses – but none has been more in the forefront than Goodwill Industries.

Founded in Boston by the Rev. Edgar J. Helms in 1895, Goodwill created the first retail thrift store in 1902 by collecting unwanted household goods and employing impoverished immigrants to repair and refurbish the items for sale. Revenue from the sales paid the workers' wages.

Today, Goodwill Industries is North America's leading nonprofit provider of education, training and career services for people with disadvantages such as welfare dependency, homelessness and lack of education or work experience, as well as those with physical, mental and emotional disabilities. During 2007, local Goodwills in North America collectively provided employment and training services to more than 1.1 million individuals and placed somebody in a job every 53 seconds of every business day.

Goodwill Industries trains people for careers in fields such as financial services, computer programming and health care, and it also contracts with businesses and government to provide a wide range of commercial services, including packaging and assembly, document management and destruction, laundry services, food services, temporary services, custodial work and groundskeeping.



Goodwill's global reach extends to five continents, with 167 full member organizations in the United States and Canada plus 15 organizations affiliated with Goodwill Industries International in 13 other countries. Each organization considers its country's unique social and economic climate when developing programs and services that enable citizens to become economically self-sufficient, support their families, and build better communities.

Goodwill Industries generated worldwide total revenues of \$3.16 billion during 2007. The organization's 2,246 retail stores accounted for \$1.9 billion; industrial and service contract work brought in \$625 million.

What follows is a snapshot of two Goodwill members and their adventures with affirmative business, one with retail thrift shops and the other with a temporary staffing agency.



GOODWILL OF SOUTHWESTERN PENNSYLVANIA

Goodwill of Southwestern Pennsylvania (GSP) is a human service agency and network of not-for-profit businesses whose motto is “Building our community . . . one job at a time.”

Under a franchise-like agreement with Goodwill Industries International, GSP operates more than 20 regional stores and several other businesses, all with a dual purpose: To generate financial support for its other programs and to provide training and employment opportunities for clients.

Dr. Albert G. Curry brought the Goodwill concept to Pittsburgh’s Strip District in 1919 to provide job training opportunities for disadvantaged people and to teach them the value of self-reliance and independence. By the 1950s, it had begun sub-contracting work from regional businesses, and by 1969, with expansion into Fayette County, had become the largest provider of services to people with disabilities and disadvantages in the Pittsburgh area.

Expansion of the retail thrift shops accelerated during the late 1970s and early 1980s as a response to severe government funding cutbacks for other Goodwill programs. Currently, the organization operates 24 thrift shops and its client population includes people with physical, mental and emotional disabilities, as well as those who face barriers to employment such as illiteracy, advanced age, lack of work experience or dependence on public support.

During FY06, under the leadership of CEO Michael Smith and COO Patty Trainor, the organization had total sales of \$17.5 million from its thrift stores and its workforce development services and employed more than 900 people, 550 of them full-time. The organization also generated \$3.8 million from program service fees and helped 2,720 people find full-time jobs through its own welfare-to-work and community employment programs and through its partnerships with others.

The organization changed its name in 2008 to Goodwill of Southwestern Pennsylvania (GSP) to better reflect the territory it serves, eight counties in southwestern Pennsylvania and nine in north-central West Virginia.

David Tobiczky, vice president of marketing and development, emphasizes five factors that have been critical to the success of the thrift stores: Price; location; convenience; quality and retention of workers; and the ability to prepare, process and re-sell donated items.

Competition for GSP comes from other thrift stores operated by organizations such as the Salvation Army, from commercial dollar stores, and from other nonprofits soliciting in-kind donations. However, GSP’s strong brand identity, reinforced over more than 90 years, has given it considerable visibility and enabled it to maintain a strong leadership position.



GSP has also thrived by building strategic alliances with other nonprofit stores such as ShopANS.org, an alliance of nonprofits formed in 2004 by the leadership teams from five nonprofit charitable agencies operating thrift and resale shops in western Pennsylvania. The partnership allows the five to work collaboratively to capitalize on the popularity of the re-sale industry and the need to educate the public about responsible giving practices.

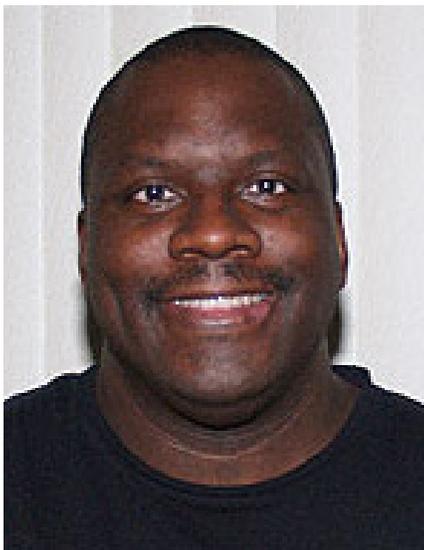
According to Tobiczyk, the biggest obstacle for anybody running a social enterprise is the need to operate as efficiently as possible, which means sticking to its core competencies. He warns that “social enterprise has become a real buzz word” and says “a lot of nonprofits struggle in their attempts to launch one because “they have never done a business before or they’re doing it just because they think it’s a good idea.”

Tobiczyk also believes it’s essential to use benchmarking against other successful social enterprises and to “never stop asking what customers want.” He stresses that meeting customer expectations and providing responsible customer service is a core value for GSP – and that means being responsive to donors, not just buyers.



GOODWILL INDUSTRIES OF KENTUCKY

Rev. John L. Fort founded Goodwill Industries of Kentucky (GIK) in 1923 in the basement of Temple Methodist Church – and GIK opened its first thrift store three years later.



In 1995, the Board of Directors decided to expand by asking staff members to explore additional business models. The process led to creation of Goodwill Temporary Staffing, Inc. (GTS Staffing) a year later.

GIK hoped to expand the number of people to whom it could offer services and to build on the success of its growing workforce development program by increasing the number of employment opportunities available, especially for those who were not ideal candidates to work in the retail stores.

GTS Staffing uses the “work and learn” model: Participants enter the workforce through temporary employment services, thus gaining work experience and meeting potential long-term employers. In addition, since men and women who lack a work history, stable home, phone, and personal transportation are not ideal candidates for employment, GTS also partners with agencies that provide the necessary housing and other services.

GIK launched its temporary staffing operations in Louisville and Lexington, working with the homeless population in Louisville, which helped GTS Staffing receive a startup grant from the U.S. Department of Housing and Urban Development, and forging a strategic partnership with the Hispanic Coalition in Lexington by conducting a series of formal and informal meetings.

Once the Lexington partnership fell into place and GTS began making Spanish-speaking associates available, however, client companies were reluctant to hire people with whom they felt it would be more difficult to communicate. In response, GTS translated the safety and personnel policies of the client companies into Spanish and provided a bilingual person to assist with communication.

Under the leadership of manager Stan Foster, GTS Staffing annual sales for FY08 were \$5,890,600 and GTS Staffing employed 209 people full-time and 80 more part-time. Initially, GIK expected GTS Staffing demographics to include 30 per cent people with disadvantages, 30 per cent people with disabilities and 40 per cent people with neither. Currently, however, about 90 per cent of the employees are considered disadvantaged.



Compensation for the employees of GTS Staffing reflects market rates. The client company employing a GTS associate normally assigns a pay rate in keeping with the skill level required for a given work assignment. In addition, GTS Staffing offers a benefits package which allows an associate to earn paid time off (PTO) and honors Goodwill Industries of Kentucky's paid holidays. Workers earn PTO on a set formula and are allowed to use it once they have reached their one-year employment anniversary date.

According to GIK's Heather Hise, the biggest obstacle and surprise GTS Staffing encountered along the way has been the need for significant capitalization to finance both startup expenses and accounts receivable. The parent organization, Goodwill Industries of Kentucky, provided the necessary start-up funding. ■

Social Enterprise incubators

Nurturing social enterprise: Six company profiles

By John Cowen



Successfully operating any business is an achievement.

Doing so while maintaining a double bottom line is admirable.

And then there are those who take it to another level . . .

The six incubators described below are simultaneously building, managing and growing several affirmative businesses . . . three, five, seven – sometimes even more. The complexities are daunting because their businesses are many times in unrelated industries and employ people from different target populations.

The founders – people such as Richard Oulahan, Earl Copus, David Lee, Nic Frances, Morris Roth and Charles King – are among the pioneers in the field of affirmative businesses, along with others such as John DuRand, Mimi Silbert and Jim McClurg, who are featured elsewhere in this issue. Each started with a single business, then gradually diversified, and their organizations have now become international models of excellence.

ESPERANZA UNIDA, INC.

www.esperanzaunida.org

Founded in 1971 in Milwaukee, Esperanza Unida provides counseling, representation, job training and job placement to minority, injured and unemployed workers in the area, focusing especially on the Latino community. Its businesses generated \$1.29 million in revenue during FY07, which covered 74% of the entire organization's expenses.

Initially, Esperanza provided legal counsel for unemployed Spanish speakers. Then, in the 1970s and 1980s, the area was hit especially hard by de-industrialization and several large employers closed down. In response, led by Executive Director Richard Oulahan, Esperanza Unida shifted its focus to actually creating jobs for the people it was working with by developing a "training business" model. Each business would serve simultaneously as a source of revenue and on-the-job training.

After conducting an analysis of the skills possessed by people who had lost their jobs, Esperanza launched its first venture, an automotive repair training center. The necessary building and equipment came through a \$150,000 grant and a donation from a Firestone plant that had been shuttered. Students were trained, building upon their previous knowledge, and the center began to generate revenue.

After the success of the first start-up, Esperanza Unida expanded its model and has since launched 12 training businesses. According to the organization's web site, each of the businesses "was created in direct response to job

market opportunities and to specific community needs, focusing on skills that lead to jobs with family-supporting wages and benefits.”

Esperanza’s current Executive Director is Robert Miranda and its training businesses include Esperanza Del Futuro Child Care Center, a residential realty company, a welding and metal fabrication business, a used car sales program, and a vehicle donation program. Esperanza spun off one of its most successful businesses (lead and asbestos abatement) to its manager, who assumed ownership and now operates it as an independent for-profit business. The organization has also published a step-by-step manual for other nonprofits interested in following its affirmative business model.

MELWOOD

www.melwood.org



Melwood is one of the pioneers in the field of affirmative businesses. It currently operates four divisions that collectively generated \$58.1 million in sales during FY07, which represented 91.6 per cent of the organization’s cash receipts and covered 81.2 per cent of the organization’s operating expenses.

Melwood came into existence in 1963 to serve people with intellectual and developmental disabilities when a small group of parents embarked on a venture that, at the time, was thought to be ludicrous – to train the disadvantaged in a skill that could be used to create real employment and generate real revenue. Former Peace Corps Volunteer Earl Copus, Jr., arrived in 1966 as Melwood’s only full-time employee and led the organization until 2006. His book relating the history of the organization, *Melwood, A Story Of Empowerment*, is available on the organization’s web site. The current CEO is Janice Frey-Angel.



Clients were trained in horticulture and began to raise and sell plants around Washington D.C. Upon the realization that this model could be, and was, successful, the organization slowly expanded into other fields.

A natural progression from horticulture was landscaping, in which the clients also excelled. Next came a custodial service training program and over the years Melwood continued to create new businesses and successfully equip clients with the skills needed to deliver services to the satisfaction of a wide customer base. The number of employees grew from 25 in 1970 to more than 100 in 1975, the year the budget exceeded \$1 million. By the mid 1980s Melwood employed more than 300, and the budget surpassed \$5 million.

Today, the organization employs more than 1,000 people with developmental disabilities through more than 70 contracts around the D.C. area. It teaches a range of skills that is constantly growing and, in addition to the horticulture, landscaping and custodial services, now performs work in areas such as mail handling, office work, reception and store stocking, travel services, and day camps. One of the model programs which has achieved great success is the custodial services business, which includes a contract with the entire U.S. Naval Academy that employs more than 150 workers.



FARESTART

www.farestart.org

The idea for FareStart began under the name “Common Meals,” created in 1988 by David Lee, a chef and entrepreneur who wanted to serve Seattle’s homeless population by providing nutritious food in a dignified manner.

During the last 20 years, the evolution of the organization has been a model of how to grow a social enterprise in an innovative and adaptive way that exponentially increases its impact. The roadmap is clearly stated in one of the organization’s core values, “Sustainability: Recognize that sound financial management and accountability are essential to the long-term health and sustainability of FareStart.”

After four years of simply serving food, Lee embraced the idea of “teaching a man to fish and feeding him for a lifetime.” He started the FareStart job training program and transformed the *ad hoc* organization into a nonprofit. It now offers a 16-week training course in the food services industry which combines classroom instruction with on-the-job experience.

Over time, Lee has started several business units which serve to earn revenue, create on-the-job training opportunities, and provide employment for many of the graduates. FareStart operates a restaurant, a catering service, a café and a contract meal service; collectively they generated \$1,840,178 in sales during FY07.

FareStart’s programs combined to train 367 individuals in 2007 – and 89% of program graduates secured living-wage employment in the food service or hospitality industry within 90 days of graduation. Over the next five years, FareStart aims to double the number of individuals it trains annually. Recently, FareStart launched a nonprofit offshoot called Kitchens with Mission to help organizations around the country replicate its successful model.



THE FRC GROUP

www.frcgroup.co.uk

The FRC Group, based in Liverpool, England, was founded in 1988 by Nic Frances and later expanded by Liam Black. It served initially as a small community response to local poverty and later emerged as one of Britain's most successful affirmative businesses, which are referred to as "social firms" in the United Kingdom (*please see Zo Veljee's article about social firms elsewhere in this issue*). It was named Britain's "Social Enterprise of the Year" by the Social Enterprise Coalition in 1999.

The FRC Group's success grew from a sustained passion for creating livelihoods and new opportunities for long-term unemployed people combined with coordinating a complementary system of job creation and environmental preservation. The FRC Group has been able to capitalize on the immense waste stream of used furniture and household supplies through its network of three affirmative businesses.

The process starts with Bulky Bob's, which is a waste transport service collecting bulky household waste at more than 100,000 homes every year. All the waste was previously deposited in landfills, adding to environmental degradation as well as destroying an abundance of useful assets.

Bulky Bob's re-uses and recycles at least 36% of the waste collected and sells what it refers to as "pre-loved" items to low-income families and social housing groups. The refurbished furniture is distributed to the organization's two Revive stores, where the economically disadvantaged can find bargains and gain access to quality goods.

Another related venture, the Furniture Resource Center, provides a one-stop furnishing service for social housing (known as "low-income" or "affordable housing" in the United States) landlords. Using recycled goods, the Furniture Resource Center delivers everything needed to transform empty housing units into fully furnished homes.

All three of these enterprises, Bulky Bob's, the Revive stores and Furniture Resource Center, integrate long-term unemployed people into the workforce. They place an emphasis on real work and not just training, as each employee is salaried and works on year-long contracts. The goal is to build up confidence and employability so each individual can obtain outside employment if desired.

FRC is a triple bottom line, hybrid social enterprise. Products are obtained in a manner which benefits the environment, they are delivered at a discount to those who need them most, and the operations are a source of employment and personal growth for marginalized citizens of society. The current leadership team consists of Shaun Doran, Phil Tottey and Alison Ball.

Similar to many other successful affirmative business incubators, The FRC Group has created a consulting program, the Cat's Pyjamas, to help others around the world learn from its experiences.



ASPEN DIVERSIFIED INDUSTRIES

www.aspendiversifiedindustries.com

Aspen Diversified Industries (ADI) came into existence to address the absence of genuine employment opportunities in Colorado for people who are disabled or disadvantaged. Created in 1995, ADI is a member of the Pikes Peak Behavioral Healthcare Group. The people it serves include adults and adolescents with mental illness, developmental disabilities, spinal cord or brain injuries, as well as those who are marginalized or stigmatized in the workplace.

Breaking free from the idea that sheltered workshops were the best possible solution, Behavioral Healthcare Group CEO Morris Roth incorporated ADI to not only rehabilitate and train people, but also give them meaningful jobs. The comprehensive career development services ADI prides itself on include vocational rehabilitation services, training services, education services, and career opportunities.

Over the years, ADI's commitment to integrating employees into the mainstream workforce rather than sheltering them in back rooms has netted an impressive social return on investment, saving taxpayers hundreds of thousands of dollars. Based on studies done in 2002, ADI programs decreased the cost for hours of treatment by more than 70 per cent, outpatient counseling by more than 75 per cent, and hospitalization by 46 per cent.

Currently, ADI has more than 200 employees, of whom more than 50% are disabled or disadvantaged. The employees work in one of four affirmative businesses:

- The custodial services business has been operational since 1991 and cleans more than two million square feet of space every year
- Property management and preventative maintenance are offered through ADI's facility services venture, forming a single point of contact capable of catering to all the needs of a property owner
- ADI offers a broad range of furniture services, ranging from layout design and inventory management to assembly and repair
- Café Moreno provides catering services for any type of event, ranging from 10 to 1000 people



Collectively, the four businesses amassed \$608,021 in sales during the fiscal year ending June 30, 2005, which covered 86.5 per cent of the organization's operating expenses.

ADI pays all employees market-rate wages as well as offering a competitive benefits package. And, by providing a diverse set of employment opportunities, ADI has exceptional latitude for designing and carrying out individualized career development programs that identify the strengths, abilities and skills of each client and build on them to maximize each person's potential.

HOUSING WORKS

www.housingworks.org

Since 1990, Housing Works has provided lifesaving services of housing, medical care, meals, drug treatment, job training, employment, and legal help to more than 20,000 homeless and low-income individuals living with HIV/AIDS.

Widely recognized as one of the great success stories in the field of affirmative businesses, Housing Works has also become the largest community-based AIDS service organization in the United States, as well as the nation's largest minority-controlled AIDS service organization.

The success of Housing Works is rooted in the strategy set forth by the founders – Charles King, Keith Cylar, Eric Sawyer and Virginia Shubert – who understood the possibilities and benefits of a nonprofit making its own money and decreasing its reliance on donations and government funding.



Photo credit: Scott G. Morris

The first step was opening a thrift shop in downtown New York City in 1995. Amid a lot of skepticism, the thrift shop flourished and served as a profit center for Housing Works as a whole and a gateway into the world of social enterprise. Today, Housing Works operates seven thrift shops, a bookstore café, a catering service and cafe, and an online shop.

The Housing Works entrepreneurial ventures produced more than \$13.5 million in revenue during 2008, 70 per cent from its thrift stores, and recorded a combined surplus of \$2.2 million. The surplus generated by the businesses subsidized the operations of other services, funded capital improvements and allowed Housing Works to reduce its operating line of credit by \$400,000 to \$1.6 million. ■

The portfolio approach

Roberts Enterprise Development Fund (REDF)

By Mona Abdel-Halim

ROBERTS ENTERPRISE DEVELOPMENT FUND (REDF)

San Francisco, California
www.redf.org

George Roberts made his fortune during the 1970s and 1980s as a founding partner of KKR, a pioneering private equity firm specializing in leveraged buyouts – then turned his attention to people at the opposite end of the economic ladder.

Searching for a way to empower individuals confronting daunting barriers to employment, he founded the Homeless Economic Development Fund (HEDF) in 1990 and later transformed it into the Roberts Enterprise Development Fund (now known as REDF) in 1996. To date, REDF's past and present portfolio companies in the San Francisco/Oakland Bay Area have employed more than 3,300 people, with a goal of 4,300 by 2010.

The Fund began as part of a family foundation jointly established by Roberts and his wife Leanne. Their first task was to discover the most effective way to provide employment for individuals marooned outside the economic mainstream. Research soon zeroed in on revenue-generating businesses run by nonprofits because they already understood and were providing services to the individuals they would employ.

Much like its neighboring venture capital firms in Silicon Valley, the Fund sculpted a system to provide support and guidance for a chosen portfolio of companies, this time comprised of nonprofits running businesses employing people previously seen as difficult to employ.



After conversations and experimentation with dozens of nonprofits, REDF settled on a portfolio of five nonprofits (Rubicon Programs; Juma Ventures; Golden Gate Community, Inc.; Healing Kidz/Youth Industry; and Community Vocational Enterprises) that housed and managed several social enterprises which grew roots in various industries from food service to landscape service. Youth Industry eventually went out of business and was replaced by Community Gatepath in 2001, and REDF later added four more nonprofits in a second portfolio. All told, the nine surviving nonprofits currently operate 12 social enterprises.

These investments in money and human capital were some of the first of their kind, and, under the leadership of the Fund's first Executive Director, Jed Emerson, helped create the field of venture philanthropy.

THE LEARNING PROCESS

Success has not come easily or overnight. The companies in REDF's "original portfolio" were painstakingly chosen from 40 candidates during an 11-year period from 1990 to 2001. All the candidates were nonprofits

Roberts Enterprise Development Fund (REDF)

dedicated to “reducing poverty through employment,” had a social enterprise in its early stages, and were seeking leadership and guidance.

Throughout the early 1990s HEDF made \$6 million in early stage grants to the 40 nonprofits, which were hand-selected by Roberts and Emerson. The HEDF staff consisted of just one person, Emerson, who helped grantees with hands-on assistance whenever possible.

Many of the businesses started during the early days of the Fund did not succeed, but REDF’s willingness to be honest has set it apart. In 1996, the organization published a 400-page report by Emerson and Fay Twersky titled *New Social Entrepreneurs: The Success, Challenge, and Lessons of Nonprofit Enterprise Creation* which microscopically detailed insights into HEDF’s early investments. Numerous additional publications have followed in subsequent years; they are available free of charge at <http://www.redf.org/from-the-community/publications>.

Emerson and Twersky developed case summaries for 17 of the original 40 and in-depth case studies about the following five:

- **Rubicon Programs, Inc.:** An employment resource center started in 1973, Rubicon provides affordable housing and employment, as well as job training and other supportive services for homeless individuals who have disabilities. Rubicon initially received a \$10,000 grant from HEDF in 1990 for its building and grounds maintenance service. At that point, the service had \$88,000 in annual sales, but, with the support of HEDF, from 1991 to 2003 sales revenue increased to \$3 million per year. Today, Rubicon operates two social enterprises, Rubicon Bakery and Rubicon Landscape Services, which produce the bulk of Rubicon’s \$7.9 million in earned revenue. Thus far, a total of 1,024 people have received workforce services and 353 have obtained jobs.



- **Juma Ventures:** Juma Ventures began in 1991 and had previously been known as Larkin Business Ventures (LBV), created by Larkin Street Youth Center, a resource center for homeless youth directed at one point during its history by Emerson. LBV’s first ventures were Ben & Jerry’s vending carts in the Marina district of San Francisco. Since then, Juma has developed and operated eight social enterprises where youth have received jobs and business skills training, saving money for college and other purposes. For more than a decade now, in partnership with Centerplate, Juma has operated the concessions for ice cream, coffee and nuts at the Giants baseball and 49ers football games in San Francisco, where each year about 100 youth work as vendors at AT&T Park and Monster Park. In 2006, in a new partnership with Aramark, Juma launched concession operations at the Oakland Coliseum during professional baseball and football games and in 2007 began expanding nationally with a variety of other partners, first to San Diego, then to Washington, D.C. Juma youth to date have earned more than \$1.4 million in wages and Juma’s social enterprises have generated more than \$9 million in earned revenue. During 2007, earned revenue covered 46.3 per cent of the organization’s \$2.93 million in total operating expenses.

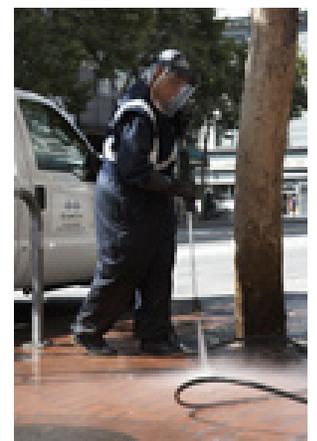
Roberts Enterprise Development Fund (REDF)

- **Healing Kidz/Youth Industry:** Created in 1991, Healing Kidz built training centers that provided vocational skills for endangered youth in fields such as welding, bicycle repair, ceramics and various other art-related areas. Initial funding from HEDF came in the form of a grant to develop a business plan for a revenue-producing social enterprise. Subsequently, in 1995, HEDF provided Healing Kidz with an additional \$20,000 grant to open its third social enterprise. Healing Kidz merged with Youth Industry in 1996 and continued to grow. However, despite its success, Youth Industry closed its doors in 2001 because of management succession difficulties, divesting its businesses to other nonprofits (one of those businesses, Pedal Revolution, became part of New Door Ventures – *see below*). At the time it closed, Youth Industries was nine years old, operated five businesses, had a staff of 35 and trained an average of 100 homeless youth per year.
- **Oak Street House:** Launched in 1981 by Golden Gate Community, Inc. (GGCI) as a resource center for the poor and homeless in the Haight Ashbury and Western Addition neighborhoods of San Francisco, Oak Street House was designed to provide crisis care to GGCI clients. Due to complications with organizational structure and culture, early enterprise planning proved difficult, which led Oak Street House to seek HEDF's consultancy in the late 1980s. However, even with assistance, Oak Street House's efforts to venture into social enterprise never came to fruition, although other businesses started by GGCI proved successful (*please see New Door Ventures, below*).
- **Central City Hospitality House:** Central City Hospitality House (CCHH) was created to serve the low income people who found themselves homeless after moving to San Francisco during the "Summer of Love" in 1967. CCHH began with an arts program and soon expanded into other areas such as the publication of its newspaper, *The Tenderloin Times*. CCHH first approached HEDF in 1992 to help write a business plan for a social enterprise. Unfortunately, from 1994 to 1996, as CCHH failed to meet sales goals and its management became overtaxed, HEDF found it increasingly difficult to maintain the relationship.



Two other nonprofits – Golden Gate Community, Inc., now known as New Door Ventures, and Community Vocational Enterprises – joined Juma (www.jumaventures.org), Rubicon (www.rubiconprograms.org) and Youth Industry in REDF's first formal portfolio, and Community Gatepath replaced Youth Industry in 2001:

- **New Door Ventures** (www.newdoorventures.org): Despite its failure to launch Oak Street House, Golden Gate Community, Inc., now known as New Door Ventures, today manages a series of social enterprises which include a national screen-printing and embroidery company called Ashbury Images and a bike shop called Pedal Revolution. Earned revenue of \$1.49 million in 2007 covered 50.8 per cent of the organization's total operating expenses.
- **Community Vocational Enterprises** (www.cve.org): CVE's mission is to provide opportunities, training and support to individuals with psychiatric disabilities and it operates two cafes, provides clerical services and industrial maintenance engineers, and runs a driver/messenger business. Earned revenue of \$830,301 during FY06 covered 27.7 per cent of the organization's total operating expenses.



- **Community Gatepath** (www.gatepath.com): The organization operates several social enterprises, including employment and staffing services, production services, and landscape services. Total earned revenue of \$9.9 million during FY06 represented a net profit of 7.6 per cent over the organization's total operating expenses of \$9.17 million.

SECOND PORTFOLIO

REDF's second portfolio is comprised of four nonprofits:

- **Community Housing Partnership** (www.chp-sf.org) – a San Francisco community development corporation providing assistive services to the formerly homeless
- **San Francisco Clean City Coalition** (www.sfcleancity.com) – a community-based organization which works to clean, green and beautify San Francisco
- **San Francisco Conservation Corps** (www.sfcc.org) – an organization that provides career and educational development to at-risk young adults
- **The Society of St. Vincent de Paul of Alameda County** (www.svd-p-alameda.org) – an organization that has provided emergency assistance to homeless and low income people since 1938



LESSONS LEARNED



With each new nonprofit, REDF has had to learn to adapt its methods. In addition to dealing with businesses that employ people across a wide range of barriers to employment, there are also large structural differences among the individual social enterprises. A few rely on government set-aside contracts, although most social enterprises started through HEDF and REDF receive no preferences for contracts or sales. Some are franchises, some grow out of a nonprofit's programs, and some allow employees to own a share of the business in addition to receiving wages.

Each company faces different obstacles, but what they all seem to have in common is the need to figure out how to balance their expertise about their clients (their employees) with the need to focus attention on the business itself so employment opportunities can be preserved and expanded. Over the years, REDF has become a national expert in this arena, providing a system for quantifying results and helping each organization leverage its core competencies to work towards a better set of well-defined goals.



TRANSPARENCY

Helping nonprofits explore earned revenue strategies has led to considerable trial and error, which has required REDF to maintain an abnormally high level of flexibility and transparency, key components to its success.

All those involved recall the air of openness and creativity constantly demanded by Roberts from the very onset of the organization. Whether HEDF/REDF became a success or a failure, Roberts wanted the organization to learn from both the positives and negatives, which created an environment fueled by a determination to evolve for the sake of clients and customers. The Emerson/Twarsky book in 1996 was only the first of many public disclosures released by REDF about the positive and negative experiences of its portfolio companies.

REDF's current President, Carla Javits, points to the influence of Emerson for "imbuing the organization with transparency and honesty." That commitment to honesty has largely shaped REDF's culture, establishing an unspoken moral code that has bled into the management styles of the nonprofits and social enterprises it advises.

It also led to a major change for REDF itself. The mandate for candor caused the Board and staff to focus on its own internal structure, self-examining its relationship with the family foundation that helped it get started. This led REDF to the decision to break off on its own in 1996, becoming an independent 501(c)3 nonprofit.

This was a risk, because it meant refocusing time and effort toward fundraising (REDF's total operating expenses for 2007 were \$2.2 million), but it also allowed for creating a wider base of support. The change became a turning point, forcing REDF to forge an independent identity and resulting in a greater empathy for the struggles faced by its portfolio companies.

STRATEGIC PARTNERSHIPS

The companies in REDF's current portfolio are generally more mature than those that joined the original portfolio. REDF's work is now focused on helping companies in both portfolios explore options for expansion, in part because it recognizes that helping existing companies grow is one of the best ways to create new employment opportunities for the primary people it serves, its portfolio company employees.

One of the most powerful strategies for expansion has been brokering strategic partnerships for its portfolio members with private sector companies. Cynthia Gair, REDF's Managing Director of Programs, says "strategic alliances are becoming more of a focus."

An early example of an advantageous partnership that influenced REDF to seek out others was the long-term partnership Juma Ventures forged with Ben & Jerry's. As a result, Juma began operating a retail store and staffing concession stands at major league baseball parks. Over time, the concession business became so attractive that Juma shut down the retail store and is currently focusing its national expansion on the concession stand business.

Another productive strategic alliance came about when REDF partnered its janitorial portfolio company Community Vocational Enterprises (CVE) with ServiceMaster International (SMI). REDF, wanting to establish an industry mentor for CVE, sought to help SMI break into the San Francisco janitorial market by partnering the two organizations, going so far as to send principals at CVE to SMI's Chicago headquarters. The relationship has now lasted for several years.

One of the reasons REDF is emphasizing partnerships with private sector companies is to build bridges for portfolio company employees who have skills that are readily transferrable to the for-profit realm. Another is to help the affirmative businesses in its portfolio diversify their base of customers.

These types of partnerships have become even more common with the growing interest among private sector companies in infrastructure and “green” jobs. As a result, they have been increasingly eager to partner with REDF portfolio companies in order to tap into their expertise and experience in these areas.

THE LARGER MISSION

Among REDF's most ambitious goals is a desire to encourage the growth of both the social entrepreneurship and venture philanthropy fields, and nearly 20 years of experience have established REDF's reputation for superior methods of portfolio development and evaluation.

As Javits admits, REDF's approach “does not result in the fastest or cheapest route,” but it is a strategy that has proven to be successful in employing people with severe barriers to employment, and REDF continues to share its inner workings with others, a strategy that has considerably enhanced its credibility, especially among social investors.

One of the ways it works toward this larger mission is by continually developing and sharing its Social Return on Investment (SROI) and “social outcome” measurement tools (www.redf.org/learn-from-redf/publications), which have been adopted by numerous other venture philanthropy funds and consultancies.

Finally, a large source of REDF's success over the years has been the dedication and knowledge of its staff members. The organization has steadily accumulated the expertise necessary to intimately guide its portfolio companies. To make sure its knowledge base has a ripple effect, REDF has created the Farber Program, training leaders who will effect social change by exposing them to the operational and strategic workings of its portfolio companies, and instilling them with the high regard for openness, creativity and observed social returns that have allowed REDF to flourish alongside its portfolios. ■

The federal government as catalyst

AbilityOne

By Michael Hall

ABILITYONE

Arlington, Virginia
www.abilityone.org

A project galvanized more than 70 years ago by three New Yorkers – President Franklin Delano Roosevelt, Sen. Robert Wagner and Rep. Carolyn O’Day – dramatically changed the face of the nonprofit sector, led eventually to the creation of nonprofit businesses throughout the country, and every year provides jobs for more than 40,000 people who are blind or severely disabled.

It’s called AbilityOne – and today the federal government issues contracts totaling more than \$2.3 billion in goods and services each year to 600+ nonprofits, about one-third of those enrolled in the AbilityOne program.

The origins of AbilityOne are in the Wagner-O’Day Act of 1938 and the Javits-Wagner-O’Day Act of 1970. Essentially, the two pieces of legislation created laws requiring federal agencies to purchase goods and services from nonprofits if more than 75% of the work is done by people who are blind or severely disabled . . . and the impact has been far-reaching.



HISTORY AND IMPACT



President Roosevelt signed the Wagner-O’Day Act into law June 25, 1938. It was initially designed only for nonprofits that employed individuals who were blind – and it only applied to physical goods, not services. To oversee the program, the government created an independent federal agency, the “Committee on Purchase of Blind-Made Products,” and, to administer the program, a centralized nonprofit agency called the “National Industries for the Blind” (NIB).

While some were skeptical of the program’s viability, the major problems early on were actually caused by demand exceeding capacity. In her book *The Unseen Minority: A Social History of Blindness in the United States*, Frances Koestler discusses the early years of the program:

“The committee’s first schedule of approved orders for brooms and mops appeared on January 1, 1939. That year, sales to federal departments came to \$220,000 with 36 workshops participating. . . . In mid-1940 an Army order for 625,000 pillow cases could only be two-thirds filled because all the workshops with sewing departments were already operating at capacity.”

Strong demand for the products produced by the nonprofits in the program had the intended effect of increasing both the number and capacity of nonprofits employing people who were blind – and it had an unanticipated benefit as well: Nonprofits that had previously viewed each other as rivals started working together as collaborators and sharing best practices.

After World War II, NIB realized it needed to expand into consumer markets and began branding its products; in 1952 it unveiled the Skillcraft brand, which is still in use today.

MAJOR CHANGES

In 1970 and 1971, the Senate and the House of Representatives crafted major changes in the Wagner-O'Day Act. New York Sen. Jacob Javits sponsored amendments that, among other things, expanded the program to a large number of nonprofits that employed people with disabilities other than blindness. The expansion also resulted in creation of a second centralized nonprofit administrative agency, the “National Industries for the Severely Handicapped” (known today as NISH), to play the same role as NIB for the additional nonprofits and workshops included in what now became the JWOD Program (for the Javits-Wagner-O'Day Act).



It was also in the early '70s that the “Committee on Purchase of Blind-Made Products” became the “Committee for Purchase from People who are Blind or Severely Disabled.” Then, in 2006, the JWOD Program decided it needed to brand its entire program and re-named itself AbilityOne.

On the demand side, AbilityOne is responsible for deciding what goods and services should be purchased by federal agencies from its suppliers and is also responsible for ensuring they are charged fair market prices (it does so by analyzing current market rates and negotiating with contractors). AbilityOne personnel also assist federal agencies looking to increase the amount of goods and services they procure from qualifying organizations.

On the supply side, no nonprofit can receive a federal set-aside contract unless it's a member of either NIB or NISH, which also provide advice about regulatory matters and training in areas such as public relations, marketing and information technology.

THE CONTRACTORS



The nonprofits that are part of the AbilityOne program provide a plethora of goods and services – 3,000 in all. Products range from uniforms and other apparel for the military to medical supplies to office supplies and furniture. On the services side, they operate mail rooms, shred sensitive documents and provide technology services. The 1,800+ nonprofits in the AbilityOne program collectively employ more than 40,000 people who are either severely disabled or blind, and about a third of the nonprofits receive contracts each year from either NIB or NISH.

In order to be included in the AbilityOne Program, a supplier must be organized as a nonprofit. In addition, the JWOD Act requires it to employ “persons with severe disabilities (including blind) for not less than 75 percent of the work-hours of direct labor required to furnish such commodities or services.” The evaluation of whether or not a nonprofit meets the qualifications for participation in the AbilityOne Program is handled by either NIB or NISH, depending on the nature of the disabilities of the employees, and in recent years affirmative businesses have captured an increasing number of contracts as their numbers have grown.

The size of the suppliers in the AbilityOne Program varies greatly. For example:

- The facility operated in New York by the *Northeastern Association of the Blind at Albany (NABA)* generated earned revenue of \$2.7 million during 2006. It was created to develop jobs for individuals who are either blind or have visual impairments. NABA's workers in its manufacturing facility make uniform components for the military and reflective traffic safety vests, among other products.
- Founded in 1966 by a group of parents with children who had disabilities, *PRIDE Industries* (Roseville, California) had annual sales of \$145 million in 2006 while employing more than 2,700 individuals who had a variety of physical and developmental disabilities. PRIDE currently offers a wide range of services ranging from facility support, electronics manufacturing and sub-assembly to contract packaging, document scanning and landscaping. *(Please see Shannon Bell's story about PRIDE Industries elsewhere in this issue.)*



THE BUYERS

Federal agencies are desirable customers because of their size and scope. For example, all branches of the military as well as the Departments of Agriculture and Defense have high level leaders on public record promoting AbilityOne and asking their procurement managers to make use of the nonprofit contractors whenever possible. In a memo to Department of Defense procurement managers, the Under Secretary for Acquisition, Technology and Logistic wrote, "I urge all contracting officials to make a personal commitment to consider, when appropriate, the Ability One Program in fulfilling procurement needs."

It also doesn't hurt to have the President actively support the process: President George W. Bush wrote that "The AbilityOne Program has taken steps to embrace successful business practices, including e-commerce and performance-based contracting I encourage you to ensure that your agency's procurement officials acquire products and services provided by the AbilityOne Program ..."

Because federal agencies are actually mandated by law to purchase goods and services from its member nonprofits, AbilityOne maintains a "procurement list" that includes a description of all the goods and services government agencies must purchase through AbilityOne nonprofits. Exceptions are granted if there is no nonprofit in the region supplying a particular good or service – but if there's a nonprofit available that is offering market rates, federal agencies are required to fulfill their needs by contracting with it. ■

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The affirmative business movement worldwide

A scan from 30,000 feet

By Shannon Bell

The international affirmative business movement became formally solidified in Sweden with the emergence of the International Organization for the Provision of Work for Handicapped Persons (IPWH) in 1987.

Prior to the existence of IPWH, there were many organizations worldwide acting individually to employ people who were disabled, particularly around Europe and in the United Kingdom, but they lacked a formal identity linked to the common causes they served, which made it difficult to identify each other and learn from the experiences of similar organizations.

The creation of IPWH, according to its 20th anniversary report in 2007, provided an international forum “where the specific challenges, experiences, good practice and the diversity of employment models concerning people with disabilities could be shared, discussed and developed.”

FOUNDING MEMBERS OF IPWH

IPWH’s founding countries, in alphabetical order, included Australia, Austria, Canada, Finland, Ireland, the Netherlands, Norway, Sweden, the United Kingdom, the United States, and the USSR.

Early topics of conversation focused on the unique issues presented by operating a business in the realm between the private sector, with its financial objectives, and the nonprofit sector, with its social mission. Among the major issues were such things as “unfair” competition claims by competing for-profit businesses that didn’t receive the tax and other benefits of an organization with a social mission – as well as how to integrate affirmative businesses into the mainstream labor market and the appropriate levels of training affirmative businesses should provide to their employees.

IPWH renamed itself Workability International in 2002 and has expanded to represent 135 organizations from 41 countries. It currently represents more than three million people with disabilities who utilize the work programs delivered by Workability’s members. Its core mission is to make sure people with disabilities have the same right to work and the same equality of opportunity and employment as all other citizens.

ACHIEVEMENTS

One of the most noteworthy achievements of Workability International has been the adoption of the “Convention on the Rights for People with Disabilities” at the United Nations General Assembly in 2006. The Convention “aims to ensure that persons with disabilities enjoy human rights on an equal basis with others (www.un.org/disabilities).”

According to the United Nations, “the Convention marks a ‘paradigm shift’ in attitudes and approaches to persons with disabilities. It takes to a new height the movement from viewing persons with disabilities as ‘objects’ of charity, medical treatment and social protection towards viewing persons with disabilities as ‘subjects’ with rights,

who are capable of claiming those rights and making decisions for their lives based on their free and informed consent as well as being active members of society.”

The objectives of the Convention are:

1. To support the full and effective participation of persons with disabilities in social life and development
2. To advance the rights and protect the dignity of persons with disabilities
3. To promote equal access to employment, education, information, goods and services

By the fall of 2008, the Convention had 137 signatories, and a Committee on the Rights of Persons with Disabilities met for the first time in February 2009. Workability International has played a major role in advancing the Convention, principally through its Stockholm Declaration of 2007, which called for early ratification and implementation, championed the right to work of people with disabilities, and challenged governments worldwide to reduce the gap between employment levels for people with disabilities and those without by 50 per cent by 2027.

CURRENT CHALLENGES

Ratifying the Convention will help, but Workability International has also identified numerous other modern day challenges concerning employment for people with disabilities worldwide:

- Meeting the support needs of different individuals – the more severe the disability, the greater the needs
- The importance of choice, integration into society and access to all forms of employment
- Expanding the number of service providers operating an increasing spectrum of employment models, which in turn give disabled people more choices to meet their needs
- Creating employment opportunities in corporations and public sector agencies
- Access to appropriate accommodations, minimum wages, work support and reasonable adjustments to employment practices and activities
- The removal of barriers created by societies, including the lack of education, the benefits trap, unequal access to support services and information, and lack of accessibility to such things as transport and buildings
- Launching affirmative businesses in “lower wage” economies, through the expanding global economy together with emerging local, national and cross-border activities and services

UNITED STATES DEVELOPMENTS

The affirmative business movement in the United States, much like the rest of the world, grew from the efforts of a few pioneers working with different types of employees in different geographic locations.

In 1987, John DuRand of Minnesota Diversified Industries and Jerr Boschee of The National Center for Social Entrepreneurs invited a handful of others to a meeting in St. Paul, which led to a gathering of 26 affirmative businesses in Louisville, Kentucky.

The participants defined a set of core values, created The Affirmative Business Alliance of North America (ABANA), and began meeting on a quarterly basis to share best practices.

DuRand served as Board Chair and Boschee as President/CEO for the first two years and staff members from The National Center provided support services for the first three years of ABANA's existence.

DuRand believed ABANA could benefit from connections to the international movement as well and contacted a colleague in Sweden. Bob Russell, who later succeeded DuRand as ABANA Chair, served as ABANA'S delegate to the 1987 meeting in Stockholm. As a result, ABANA joined IPWH and the lines of communication were opened between the affirmative business movement in the United States and affirmative businesses around the globe.

Today, ABANA has morphed into Workability Americas, one of the four regional divisions within Workability International. The others are Workability Asia, Workability Europe and Workability Oceania. ■

Re-writing the story-line

SocialFirmsUK

By Zo Veljee

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The United Kingdom is home to 61 million people, 90 per cent of whom lead urban lives. In 2001, roughly one in five (18 per cent) of the UK population was legally defined as disabled and left without an opportunity to hold private sector jobs.

This seems to be a global phenomenon, a struggle seen over and over again across the continents. But a small group of people in England decided to re-write the plot, and their story takes flight in Surrey – the birthplace of *SocialFirmsUK*. Founded in 1997, it's an organization that provides a national support structure for the development of "social firms" in the United Kingdom – the equivalent of what are known as "affirmative businesses" in the United States.

SocialFirmsUK is not a social firm itself. Instead, it serves as a guardian, an advocate, and a governing body dedicated to the growth of the social firm movement in the United Kingdom.



SALLY REYNOLDS
Chief Executive Officer
SocialFirmsUK

ORIGINS

During the mid- to late-'90s, service provider organizations for people with disabilities were seeking new ideas and initiatives to provide employment opportunities for their clients and to integrate them into local communities. The "social firm" model got noticed as a bridge between sheltered work and open labor market employment – but there were challenges.

According to Sally Reynolds, the current Chief Executive of *SocialFirmsUK*, "social firms were born out of frustration with the failure of a market system for people who are excluded from the labor market because of their disability or disadvantage."

The process began with the help of a steering committee known as the "UK Social Firm Support Group." The group came together under the auspices of the Horizon project, funded by the European Union (EU). Gerry Higgins and Reynolds coordinated the group over the course of two years.

"I think there were approximately eight people in all," Reynolds recalls, "from all over the UK, and that was essential to satisfy the requirements of the EU requirements – and to disseminate the information about social firms as far as possible."

The steering team members came from unique backgrounds but had parallel goals – and the blend of minds from the mental health, economic development and voluntary sectors proved effective.

During the two years, through knowledge-sharing conferences in each of the EU countries and several regions throughout England, the project aimed at exploring and refining the social firm model in depth. The best practices were then applied to analyze the five social firms that had existed in the UK since 1996. The case studies were shared in an online resource center and through countrywide events that started generating a buzz.

CREATING AN ORGANIZATION

By the end of the two-year project in 1999, the number of social firms in the UK had risen from five to 22 – and more than 300 delegates registered for a major conference, plus a waiting list.

“At that point,” says Reynolds, “Gerry and I and the steering group recognized this was not just another project – this was the start of something much bigger and it was down to us to continue building this movement and momentum.”

SocialFirmsUK was formally established in 1999. A membership scheme was created under which all emerging and established social firms were ‘Full Members.’ Since then, several partnership and funding strategies have helped the organization gain additional respect, exposure and the financial capacity to continue its growth.



GERRY HIGGINS

The organization established regional networks to empower members and built relationships with social enterprise support agencies at the regional level. The ‘Social Enterprise Partnership’ EQUAL funded project, a Higgins brainchild, took place between 2001 and 2005 and proved to be highly successful. In 2003, Charitable Trust funding helped *SocialFirmsUK* further expand its core work.

ESTABLISHING A SECTOR

By 2005, *SocialFirmsUK* had gathered many lessons and considerable credibility. It was time to publish its most powerful tool to date – the “Values-Based Checklist.” As the name of the tool suggests, three key values were identified as a checklist that separated the social firm sector from others: Enterprise, Employment and Empowerment.

The checklist achieved two goals. The first was to guide and educate members on where they stood in terms of being a social firm. The second was creation of a standard that would validate and preserve the integrity of the social firm movement. Each key value within the checklist includes well-defined criteria. The checklist spells out the absolute ‘essentials’ a firm must demonstrate to achieve the status of a social firm. It also provides guidelines on ‘desirable’ traits that would strengthen its position as a social firm.

SocialFirmsUK, since then, has continued to provide steady services. According to Reynolds, it has taken a decent amount of time to consolidate and evaluate its own standing. It still runs with a staff of just five full-time employees. Reynolds has always believed in keeping staff size small, but admits “I have an ‘ideal’ staffing structure that I’d like to implement within the organization, but we need a leap in funding to enable that to happen, so it’s not going to be overnight.”

CRITICAL SUCCESS FACTORS AND ADVICE

When asked about what is critical to the success of social firms in the UK, Reynolds emphasizes five essentials:

1. Being in the *right marketplace*
2. The *managers*, and their competencies, personalities, and skill-sets
3. A *supportive workplace* environment for employees – must be considered at feasibility stage
4. *Quality* of product and/or service
5. *Location* (if relevant)

SocialFirmsUK strongly believes and transfers to its members the following advice:

1. ***One social mission is enough*** – don't try to do two! (*e.g.*, according to Reynolds, “if you want to create jobs for people who are disabled or disadvantaged within a furniture recycling scheme, then don't then plan to give that furniture away to disadvantaged groups – you'll actually need to create as much income as you possibly can to pay for the employees carrying out your initial social mission”)
2. ***Marketing is key to success*** – “Our sector just does not do enough of it”
3. ***Driven entrepreneurs*** – “More fire in the belly!”

THE SOCIAL FIRMS SECTOR TODAY

- There are now 137 businesses in various stages of development in the UK social firms sector
- Sixty-seven (67) are acknowledged as fully fledged social firms
- The sector has thus far created a total of 1,652 full-time equivalent jobs
- Eight hundred sixty-one (861) of these full-time equivalent jobs (52 per cent) are held by people who are severely disabled or disadvantaged
- An average of 841 trainees benefit from placements in the sector each week
- Fifty-seven (57) individuals moved into employment positions outside the sector during 2006/7 ■

Remembering John DuRand

By Jerr Boschee (faculty advisor to the Chronicle staff)

It was about three a.m. on a train hurtling through the night somewhere between Kiev and Leningrad. November 1990.

Our friends had seen us off with a flourish. Bear-like Russian hugs, countless toasts, protestations of eternal friendship, and a last-minute bottle of home-brewed vodka slipped into our hands as we boarded the train.

Five of us were in the midst of a two-week fact-finding trip visiting centers for people who were developmentally or intellectually disabled in Moscow, Kiev and Leningrad . . . and there was magic in the Russian night.

John DuRand and I found ourselves alone together in the hallway outside our compartments, both a bit worse for wear from the evening's festivities. We just looked at each other and grinned and shook our heads: How did a couple of hide-bound Minnesotans wind up on the Russian steppes?

We started laughing – and pretty soon we were belting out the University of Minnesota fight song – the Minnesota Rouser – at the top of our lungs!

Magic.



It's impossible for me to be objective about John DuRand. We spent so much time together over the years and shared so much . . .

But I can tell you his story . . .

I met him in the mid-1980s. By that point he'd already established himself as one of the pioneers in the field of employment opportunities for people who were developmentally disabled – and had coined the phrase “affirmative business.” But his journey began more than two decades earlier.

In the spring of 1964, he was a 29-year-old Korean War vet and former Benedictine Monk who'd returned to school for a graduate degree in business after working as a carpenter. He'd accepted a job with Bendix for \$8,000, not a bad salary at the time, and was preparing to graduate when his advisor at St. Thomas College asked for a favor.

“You want me to go for another interview?”

His advisor nodded.

“But I've already accepted a job!”



JOHN DURAND
(1934–2008)

“You’re not listening,” said his advisor. “I just need you to take an *interview*. There’s this nun at the Archdiocese. She keeps calling me and asking me to send her somebody to interview for a position she’s creating. She’s an old friend. Would you please go over there and get her off my back?”

John said sure. He owed the guy.

“So I went over to the Archdiocese,” he told me years later, “and they sent me down the hall to Sister Ann Marie’s office. The door was shut, her nameplate on the wall. I knocked and heard a voice telling me to come in.

“So I opened the door and walked in – and as soon as I saw the nun behind the desk I knew I was in trouble! It was the nun who’d taught me piano lessons 20 years before!”

Sister Ann Marie walked over to him, asked him to sit down, then placed a hand on his shoulder, looked him in the eye and said, “Young man, I want three years of your life!”

John recalled the experience years later. “I absolutely cannot tell you what the hell went through my head,” he laughed, still a bit stunned. “I really don’t know what happened in that meeting or why I said yes. This blue fog descended on me and I walked out of there saying yes. I don’t know what she did. I can’t explain it to this day. It was voodooism – she just worked a magic spell on me. There was no good reason for me accepting. And then I had to go home and tell my wife I’d just accepted a job for \$4,000 instead of \$8,000!”

“HOW MUCH DO YOU NEED?”

What Sister Ann Marie wanted John to do was start a high school for kids who were developmentally disabled. It took him four years, not three – and then Sister Ann Marie sat him down again.

“Great work,” she said. “But now what? What do these kids have to look forward to once they leave high school? Are they just going to sit on a couch watching TV all day for the rest of their lives?”

John thought about it and said he had an idea. He went to the Archbishop and told him he wanted to start a job-training program for his high school graduates.

“How much do you need?” asked the Archbishop.

“One hundred dollars.” He needed to incorporate, buy a circular saw and a sewing machine.

And with that he launched a nonprofit in St. Paul called the Opportunity Training Workshop (OTW). Fourteen young adults were his first clients – seven men and seven women between the ages of 18 and 24. Within five years OTW had become a successful sheltered workshop, with more than 200 clients and 11 social workers managing the operations.

“I thought we were humming along pretty well,” said John years later, “so I took a six-month sabbatical and visited other sheltered workshops across Canada and the United States.”

SOMETHING HAD TO CHANGE

It was a life-changing journey. At every stop, he became more and more depressed. The people in the workshops weren't doing real work. They weren't being driven by market demand: They were simply assigned make-work, building birdhouses, stitching pot-holders, decorating ashtrays.

On top of that, they were only working eight or ten hours a week and being paid 50 cents or a dollar an hour. There was no dignity in the work and no chance for people to achieve any level of financial self-sufficiency.

John realized something had to change . . .

Back in St. Paul, on a sunny April evening, he asked his 11 social workers to meet with him at a nearby hotel. He served them wine and cheese.

Then he fired them all.

A few moments later he passed out applications. "Starting tomorrow," he said, "we are no longer a rehab center – we're a business. Starting tomorrow we no longer have clients or patients – we have employees. And starting tomorrow we are no longer clinicians – we're business people.

"If you can get your minds and hearts and souls around that change, I want you back. If you can't, I'll understand and I'll help you find new jobs."

John had become convinced that the best way to enhance the self-respect of the people he employed was to *give* them more respect. That meant establishing conditions typical of a business – normal work hours, the use of appropriate technologies, market-driven benchmarks, training and development programs, competitive wages, bonus plans, career tracks.

Nine of his 11 social workers stayed, and by the time John retired in 1997, Minnesota Diversified Industries (MDI) had become a \$68.5 million business, all from earned revenue except for an occasional grant to purchase major equipment. MDI had more than 50 corporate clients, 1,000 employees (600 of them disabled or disadvantaged), and five plants throughout the state of Minnesota.

MDI's biggest client turned out to be the United States Postal Service, with two contracts: All the plastic tote boxes used in postal service offices nationwide were being manufactured at the MDI plants; and more than 30 million commemorative stamps issued by the federal government each year were being assembled into presentation packets for collectors by people in the MDI clean rooms.

THE MENTOR

But John's work wasn't finished when he changed the culture and name of his organization. During the next 35 years he became the nation's leading ambassador for affirmative businesses, writing three books and delivering keynote speeches and conducting workshops all over the world. He acted as a special consultant to the United Nations and to the USSR Social Services Fund. And he served as a mentor to countless others starting similar businesses, joined with me to co-found the Affirmative Business Alliance of North America in 1987, and became part of the core group (and later chaired the organization) that created Workability International, which today has nearly 135 members in 41 countries (*please see Shannon Bell's story elsewhere in this issue*).

Over the years, John continued to re-invent the world of work for people with disabilities and disadvantages. He especially emphasized the importance of four key principles:

- Operating as a business and generating profits
- Employing a “blended” workforce
- Using non-disabled employees as role models
- Giving employees the opportunity to fail

Money comes first

“I don't know how the idea ever came about that ‘profit’ is good or bad or that ‘business’ is good or bad,” he would often lament. “‘Business’ is just ‘business’ and ‘profit’ is just ‘profit.’ The only evil parts are some of the people who happen to be managing the businesses or using the profits.”

“I know I can't do any of the things I want to do without money,” he'd say. “If I don't make money, I won't be here tomorrow to do *anything*.”

Of course, a lot of people, even today, object to “making money” in the nonprofit world, but John would remind them “they need to read (Peter) Drucker. Profit is what permits you to stay in business. Show me a company that is not generating a profit and I will show you one that is going out of business. If you can't get comfortable with that, then you don't understand business and you need to get out.”

He also “listened, *really* listened to my employees. I heard them saying they wanted to be successful employees. And I realized they couldn't be successful employees unless I was a successful employer – and I couldn't be a successful employer without being a successful business. That's what it's all about.”

Critics often claim the nonprofit sector should not become what they call “a shadow private sector” because it will lose track of its social mission. They say the “corporate” way of doing business is fraught with dangers.

John's response?

“Bullshit. You can use those exact words. Business is business. Business is neither good nor bad. There are some assholes running businesses that do bad things with them, but business is business. It comes down to this: What are you going to do with the business? I’m a social entrepreneur. I’m looking for both financial and social dividends. But if I don’t have the money, I won’t have the mission.”

Too many janitors

One of John’s most controversial innovations took place when he looked more closely at sheltered workshops.

“They were trying to run businesses where all the employees were disabled or disadvantaged,” he recalled. “I thought, if you tried that with a real business, you’d get killed! If you tried to open a bank and you hired all janitors, the building would be clean as hell, but you’d go down the tubes.

“So I wouldn’t hire ten janitors – and I wouldn’t hire 10 presidents. I’d have one president, a couple of janitors, some tellers and clerks. I’d have a mixed workforce. And if I’d do that in a normal business, why would I do it any differently in one of *my* businesses? So I decided we needed a fully integrated workforce with people who had different levels of skill, aptitude and ability.”

The blended workforce strategy ran afoul of the protective mentality embraced during the 1970s by most social workers and family members. “Sheltered” workshops meant just that: Protecting people who are disabled from the outside world.

But John believed integrating the workforce was essential to building his business – and thereby creating more jobs and career paths for people who are disabled or disadvantaged. A blended workforce opened up broad areas of business opportunities for MDI that would otherwise have remained closed.

“If all my employees were disabled,” he reasoned, “then out of all the jobs available we could probably only do about 40 per cent. The other 60 per cent would be beyond our reach. But, if I had an integrated workforce, I’d have a shot at the other 60 per cent as well.”

As the years passed and the blended workforce approach began to be widely adopted, people would ask John for the ideal ratio of disabled to non-disabled workers.

“There isn’t any,” he’d tell them. “What kind of work are you trying to do? Sometimes it might be an 80/20 mix based on the demands of the job. Sometimes it might be just the reverse – 20/80.” Over-all, however, John did find “if we deviated very much from a 60/40 mix, we lost a lot of our viability and punch. If we dropped below 40 per cent non-disabled workers, we changed as an organization significantly.”

Tying up her kerchief

Once he began to integrate his workforce in order to function more effectively as a business, John began to notice something else as well.

“It’s so important to people who are disabled to be just like the rest of us,” he’d tell me repeatedly. “Our non-disabled employees became role models – and how powerful that is!”

He noticed it the first time when MDI started a production welding operation.

“Jan O’Rourke, one of the welders, had two people who were disabled serving as station loaders, filling up the jigs with components to be welded. And Jan, of course, tied up her hair in a kerchief so she wouldn’t get sparks in it and catch on fire.

“Well, the next day, Bob and Greg both came to work with kerchiefs tied around their heads.

“And it dawned on me . . . of course! They want to be like us! But we were training them in sheltered environments and expecting them to go into the outside world and be a success on a job when they didn’t even know what the hell it’s like out there.

“I can’t give you a chambray shirt and a pair of jeans and a wide belt and a buckle and a wallet with a long chain on it and a pair of boots and expect you to go to a truckers-only counter and pass as a trucker, even though you’ve got the uniform – you still can’t pass if you don’t have the language, the body language, the experiences you need.

“So what we had to do was make our work settings more realistic, more industrial, so that when they did leave for the outside world, they took with them not only the job skills they needed, but also the social skills.”

One aspect of the integrated workforce really surprised him, though.

“I didn’t anticipate how much trouble the non-disabled people were going to have working with the disabled,” he admitted years later. “That one snuck up on me. I expected our non-disabled employees to come in neutral, maybe a bit negative, but over time see that these folks were able to do a lot of things – not everything – but a lot of things.

“What I didn’t realize was how emotionally charged any situation is when you have a large number of people with disabilities involved. I didn’t realize the impact it was going to have on the non-disabled. We had something like 70 per cent turnover in the first 18 months among the non-disabled workers.

“The only thing I could ever put my finger on was that it was such an emotionally charged situation, so demanding emotionally, that small problems they would probably have dealt with easily in a lot of other circumstances just became more than they could handle.

“So we addressed the issue by creating an employee support service program for both disabled and non-disabled workers, and almost 80 per cent of the non-disabled people used it. And eventually we re-wrote our mission statement to emphasize “providing a supportive environment for *all* employees.”

The opportunity to fail

John believed passionately that his employees could do anything they put their minds to – and he constantly challenged them to take risks.

“Too many systems are built to exclude the possibility of failing,” he complained, “and if you do that, you’ve excluded the possibility of succeeding. Sure, any time you build a system where only success can happen, *you’ve* succeeded – but *not* the individual who goes through the system.

“So we challenged our people, asked them to get better and better at what they did. Yes, it was a risk, but without risk there’s no dignity. And there’s no success unless there’s an opportunity to fail.”

John believed people with disabilities could accept more responsibility than they had been given in the past (*please see the next story, “Teaching George to count”*). So he gave it to them. But he also believed that was *all* he could do.

“As a company,” he told me once, “we can’t ultimately be responsible for the happiness of specific employees. We can create opportunities for them – but that’s as much as we can do. We can’t go beyond that point. That’s it. The maximum you can do is create an opportunity. Whether the person takes advantage of it or doesn’t, that’s their choice. If you try to do more than that, you’re going to drive yourself crazy.

“So, we fired people. People with disabilities and people without disabilities. They didn’t all make it at MDI. Because some of them chose not to try.” The rationale was simple: “Our business depended on them,” he said. “If they couldn’t fulfill their obligations, we had to take them off the line, send them back for more training or send them somewhere else.”



John had an aversion to “people who see the glass half empty all the time. They look at all the problems in society and complain about everything that’s stopping them from doing what they know really needs to be done.

“That’s not how I see the world. I see a world with unlimited possibilities. The fact that the money isn’t available today doesn’t mean anything – it means I haven’t looked in the right place yet. It doesn’t mean the world is going to hell in a hand-basket.

“It’s dangerous being around those people. It’s scary. You could start thinking like them after awhile.”

John never did.

“There are so many challenges out there,” he would tell me, again and again. “So much for us to do. It’s like sitting down at a table to eat an elephant – the task just seems completely overwhelming. So there’s only one thing to do.

“Just sit down and take the first bite.” ■

Teaching George to count

By Jerr Boschee

John DuRand often claimed it was possible to break down any task to the point where even the most severely disabled individual could be productive.

I once asked him how he learned to do that – and he took me back to something that happened in the early years of MDI.

He told me about teaching George to count . . .

“He was one of the most severely disabled individuals I’ve ever worked with,” John remembered. “He was about 35 years old and had very limited speech, a very personal type of speech. You had to be around him a long time to even understand what he was saying. But he was able to do tasks by mirroring or mimicking someone else.

“His mother brought him in and asked if there was anything I could do for him – and the first thing I thought of was a movie I’d just seen about (psychologist) B. F. Skinner, who’d taught a chicken to peck a dot three times to get corn. I knew George had a much more highly evolved brain than a chicken, even with his limitations. Hell, if a chicken could do things, George could, too – he’s 100 times brighter than any damn chicken put on this earth.

“So I went home that night and tried to figure out how to use him. We had a contract at the time to make specialty vending kits, and I tried to figure out where I could put George so I would be the least vulnerable.

“My budget was so tight. I couldn’t risk damaging a product, because I’d have to eat the cost. I couldn’t have him staple the kits because, if he screwed up, then I’d have to go back to the printer and have him reprint the inserts and it would cost me more money than I was getting for the job. I had to figure out where I could put George so it wouldn’t cost me out-of-pocket money even if he did create excessive errors – somewhere I could just throw in more labor to correct the problem.

“Turned out the only possible place was in the last stage of the packaging process, where the kits had to be put in a box in groups of ten. If he screwed up, we’d just have to dump them out and re-package them.

“So I thought, ‘I’ve got to teach George how to do that. I’ve got to teach him to count. Ten’s a big number – why don’t I teach him to count to five?’

“I called the customer and asked, ‘Would it really make any difference if the kits are packaged in groups of five instead of ten?’

“The customer said, ‘Well, not really, if it’s consistent, but it’s much easier for people to do ten at a time.’

“I said, ‘That may be, but I think I’ve got another approach where five would serve me better with the employees I have.’

“And the customer said, ‘Go ahead, do it.’

“So that afternoon I worked about two-and-a-half hours with George teaching him how to count to five – and got absolutely nowhere. I thought, ‘What the heck, George’s just new here and it’s getting on in the day, he’s probably fatigued. We’ll take it up in the morning first thing.’

“Next morning we started up again and worked until break and there really wasn’t any progress.

“One of my other developmentally disabled employees was working nearby and in frustration I turned to her and said, ‘Jane, teach George how to count, I’m going for a cup of coffee.’

“She looked at me and said, ‘What?’

“I said, ‘Teach George how to count.’

“Jane said, ‘WHAT?’

“I said, ‘Teach him how to pack these things!’

“Jane said, ‘Oh,’ and turned to George, raised up her hand and said, ‘George, how many?’

“And George looked at her fingers and said, ‘Two, four, six, three, two.’

“Jane said, ‘Fine, give me that many.’

“She didn’t care what he called them or whether he counted them: Could he *identify* five, that was the real task. By the end of the day, he could match up one kit with each of his fingers and when he had that many he could put them together and put them in a box. George did it and George could pack. He didn’t have to know how to count or know how to deal with numbers. I was trying to teach him something unnecessary.

“It was quite a lesson. I realized all you have to do is break down the job until you’re smarter than the task. That way, every individual can be productive.” ■

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