



Appalachian By Design: lessons on creating social value

Lessons on
creating social
value

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Abstract

Purpose – There has been great interest in social enterprise as an innovative response to challenging social problems, where mission and market are intertwined in a hybrid organization. The purpose of this paper is to provide students with a rich learning experience about social enterprises and how a social entrepreneur balances the double bottom line while trying to create social value.

Design/methodology/approach – The teaching case study was developed using personal interviews with the founder, board of directors and employees of the organization, observations and materials from the organization.

Findings – The findings from the field show that it is one thing to design a social enterprise that fulfils a social mission, quite another to make it sustainable. At the end of the 2005, the founder of Appalachian By Design (ABD), Diane Browning was faced with the difficult task of improving the financial condition to save the organization. The epilogue and detailed teaching notes provides insights into the impact of the organization on creating job opportunities for rural women in a shifting global economy.

Practical implications – This longitudinal descriptive case study provides social enterprises with the lessons learned and raises questions that all social entrepreneurs face when developing a social enterprise. The case provides a detailed analysis of the organization development and sustainability which will assist social entrepreneurs in addressing these issues early in the organizations development.

Originality/value – The value of the case of Appalachian By Design to the field is providing a robust analysis of the issues facing social enterprises and building a business model that sustains social value.

Keywords Entrepreneurialism, Social values, Rural regions, Women, United States of America

Paper type Case study

Introduction

Appalachian By Design (ABD), a US rural non-profit venture, developed a social enterprise to creatively address the isolation and lack of job opportunities that

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have been a persistent problem in rural Appalachia, particularly for women. The organization introduced a trade into the region, machine knitting, because of market opportunities, and built the infrastructure to support it; including a technical knitting apprenticeship, a distributed production network, a central finishing and distribution warehouse and a national marketing program.

There has been great interest in social enterprise as an innovative response to challenging social problems, where mission and market are intertwined in a hybrid organization, such as ABD. The findings from the field show that it is one thing to design such a program, quite another to make it sustainable. At the end of the 2005, the founder of ABD, Diane Browning, with a bank loan due and a financial turnaround needed, faced a difficult decision.

This case explores how an enterprise, with an embedded social mission, navigated shifting economic and market conditions to achieve results in their double bottom line.

Appalachian By Design is born

Appalachian By Design (ABD) was founded in the spring of 1992, by Diane Browning, as an outgrowth of her work for women and employment (now the Center for Economic Options), a non-profit community-based organization that supports business development for rural women. Ms Browning organized eight women to respond to an opportunity in the handloom knitwear market, producing sweaters for Esprit's "environmentally friendly" ecollection. Handloom knitting machines are about four-feet long, and, importantly, can work in the home. The knitting beds have between 114 and 200 needles, instead of two needles that hand knitters use. Some machines are equipped with computer attachments for design and related accessories to enhance production knitting. The Appalachian region in the USA is a mountainous, rural part of the country, with few industrial sectors which is ripe for developing a cottage industry like handloom knitwear.

As the knitwear project grew, it appeared that there was enough demand for contract services to spin off Appalachian knitwear as a separate entity, including entering the wholesale market with its own designs. In 1993, the social entrepreneur along with business consultant Karen Jacobson and legal consultant Jonathan Sowash conducted a feasibility study to determine if the idea was viable. While the research revealed opportunities for a quality producer of hand loomed products, Jacobson and Sowash also presented some clear-eyed predictions as to the challenges that lay ahead:

The apparel manufacturing industry in this country is largely in decline, faced with intense competition from offshore production. Segments of this industry that produce more complicated designs in small quantities, such as handloom apparel, compete successfully with offshore sources because low volume orders cannot support the costs of the overseas travel and shipping required for close monitoring of quality and are not as attractive to Asian producers [. . .] Competing in a small, high-priced niche against other similar hand and machine-made designs will be a considerable challenge; a wholesaler's potential to do so will rest on its ability to produce a high quality garment and convey to the customer the value of both the quality and the social concepts behind the product. These concepts – made in USA, environmentally responsible, supporting rural communities – are still gaining in popularity and are not likely to be fully exploited by the market anytime soon.

Regarding the organizational structure, the study recommended forming a for-profit that would handle all the business transactions and a non-profit guild for the knitters for training and education, while the knitters themselves would be sole proprietors of their knitting businesses. The for-profit would have shares that could be distributed to the guild and the non-profit founding President.

With a sense of the challenges and after considerable debate as to whether to incorporate as a for-profit or non-profit company, ABD was incorporated as a non-profit organization. ABD's strategy fuses micro-enterprise, workforce training and asset development to meet the organization's mission. The framework that best fit its strategy was identified in a 1995 report by the Aspen Institute titled, *Defining and Assessing Sector Initiatives* (Clark and Dawson, 2005). The authors studied programs that focused on services and supports for one occupation sector and set forth the following definition of a sectoral project (Clark and Dawson, 2005):

- Targets a specific industry.
- Develops deep knowledge of the sector by becoming a “player” in the industry.
- Implements training and other strategies that benefit low-income individuals.
- Works toward systemic change.

Rural Appalachia environment

ABD targeted handloom knitting because it can be done in homes, which fits the lifestyles of many Appalachian people. Much of the region where ABD worked – West Virginia and southwest Virginia – is rugged, mountainous terrain that is difficult to develop commercially. The only work available to most women outside the home involves driving long distances to service jobs that offer minimum wage, little autonomy and few rewards. In addition to the scarcity of quality jobs, childcare and adult daycare services are hard to find. The environment contributes to women in West Virginia having the lowest formal workforce participation in the USA.

The rural economy requires creative job development efforts. Low-income individuals often patch together a variety of resources (both cash and non-cash) to support their families. Many of these are acquired in the informal economy, through timber-cutting, carpentry, hunting, gardening, canning, babysitting and sewing. These tasks not only constitute necessary economic activities, but are seen by many people as integral to their rural way of life, connecting them to nature, to their history, families and neighbors. Home-based work is often a good fit in this environment because it can help people achieve their goals while balancing work and private life.

Incorporation as a non-profit

The decision to incorporate ABD as a non-profit was driven by the fact that there was not the infrastructure to support this cottage industry, and building it would require considerable development effort, which could be financed only through public and private grants. Another contributing factor was reluctance on the part of the knitters to form an owner-operated collective, which was an essential piece of the ownership structure recommended in the feasibility study. There are few cooperative owned operations in the region, and there were not many success stories to inspire people.

Karen Jacobson, who co-authored the feasibility study and went on to work for ABD on a part-time basis in its early years, commented that funders were very interested in creating job opportunities through the intervention of a third party. “It was partly a coincidence of timing. It was where economic development was going, and we were right there,” she reflects. The financial statements indicate the fluxuations in grant funding and the changes in various earned income achieved each year.

ABD’s mission also played a role in the decision. “If we had opted to organize a for-profit, we would have gone offshore to get the lowest production cost,” Ms Jacobson commented:

But if your mission is to create jobs worth having, you don’t. There is a lot of creative tension there. We were very open with the knitters about the pressures in the market. Often we hit it on the mark providing good compensation for knitters and meeting the market.

See Appendix for the social benefits of ABD.

Initially, there was the intent that ABD would evolve into a worker-owned cooperative. ABD spent time training the staff in the finishing facility and knitters about the financial side of the operation and created a steering committee of knitters to give the workers a voice in decision-making, and to build a participatory feeling. However, the knitters never warmed to the idea of ownership. Ms Jacobson observed that while a few of the women showed some interest, “for the most part the knitters really felt themselves hourly workers. They wanted to clock out at five.” The women looked to the director for leadership and did not want the burden or responsibility for the organization. In part, this reflected the fact that many of the women chose to work part-time in order to address other priorities in their lives.

Finding a niche within the niche

Unlike many rural areas in the Northeast, there was not an existing handloom industry in the Appalachian region before ABD came along. ABD developed a comprehensive technical knitting apprenticeship, while at the same time developing a distribution and finishing center and national marketing program. The feasibility study and subsequent market research, along with its track record in the Appalachian Knitwear project, gave ABD confidence that it could find a niche within the handloom industry. As the venture grew, so did the vision that over time the region would be known for beautiful knitwear similar to Ireland or the Faire Isles of Scotland. To review ABD’s key milestones of the organizations development, see Figure 1.

In the beginning, the business was almost totally dependent on filling orders for sweaters from clients such as Esprit, Hot Knots, and other apparel companies. By 1995, Esprit’s financial trouble and management changes ended its relationship with ABD. However, ABD had already begun to diversify its contract customer base. In FY 95, Esprit provided 70 per cent of ABD’s approximately \$200,000 in sales. The following year, sales from new customers had increased from 30 to 72 per cent of total sales, and by the following year Esprit had vanished from the customer list. At the same time, ABD was securing grant dollars for its training program in knitting, business development and computer technology.

While producing knitwear on contract eased entry into the marketplace, there was very little control over ship dates, designs and the size of the orders. ABD was entirely dependent on the customer’s design, marketing, and business capabilities. The apparel



Year	ABD Key Milestones
1992	<ul style="list-style-type: none"> Secured contract with Esprit to knit 800 sweaters Built sales solely through contract orders for the next five years
1993	<ul style="list-style-type: none"> Created training program and curriculum.
1994	<ul style="list-style-type: none"> Incorporated as a nonprofit in the State of West Virginia.
1995	<ul style="list-style-type: none"> Established Finishing and Distribution Center¹ and hired finishing staff.
1996	<ul style="list-style-type: none"> Renovated former Sears' retail store into Finishing and Distribution Center and moved operation.² Enhanced training program by giving trainees knitting machines to take home during the training period.
1999	<ul style="list-style-type: none"> Shifted training program to one-on-one training with peer trainers, decentralizing the training function to the wider network and establishing natural mentor relations.
2000	<ul style="list-style-type: none"> Opened retail store at The Greenbrier's Art Colony.
2002-2004	<ul style="list-style-type: none"> Re-branded the wholesale line to Appalachian Baby Design as a result of the baby line's growth. This change enabled ABD to concentrate design efforts in one category and better direct marketing dollars. Designed and tested the Greenbrier Collection. Introduced a Retirement Program with nine knitters participating.
2005	<ul style="list-style-type: none"> Appalachian Baby Design line sells through 150 retail accounts. Greenbrier Collection is offered at The Greenbrier with plans to expand marketing to trunk shows and other resorts.

Notes: ¹During its start-up years, ABD served primarily as a broker for knitting contracts. Knitting and shipments to customers were organized around two lead knitters, one who had a knitting store in Garrett County, MD, and another who worked from her home in Spencer, WV. Knitters constructed the sweaters, hand sewed the seams, buttons, and labels and returned the sweaters to these "production centers." In response to price pressure from customers and to exert more control over the processes, ABD set up its own finishing and distribution center in Lewisburg, WV; ²This approach of centralizing some of the functions of the manufacturing process for efficiency of scale is unique to the knitting cottage industry in the US and the United Kingdom. It reduces the cost of the hand-loomed sweater, in effect making the home-based knitter more efficient. It also allows ABD to aggregate knitter production and enter larger markets than individual knitters would be able to on their own

Figure 1.
Appalachian by design
milestones

business is also very seasonal. In addition, off-shore sourcing barriers, which kept many small design firms contracting in the USA were beginning to decrease. As the core group of knitters developed, the view that this trade was an essential source of their incomes, it became imperative that markets be found to produce year-round

income. For this reason, ABD decided to develop its own wholesale line of products that would depend not on seasonal trends or contract orders; however, finding the right fit for a proprietary line took time, effort and money.

In 1997, after two years of research, ABD began marketing its own designs to the wholesale trade primarily through trade shows in New York, Atlanta and San Francisco. Diane Browning said, “we tested everything from home textiles to pillows, but it was somewhat by serendipity that the right niche presented itself.” Finding itself with an overabundance of pastel yarns, ABD experimented with a line of baby sweaters and struck the right market chord. By 2000, 80 per cent of the almost \$300,000 in sales were in the baby and toddler collection.

The wholesale line was on a good growth curve with sales via 150 retail accounts. But when the economy contracted in 2001, sales started to slip. Compounding the situation was the irreversible momentum of sourcing through global supply chains, with most all textile restrictions lifted by the end of 2004. For a complete financial summary of ABD from 1996-2004, see Table I.

In response to the growth in the baby line, in 2002 ABD re-branded the label in the national market to Appalachian Baby Design. All other products (pillows, throws, Christmas stockings, etc.) were discontinued. This allowed the enterprise to concentrate design efforts in one category and better direct marketing dollars. Internally, there are fewer inventory costs and time managing inventory, which makes the production and sales structure more efficient.

The baby line was repositioned as high-end craft, not apparel. A major emphasis in the development of the brand was that it was imbued with the best of Appalachia: beautiful countryside, a slower lifestyle and a reverence for family and tradition – the qualities that are important to people when a new baby arrives. The arrival of a baby is an event where people will spend extra money for a gift. These “Appalachian” qualities are inherent product characteristics that could not be copied offshore.

Challenges of distributed manufacturing

Initially ABD did not plan to become a “manufacturer.” Dianne Browning viewed the organizations role as that of an economic development broker for a network of self-employed handloom knitters. The original concept was for several experienced knitters to manage hubs, where the work would be finished and distributed. ABD initially operated three hubs in Lewisburg and Spencer, West Virginia, and in Oakland, Maryland. It did not take long for problems to emerge, noted Ms Jacobson.

There were a lot of politics involved in navigating the hubs. We had to deal with ‘group think.’ There were goals for each group. If a group didn’t meet a deadline, the knitters were quick to shoot each other down. Their response was ‘shun them’ but we couldn’t turn them away because we needed their work, even if it was late. Leaders of those three hubs handled things differently. There was an increasing sense of loss of control.

The management team and the knitters developed a proposal recommending a centralized finishing facility to improve the price point as well as exercise more control over quality and production. ABD had a very strong and committed board with a wealth of experience in rural economic development and artisan cooperatives that approved the plan. In 1995, ABD leased space in an abandoned Sears Catalog store in downtown Lewisburg and remodeled it into office space and a finishing and distribution center where products could be finished, inspected, labeled and shipped.

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Grant revenues (in \$)	213,160	387,179	329,090	356,608	345,854	355,659	263,624	181,546	214,521
Earned income (in \$)	144,966	122,204	123,452	42,113	15,029	2,248	36,597	18,549	3,154
Contract sales		13,040	73,491	205,642	223,554	205,379	135,101	134,301	75,358
Wholesale					32,708	92,459	103,997	112,779	81,393
Retail sales					2,338	12,757	26,524	2,993	3,789
Other									
Total	144,966	135,244	196,943	247,755	273,629	312,843	302,219	268,622	163,694
COG	125,165	94,199	124,861	185,019	155,636	203,890	179,627	64,655	104,902
Gross	19,801	41,045	72,082	62,736	117,993	108,953	122,592	203,967	58,792
Total grant and earned revenue (in \$)	232,961	428,224	401,172	419,344	463,847	464,612	386,216	385,513	273,313
Expenses (in \$)									
Personnel	88,482	190,509	220,381	266,146	237,612	262,257	194,314	168,869	159,630
Operating	30,965	77,415	81,372	97,303	74,486	131,354	112,630	108,758	111,853
Marketing	3,684	22,753	60,823	51,007	45,864	56,016	43,892	32,552	24,625
Program	39,996	59,158	53,884	31,777	43,722	18,925	57,408	29,408	10,547
Total	163,127	349,835	416,460	446,233	401,684	517,869	408,244	339,587	306,655
Net income (in \$)	69,834	78,389	-15,288	-26,889	62,163	-53,257	-22,028	45,926	-33,342

Table I.
ABD financial summary

A team of seven full-time employees were hired to accomplish these functions; most of them had worked in a sewing factory that had closed in the area. Over time, the responsibility of maintaining jobs for the ABD employees increased the internal pressure to build a sustainable venture. The up side was that ABD now had much greater control over quality, production and distribution; the down side was that it also had much higher overhead expenses. Overhead expenses, including its training program, jumped from \$70,000 in 1995 to over \$400,000 at the new production facilities in 2000.

Another ongoing problem was finding, training and retaining skilled knitters. Monica Appleby joined the board in 1997 in the Artisan Representative position mandated by ABD's bylaws. She had been instrumental in identifying knitter trainers. She recalled that while they were successful at getting people into training, about half did not complete the training or decided not to become part of the network. Others needed more steady work. "It was not a fit for a lot of people. It was surprising how quickly the pool was whittled down. It took a while before we had a steady group of good people," she commented. A shift occurred: the focus became maintaining good in-house full time employee jobs, all filled by low-income women, with a secondary focus on the home-based network of part-time knitters.

Expansion into women's suit line

In 2000, ABD opened a retail store at The Greenbrier, one of the premier resorts in the USA, and launched a high-end women's suit line with a desire to increase net margins. Instead of selling their products at wholesale, in the retail job they could garner full retail prices, minus the hotel commission of 15 per cent. The location of the store enhanced the brand's cachet and provided a laboratory for market and design feedback. It also was the right venue for ABD to move into its next market.

ABD had developed a critical mass of technical skills, human capital and systems for distributed manufacturing, yet the price pressures kept the knitters' wages relatively low between \$7 and 10 per hour. Because of its mission, the venture committed to develop a higher wage niche market through a women's custom-made suit line branded under the ABD Collection. The collection was designed and tested and obtained \$25,000 in sales during the nine-month test period.

The collection contained a mix of classic suit and dress pieces knit from luxury yarn and made-to-order. The line was positioned as a good investment in a product that was made expressly to fit the customer. The industry research and test marketing had shown that there was opportunity in the luxury knitwear market, a market with an estimated \$800 million in annual sales. Instead of entering the wholesale channels, ABD's marketing strategy was to sell the product at retail prices through trunk shows at resorts and special events, with an emphasis on custom orders, a one-on-one intimate shopping experience and service designed to cultivate a loyal customer base.

The concept got an important boost when Diane Browning and ABD were named a finalist in the Yale-Goldman Sachs Social Business Plan Competition, which provided intensive business consulting and a demanding jury review. ABD was awarded an honorable mention. One jurist review after the competition expressed doubt whether a venture from Appalachia working with low-income women could break into a luxury market because of perception of the region. The feedback had the effect of redoubling efforts, but the original name, the ABD Collection, was revaluated and changed to the

Greenbrier Collection. The collection developed a following through sales at The Greenbrier and special event trunk shows, but it remained undercapitalized and was considered a “bootstrapping underdog” to compete in the high-end apparel industry.

Creating opportunities for rural women

ABD used the production of high-end knitwear to provide training, technology and an entrepreneurial outlet to its direct beneficiaries, the knitters. Survey profiles prepared in 2003 indicated the following characteristics of the company’s knitter population:

- Low-income, 60 per cent reported household income at or below the Department of Health and Human Services poverty guidelines of \$18,100 for a family of four.
- 95 per cent were women.
- All lived in rural communities (towns under 15,000 people).
- Most were married with one or more dependents, including children, parents and/or a disabled spouse.
- 75 per cent were engaged in self-employment on a part-time basis, an average of 20 hours per week, which represented a critical part of family income. However, for the 25 per cent of the knitters who worked full-time at their businesses, their earnings were the primary source of family income.

In 1995, the *Utne Reader* hailed ABD as “an example of what can happen when the goal of cottage industry is not isolation and exploitation, but access and independence.” ABD’s Board and management kept a clear focus on its social mission even as the company struggled to become financially stable (see Appendix 1 for the social benefits of ABD and financial summary in Table IC). Because of its unflinching focus on mission, ABD provided many social benefits to its knitters. ABD encouraged the entrepreneurial spirit in their employees and a knitter profiled in *Kitchen Table Entrepreneurs: How Eleven Women Escaped Poverty and Became Their Own Bosses* (Shirk and Wadia, 2002) said after starting her own business: “Who knows?” Ollie Barkley, muses. “Maybe my own business will get so big that I can use some of the knitters from ABD to handle my excess orders. I’ve got a lot of ideas in my head.”

Through its focus on high-quality products and attendant marketing, ABD shifted the typically poor image of Appalachia to what is at the region’s core – great beauty, self-sufficiency and a strong sense of place.

Crafting a knitter retirement program

ABD experimented with many strategies to help the knitters succeed and develop skills that would put them on track for a better financial future. The most innovative of these – and the one that the leadership team felt was a major innovation of ABD – was to address the issue of long-term financial stability for low-income women by designing a retirement savings program based on the Individual Development Account (IDA) model^[1]. IDAs are matched savings accounts designed to help low-income families build assets. To learn more about the design of the IDA program with ABD, see Appendix 2.

Recognizing that the population of women from whom ABD recruits its knitters was among the least likely to be financially prepared for retirement, ABD’s leadership wanted to establish a retirement plan, but had not come up with a mechanism to make it feasible. Cindy Hounsell, Executive Director of the Women’s Institute for a Secure

Retirement (WISER), met with staff and knitters at an ABD Annual Meeting that focused on retirement issues. WISER is a national education and advocacy organization with the mission of improving the long-term financial security of women. Her presentation was the catalyst for ABD to develop a pilot retirement program using the model of an IDA. Despite a number of technical, financial and legal hurdles, a relatively simple matched savings plan was created with the financial support of WISER and 12 knitters enrolled in the pilot program, which was launched in the spring of 2003.

Although development of the Retirement Savings program diverted human and financial resources at a time when ABD was already stretched to the limit, the President and the Board were as determined to make it work. As Monica Appleby recalled, "We were always trying to find out other ways to compensate them (the knitters). I had no hesitation about developing the retirement program."

The future

At the end of 2005, Diane Browning and Karen Jacobson, sat in the offices of ABD and wondered what was next for ABD. The organization had built an innovative social enterprise in the machine knitting sector in economically depressed communities, but it needed a much larger investment to build its sales in its target knitwear niche, a much larger sum that grantors or sales could provide. Because of the organization's non-profit structure, it could not bring in private investment unless they restructured. To compound the situation, the long-term lease on the production facility was up for renewal and a \$120,000 bank loan with an 80 per cent guarantee by the United States Department of Agriculture (USDA) with a remaining balance of \$62,000 to be paid. The USDA would not allow interest-only payments, the only amount that the organization could manage without downsizing to a non-functional staffing level.

The Board of Directors meeting was approaching and Diane had to submit a plan to the board for the future of the organization. Over 30 low-income women were dependent on ABD for all of their income (employees) or part of their income (knitters). The social entrepreneur needed a plan to improve the financial situation of the organization and stave off the bank liquidating to access the USDA guarantee. As the social entrepreneur and founder of ABD, what would you recommend to the Board of Directors?

Notes

1. For more information, and to see how the public policy advocacy and demonstration projects of IDA's are being advanced by the Corporation for Enterprise Development go to www.cfed.org
2. The Assets for Independence Act (AFIA) funded The American Dream Demonstration project (1998-2002) that sparked the development of IDA accounts around the USA.

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Appendix 1. Social benefits of Appalachian By Design

ABD's Board and management kept a clear focus on its social mission even as the company struggled to become financially stable. Because of its unflinching focus on mission, ABD provided many social benefits to its knitters, such as:

Providing home-based work to low-income women (and some men) in isolated rural Appalachia; increasing their self-sufficiency and independence

Unlike some cottage industries, ABD set its rate well above the minimum wage, typically starting at \$7.00 per hour. Most experienced knitters earned \$7.50-\$12 per hour. Furthermore, the knitters participated directly in setting the rate and other policies that affected their income.

Offering a place-based work option, eliminating commuting costs and facilitating child care

Most employment available in Appalachia involves a long commute, and pay is not sufficient to cover childcare costs. ABD enabled women to work from their homes. In research conducted from 1994 to 2001 by Dr Ann Obserhauser, knitters identified three reasons for wanting to start home-based machine knitting businesses – "family responsibilities, barriers to wage employment, and the loss of sustainable jobs in their communities." (Obserhauser, 2002).

Reducing isolation by creating a network of mutual support

ABD changed the way home-based knitting worked for rural women. For example, ABD encouraged the use of telecommunications to streamline the work distributions process, while facilitating communications and connection. ABD also provided one-on-one training. By 2003, more than 80 percent of ABD's knitters communicated via e-mail, an impressive accomplishment in a state that then ranked 48 in the country in online access. Further, by organizing area teams,

using a peer-to-peer training program, and hosting an Annual Meeting, ABD helped to decrease the isolation of home-based workers. A central focus was to build a culture of participation in which knitters had input at every decision level. A vital part of this culture was the Steering Committee of knitter leaders who met quarterly to troubleshoot and create knitter policies.

Creating an opportunity for career advancement by developing a progressive wage structure and professional growth opportunities for skilled knitters

ABD classified its knitters in three categories: apprentice, experienced and lead. The introduction of the Greenbrier Collection created a definitive upward career track that awarded experienced and skilled knitters. Their base hourly rate increased to \$12.00 per hour, a 70 percent increase in their earnings.

Providing an incubator for women to cultivate and spin off new ventures through technical and management training and access to equipment

Many ABD knitters went on to market their services and products independently through craft fairs, galleries, design firms and knitting seminars. ABD's economic network established the support systems for the knitters to explore other opportunities. Some advanced to become knitting trainers and business trainers, which paid a higher wage. Some became knitting equipment and knitting yarn dealers. Some knitters formed their own clusters to market their services to design companies, contributing further to the region's reputation as a resource for machine knitting.

Promoting the Appalachian region and refining its image through a high-quality project

Through its focus on high-quality products and attendant marketing, ABD shifted the typically poor image of Appalachia to what is at the region's core – great beauty, self-sufficiency and a strong sense of place.

Appendix 2. Individual development accounts

Program design

Attorney Beth Ferrier, president of the ABD Board, evaluated the options from a tax and legal standpoint and concluded that traditional or Roth Individual Retirement Accounts could be used as the savings instruments as long as a knitter had the required earned income, and that the match would be considered a gift to the individual knitter for tax purposes. The knitter could not treat the match as additional earned income that would increase their tax deduction, since there would likely be a waiting period until the investor is vested. The tax code in the USA ultimately drove the design of the program.

ABD decided to structure the program using IRAs that would be opened by the knitters themselves at a financial institution of their own choosing. From this point on, ABD made adaptations in the IDA model that was advanced through a national demonstration project[2].

Their decision meant that the program would not be eligible for federal matching funds, so matching funds would have to come from private sources. The structure also did not provide incentive for private funders, since there was no clear tax deduction or credit for the funds they would be contributing for the match. Furthermore, there was no ability to set a defined holding period, like IDA funders have traditionally done, with collateral accounts, where there is a one- to three-year holding period before the match is made directly to a third party on behalf of the account holder. Finally, the success of the program depended significantly on ABD placing full trust in the knitters to deposit and keep the funds in their IRAs, since they would be in control of their accounts, although ABD did verify deposits before providing the match. The only penalties for withdrawing funds to use for purposes other than retirement would be those assessed by the IRS.

Results

ABD/WISER assisted nine knitters in establishing retirement accounts, each valued now at close to \$3,000. Six of the participants had no prior retirement savings, and their ages range from 35 to 65 years old. The program has been backed up by financial education seminars that included presentations and Q&A sessions with financial planners, a Social Security Administrator, and the introduction of a home study course.

A replicable model

Ms Ferrier believes that, of the many social benefits created by ABD, the retirement savings plan is the one most universally adaptable to other social enterprise ventures. "We have to expand the IDA concept to include retirement savings. That is such a large void for people on limited income," she stated:

They are lucky to have any benefits. Most employers are going to defined contribution plans, like 401(k)s and SIMPLE plans, rather than defined benefit plans. Many individuals do not feel like they can put aside money, even with a match. There needs to be more awareness that we have to support things outside social security. There have to be easy plans for people to set up.

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