

# REDF

Investing in Employment and Hope

## Impact to Last:

Lessons from the Front  
Lines of Social Enterprise

A REDF Case Study Initiative

FULL  
REPORT

DECEMBER 2015

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## AUTHOR ACKNOWLEDGEMENT

*Impact to Last* is a research project that highlights the tireless work over decades of 10 social enterprises. We are grateful, first and foremost, to these case study subjects for their openness and generosity, including the more than 100 individuals we have interviewed and corresponded with in the past year. In particular, we would like to thank Mark Feinour, Kerry Sullivan, and Eric Wesolek at Bank of America Support Services Division; Carla Denison-Bickett and Maria Kim at The Cara Program; Brad Dudding, Bill Heiser, and Sam Schaeffer at the Center for Employment Opportunities; Wynette Bryant and John McMicken at Evergreen Cooperatives; Jerry Davis and Kelly Kameron at Goodwill Industries of Central Texas; Mike Brady and Sunitha Malieckal at Greyston Bakery; Linda Forth, Gregory French, and former CEO Rick Sebastian at Human Technologies; Nick Huntington, Sukie Jefferson, and Marc Spencer at Juma Ventures; Connie Kirk at Nobis Works; and Tamra Ryan at Women’s Bean Project. At REDF, the advice and steady guidance of our project leads, Kristin Lardas and Lori Warren, and the support of REDF President Carla Javits, greatly enhanced our ability to execute and finalize the study.

Reader comments and ideas are welcome. Please direct correspondence to [lwarren@redf.org](mailto:lwarren@redf.org)

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## ABOUT REDF

REDF invests capital and expertise to grow the impact of social enterprise—mission-driven businesses that hire and assist people who are willing and able to work but have the hardest time getting a job. Since 1997, REDF has helped 60 social enterprises in California employ over 10,000 people and earn more than \$150 million in revenue, reducing the burden on government and philanthropy to pay for programs while improving lives and communities. This collection of case studies includes two enterprises that have been in REDF's grantee portfolio (Juma Ventures and the Center for Employment Opportunities), with eight introduced through REDF's outreach to its national learning community (SE4Jobs) and participation in the Social Enterprise Alliance (SEA).

**For more information about REDF's social enterprise portfolio, visit [REDF.org](http://REDF.org) and [REDFworkshop.org](http://REDFworkshop.org),** its online platform of resources for practitioners and allies committed to social enterprise and workforce inclusion.

## ABOUT *IMPACT TO LAST*

REDF commissioned *Impact to Last* to inform and inspire entrepreneurial employers by examining the instructive lessons and scaled success of 10 social enterprises across the U.S. These organizations and the businesses they operate are diverse in their product lines, market approaches, core job design, and geographic scope. Their leaders tackle daunting, intentional turnover in many cases as part of their social mission: transitional job slots created explicitly to serve a hidden talent pool often misrepresented as “unemployable.” Despite histories of unemployment, incarceration, addiction, or even overlooked abilities, social enterprise employees harness transitional or entry-level opportunities at a critical point in their lives, are empowered by supportive work environments, and become positioned for career and personal growth.

*Impact to Last* identified 10 established, high-performing social enterprises beginning in summer 2014 and initiated an intensive case study research process with each one, conducting analysis of a wide range of public and proprietary materials and interviewing, in total, over 100 social enterprise executives, employees, funders, and customers. By investigating and then sharing the experiences and practices of these innovative businesses, *Impact to Last* provides unique insights into the range of factors that have contributed to their success, both individually and collectively. The individual case studies are available separately to readers on [REDF.org](http://REDF.org) and [REDFworkshop.org](http://REDFworkshop.org). Additionally, in this report, we synthesize findings across all case studies and illuminate shared drivers of growth, as well as emerging pathways that show promise for delivering impact at scale. Taken together, the research provides social enterprises and their key partners with valuable, actionable insights to help grow the field.

**Business leaders** will see how even the largest companies, like Walmart, are working closely with social enterprises to increase their impacts on disadvantaged communities, bolster their standing as good corporate citizens, and add value to customer relationships—immeasurably strengthening the social enterprise sector in the process and the channels through which to deliver shared value.

**Policymakers** will recognize programs that have already worked for decades to create tens of thousands of jobs, providing a cost-effective alternative to long-term unemployment and the social services that must support people who have been disconnected from the economic mainstream. Social enterprises have the potential to drive a new era of public-private partnership by scaling innovative approaches to procurement and workforce services provision.

**Funders** will read that, among other supports, the provision of unrestricted growth capital has been essential to the success of some of the country's most recognizable social enterprises, and continues to be so, reducing the philanthropic cost burden associated with traditional approaches to economic and workforce development.

## FOREWORD

*Impact to Last* is for entrepreneurs, nonprofit leaders, governments, and philanthropic funders interested in understanding the essential elements driving the success of a flourishing set of businesses with a social mission across the U.S. known as social enterprises.

REDF commissioned these case studies to inform and engage our colleagues as we take steps to grow the social enterprise field. Founded by the private equity pioneer George R. Roberts 18 years ago, REDF has provided funding and business advice to social enterprises—mission-driven businesses that hire and assist people who are willing and able to work, but who face formidable barriers on the path to employment.

For this series of case studies, we identified high-performing social enterprises that together employ more than 10,000 people each year. Their experiences provide unique insights into the range of factors contributing to their exceptional impacts—both individually and collectively.

In 1994, Jim Collins and Jerry Porras wrote the influential business book *Built to Last: Successful Habits of Visionary Companies* with two primary objectives: “to identify underlying characteristics that are common to highly visionary companies” and “to effectively communicate findings so they can influence management.”

We thought the time was right to begin this kind of assessment of social enterprises. Why? First, because we know that our country needs a sustainable, scalable solution to employ the millions of people who want to and are able to work, but often cannot find a pathway in due to a combination of factors that severely limit their options and their ability to create a better future. And second, because we now have data from third-party research that social enterprises raise incomes and stability, get people employed, and represent a cost-effective investment for the nation. For every dollar social enterprises spend, they return \$2.23 to society, including \$1.31 to taxpayers from reductions in government benefits and increases in revenues.<sup>1</sup>

In a landscape where far too many people are excluded from participating in the mainstream economy, now is the time to plant and fertilize a whole new generation of companies with sustainable business models that do not depend solely on charity or government to survive.

REDF looks forward to joining employers, funders, and active allies who believe in the power of a job to transform lives, strengthen communities, and create a more inclusive society—one in which all people have the opportunity to contribute and succeed.

**Carla Javits, CEO, REDF**

We know that our country needs a sustainable, scalable solution to employ the millions of people who want and are able to work, but often cannot find a pathway in.

<sup>1</sup> Maxwell, Nan, Dana Rotz, and Adam Dunn. “Economic self-sufficiency and life stability one year after starting a social enterprise job.” Oakland, CA: Mathematica Policy Research, 2014.

## OVERVIEW

*Impact to Last* highlights the ingredients necessary for success at a field level and challenges advocates and other key stakeholders—including business leaders, public officials, and funders—to focus more intentionally on creating the conditions for growth in social enterprise.

Social enterprises—mission-driven businesses that break down barriers to employment—represent a cost-effective investment for society. For every dollar social enterprises spend, they return \$2.23 to society, including \$1.31 to taxpayers from reductions in government benefits and increases in revenues.<sup>2</sup> There are literally thousands of social enterprises scattered throughout the U.S., of which the 10 profiled in this report represent a small fraction. Within this group alone, diverse business lines encompass everything from janitorial and groundskeeping to recycling, printing, warehousing and fulfillment, product manufacturing, and retail sales, working out of 11 states.

These enterprises create entry-level jobs for employees—sometimes permanent, but usually transitional—and, by supporting workers, provide both economic opportunity and the hard and soft skills training that can be transformational for individuals, their families, and the community. This is why the question of scale looms large.

The presence of more and larger social enterprises benefits society, better addressing the needs of people who are economically disadvantaged and have been homeless; young adults disconnected from work and school; people formerly incarcerated; and those affected by addiction, mental illness, or other disabilities. The challenges of growing social enterprises are as real as the employment barriers their employees face. These businesses are often smaller organizations with limited access to capital (many are nonprofits). In their efforts to provide products and services of the highest quality, they balance market demands with the additional responsibilities and expenditures related to providing social supports, track evidence of impact for investors, and forge cross-sector relationships.

The 10 case studies highlighted in this report are not intended to provide a definitive guide to growing individual social enterprises, but rather to shed light on the question of how specific organizations have grown and flourished. The case studies are distinct, dynamic stories of perseverance, adaptation, and innovation, including many critical lessons on the concrete practices and strategies that have enabled organizations with over 300 years of combined operational experience to balance mission and margin, at scale.

These case studies reveal a compelling alignment of core drivers of success: a set of five common practices and inputs on the journey to achieving scale. By emphasizing these drivers, *Impact to Last* highlights the ingredients necessary for success at a field level and challenges advocates and other key stakeholders—including business leaders, public officials, and funders—to focus more intentionally on creating the conditions for growth in social enterprise.

<sup>2</sup> Maxwell, Nan, Dana Rotz, and Adam Dunn. “Economic self-sufficiency and life stability one year after starting a social enterprise job.” Oakland, CA: Mathematica Policy Research, 2014.

# I: INTRODUCTION AND BACKGROUND

## SOCIAL ENTERPRISE: DEFINITIONS AND APPROACHES

A social enterprise leverages a business approach to address a social mission. Social enterprises can provide many different products and services, depending on the social mission and target population in question, but two characteristics always distinguish a social enterprise from other types of businesses and nonprofits:

1. Its primary purpose is addressing a social problem and serving the common good, either through its products and services or employing and training people with significant barriers to employment.
2. Its commercial activity is a strong revenue driver, whether a significant earned income stream within a nonprofit's mixed revenue portfolio or a for-profit enterprise.

This report focuses on social enterprises that, consistent with REDF's own mission, create jobs and employment opportunities for people facing multiple barriers to work. The 10 social enterprises profiled use different models to achieve their goals, but all fall broadly into the basic logic model illustrated in Figure 1.

*Figure 1. Logic model for social enterprise*



## WHAT DOES “ACHIEVING SCALE” MEAN?

The goal of scaling any social intervention or innovation is to solve or significantly decrease a stubborn problem, like homelessness, child neglect, or the achievement gap. For social enterprises, scale is about creating more quality jobs for people who are economically disadvantaged and face barriers to finding and maintaining employment, including people who have been homeless; young adults disconnected from work and school; and people formerly incarcerated or suffering from addiction, mental illness, or other disabilities. Social enterprises operating at scale have therefore created a significant and meaningful number of jobs in a community, achieved the financial sustainability necessary to ride out the lean years and plan for the future, built a diverse and stable customer base, and partnered with community organizations to provide a full array of work and social supports for employees.

In practice, achieving scale is more of a process than a destination because a successful social enterprise at any stage has the ability to grow and increase its impact. The strategies that social enterprises use to scale operations and employment services vary widely and are driven by the details of the program model, the type of business, and the opportunities presented to them by funders and anchor customers. These strategies fall into three main categories:

- **Expanding Business and Program Operations.** Program expansion can mean expanding business operations, creating a new line of business, or strengthening work supports. Goodwill of Central Texas increased its annual revenue eightfold in the last two decades by expanding into computer recycling and manufacturing and by raising money for additional services including a charter school and training academy.
- **Replicating to New Sites.** Successful social enterprises can be replicated in new communities either by the parent organization or through technical assistance efforts that enable partners in new communities to implement a similar model. Juma Ventures has employed both strategies—expanding operations to a total of seven sites and providing technical assistance services to other communities interested in replicating all or pieces of their model locally.
- **Transferring Knowledge.** For social enterprises with a more place-based approach, replication may not make sense since aspects of the model are so unique to the community. Instead, sharing a framework of principles and implementation lessons can help a new community adapt the approach to their local circumstances. Evergreen Cooperatives’ approach to creating worker-owned social enterprises as a strategy for reducing poverty and building wealth in disinvested neighborhoods has received national attention, and the organization is in the process of developing the capacity to provide consulting services to new communities interested in implementing a similar approach.

## EVIDENCE OF IMPACT

The field of social enterprise has grown significantly over the last five to 10 years, both in its size and ability to collaborate, define itself, promote a supportive policy environment, and share data on impact. Evidence from the *Mathematica Jobs Study* of social enterprises supported by REDF shows a 91 percent increase in total monthly income for social enterprise workers one year after starting their jobs, while the percentage of income these workers receive from government transfers dropped from 71 to 24 percent.<sup>4</sup> Social enterprises are delivering positive benefits to individuals with significant barriers to employment, allowing them to enter the workforce. As one social enterprise employee described it: “People with disabilities are understood. Here, we are useful, needed, important, productive, and happy.”

## THE IMPACT TO LAST PROJECT

*Impact to Last* was conceived by REDF in 2014 as an effort to identify indicators of success for social enterprises that are achieving a form of scale in business operations or people employed. The first objective was to aggregate the stories of social enterprises operating at scale and identify the common themes for success to share with the field. The second was to highlight the various roles that key stakeholders like mainstream businesses, funders, and governments can and must place in order to bolster the sector as a whole.

*Impact to Last* included three phases:

1. **Market review and case study selection.** As a first step, the research team gathered data on approximately 50 social enterprises focused on providing employment to individuals disconnected from the workforce. The focus was on social enterprises that had existed for over a decade, had achieved scale (as defined on page 7), and served diverse markets and beneficiaries. Of the 50, 10 were selected to participate in the research because they were broadly representative of the field as a whole and offered the greatest opportunity for learning and application by the field. The group, highlighted in Figure 2, includes:
  - Social enterprises headquartered in eight U.S. states, operating on the ground in 11 states, delivering products and services to clients nationally and internationally;
  - Eight nonprofits and two for-profits, reflecting the preponderance of nonprofit organizations working in social enterprise;
  - Nine independent enterprises and one operating “in-house,” within Bank of America—a business model of growing interest to major corporations; and
  - Social enterprises creating over 10,000 jobs annually, with over 300 years of combined operational history.

*Impact to Last* was conceived by REDF in 2014 as an effort to identify indicators of success for social enterprises that are achieving a form of scale in business operations or people employed.

<sup>4</sup> Maxwell et al. (2014).



2. **Development of case studies.** Participating in the research required a commitment of time and effort for case study subjects, who were asked to open their organizations to the research team. In each case, researchers embarked on a “360-degree” process of interviewing and document review, speaking to executives, business and program managers, social enterprise employees (intervention beneficiaries), customers, and funders. Sample research topics and questions included:

**Origins:** Why and how was the organization created?

**Approach:** What are the organization’s objectives? How is the organization governed, staffed, and financed? How does it do business?

**Customers:** What public, nonprofit, or private sector entities are purchasing the enterprise’s services? Why?

**Funders:** What investments are being made in capacity building? What services are being provided to employees? How are they financed?

**Financial and social performance:** What are the indicators of financial sustainability and how are they tracking? What are the organization’s social outputs, outcomes, and impacts?

**Strategic developments:** How have the organization’s structure, approach, clients, funders/customers, and performance changed over time? Why? And what were the catalysts?

**Barriers/gaps:** What have been the difficulties in achieving scale? How were they addressed? What are the persistent challenges that remain?

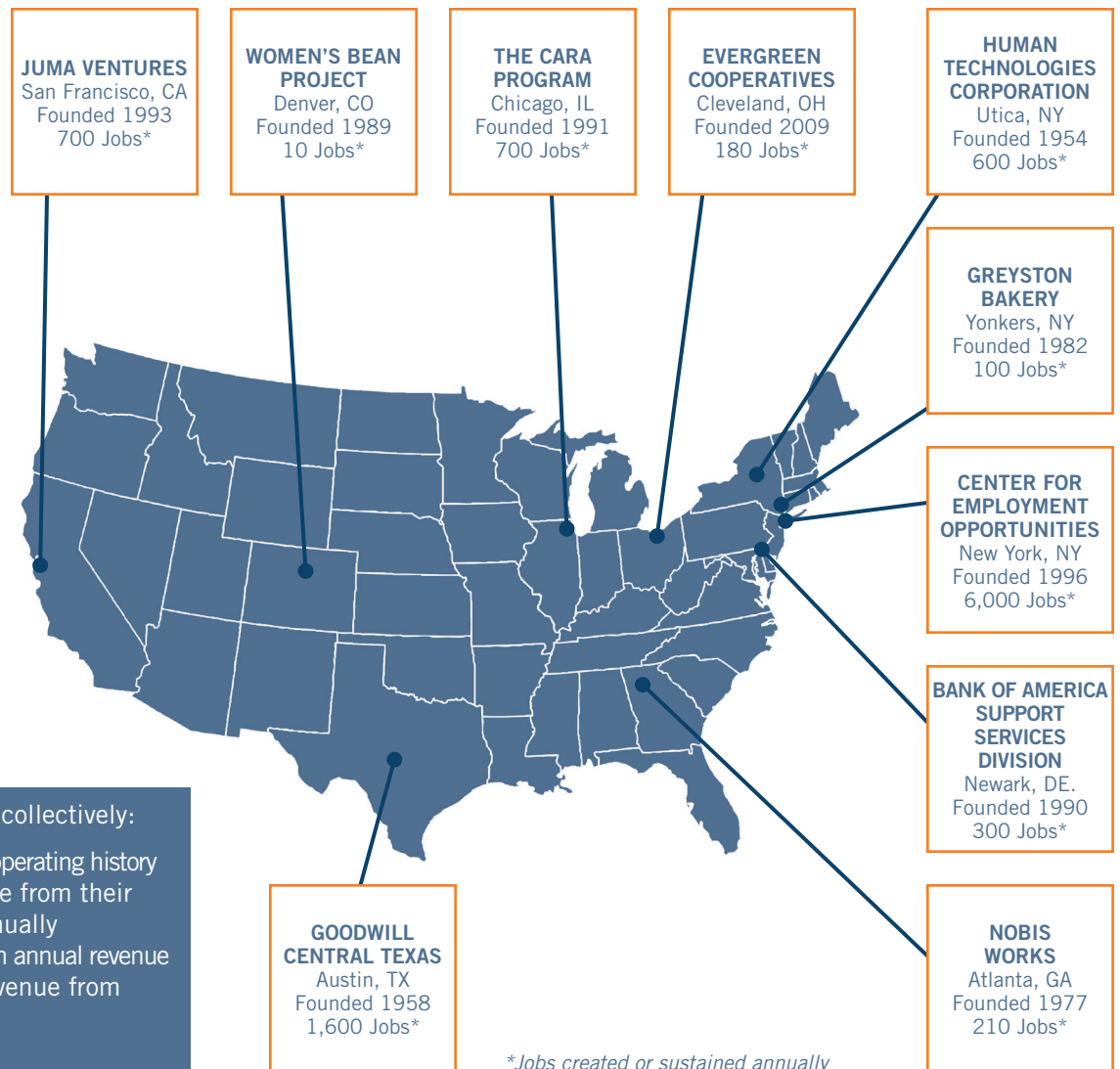
3. **Synthesis of findings.** As a final step, the research team searched for commonalities across the social enterprises studied in an attempt to identify core drivers of growth and sustainability. Each of the case studies tells a rich story of an organization’s development, resilience, and performance in its own right. Taken together, the case studies reveal a consistent set of strategic pillars that provide a foundation for growth in the social enterprise field writ large. We discovered many triggers for achieving scale. These were elevated to the status of a “core driver” if they were common to the vast majority of the social enterprises studied.

The research team searched for commonalities across the social enterprises studied in an attempt to identify core drivers of growth and sustainability.

## THE 10 SOCIAL ENTERPRISES

Figure 2.

The 10 social enterprises featured in *Impact to Last* represent a cross-section of the United States, provide job opportunities for people who face barriers to work, deliver a wide range of services and products, and vary in size—both by revenue and people employed.



These social enterprises collectively:

- Have over 300 years of operating history
- Employ 10,190 people from their target populations annually
- Generate \$153 million in annual revenue
- Earn 80 percent of revenue from business operations

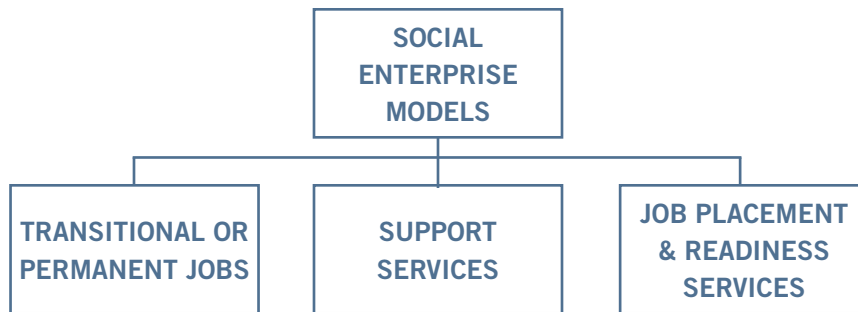
SOCIAL ENTERPRISE	DESCRIPTION
<b>BANK OF AMERICA SUPPORT SERVICES DIVISION</b>	Employs people with disabilities to provide back office support to Bank of America's other business divisions.
<b>THE CARA PROGRAM</b>	Employs homeless and low-income people in its three lines of business: neighborhood beautification services, contract staffing, and used book sales.
<b>CENTER FOR EMPLOYMENT OPPORTUNITIES</b>	Employs people leaving the criminal justice system to work on crews that provide highway cleanup, maintenance, and beautification services.
<b>EVERGREEN COOPERATIVES</b>	Supports three worker-owned cooperatives (laundry, construction, and a hydroponic greenhouse) that employ residents of low-income neighborhoods surrounding Cleveland's Greater University Circle District.
<b>GOODWILL CENTRAL TEXAS</b>	Employs people with disabilities, ex-offenders, and people without a high school diploma in its businesses: retail stores, recycling, computer repair and resale, and contract staffing.
<b>GREYSTON BAKERY</b>	Employs low-income residents of Yonkers to bake brownies and cookies for Ben and Jerry's and Whole Foods.
<b>HUMAN TECHNOLOGIES CORPORATION</b>	Hires people with disabilities in its three lines of business: supply chain logistics, property management, and high-tech document management.
<b>JUMA VENTURES</b>	Hires at-risk high school students to provide concessions (primarily ice cream and coffee) at ballparks across the country.
<b>NOBIS ENTERPRISES</b>	Employs people with disabilities to provide a variety of services including assembly, packaging, fulfillment, and electronic recycling.
<b>WOMEN'S BEAN PROJECT</b>	Employs homeless women to produce handcrafted gourmet foods and jewelry.

## PROGRAM MODELS

Figure 3 illustrates the three main components of a social enterprise—a transitional or permanent job (provided through the social enterprise itself), external job readiness and placement services (if the job is transitional), and a variety of supportive services to help employees retain their jobs (provided either internally or through referrals).

*Figure 3. Program components of employment-focused social enterprise*

Not all social enterprises include all three of these program components. For example,



social enterprises that provide permanent employment are not as focused on job placement. The 10 profiled organizations fall into three general categories:

- **Permanent jobs.** These social enterprises (Bank of America Support Services, Greyston Bakery, Human Technologies, and Nobis Works) are primarily focused on creating permanent jobs for their workers, most of whom would have difficulty securing competitive employment. While employees are often encouraged to move on to higher-paying jobs (either through advancement within the social enterprise or by obtaining outside employment), the focus is on providing stable, long-term employment for the target population.
- **Transitional employment with job placement services.** These social enterprises (The Cara Program, Goodwill of Central Texas, Women’s Bean Project) provide jobs that are meant to be transitional, along with the job readiness, training, and placement services necessary to move into competitive employment. Moving employees into competitive jobs allows the social enterprise to employ and train more people as those positions open up.
- **Employment as a lever to impact other social outcomes.** A few of the social enterprises use job creation as a component of a larger program focused on other positive social outcomes, such as educational attainment. For Juma Ventures, the ultimate goal for its youth employees is college attendance and graduation, and the job serves as a platform for building the life skills and savings necessary to reach that goal. Similarly, CEO’s ultimate goal is to reduce recidivism among those returning to the community from prison, and Evergreen Cooperatives is focused on asset and wealth building among its cooperative member employees.

Regardless of where the enterprises focus their attention, they all carefully balance their social mission goals with financial sustainability. As Mike Brady, CEO of Greyston, has explained, “We bake brownies to create jobs; we don’t create jobs to bake brownies.” Tamra Ryan, CEO of the Women’s Bean Project, expresses a similar sentiment, “We don’t exist to make bean soup, but we can’t exist without it.”

Moving employees into competitive jobs allows the social enterprise to employ and train more people as those positions open up.

## THE IMPACT OF SOCIAL ENTERPRISE

The three general categories described above translate into a range of aligned impacts and key performance metrics:

1. **Job creation.** The number of jobs the social enterprise creates for the target population.
2. **Placement and retention.** Measures include number of employees successfully placed/transitioned into external jobs; six-month and one-year retention of external placements; and placement in participant's desired field.
3. **Sector and mission outcomes.** Data will often include average wages earned, housing stability, financial security, recidivism rates, graduation rates, benefit eligibility, and taxes paid.

*In total, the 10 social enterprises employ 10,190 people annually and generate \$153 million in annual revenue, 80 percent of which comes from business operations.*

While one-year retention rates vary between 50 and 85 percent, retention in most enterprises is above 75 percent. Those providing permanent jobs have extremely low turnover rates, with most employees continuing to work through retirement. Average wages earned by employees are between 22 and 35 percent higher than area minimum wage requirements for those enterprises. More detail on these impacts is provided in the individual case studies.

Business growth and long-term financial sustainability are central to the mission of the social enterprises to create jobs. Figure 4 demonstrates the impressive financial performance of the organizations. In 2004, the 10 social enterprises were generating \$58 million in annual revenue. By 2014, these same social enterprises were generating \$153 million in annual revenue, an increase of 164 percent.

While one-year retention rates vary between 50 and 85 percent, retention in most enterprises is above 75 percent. Those providing permanent jobs have extremely low turnover rates, with most employees continuing to work through retirement.

Figure 4. 10-year revenue growth of profiled social enterprises

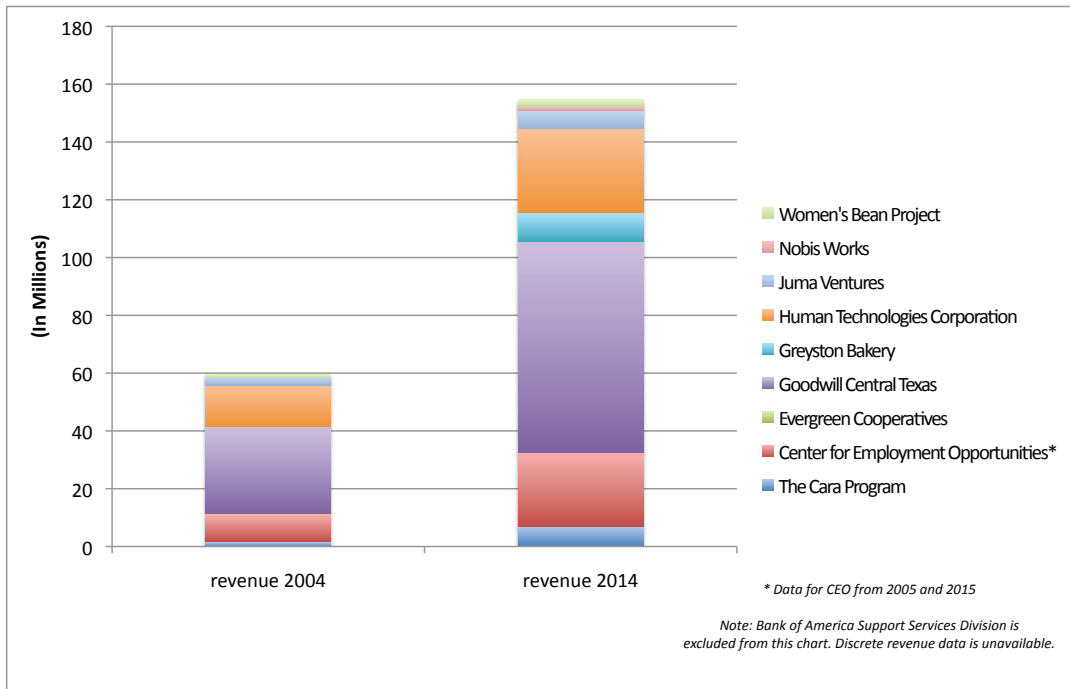
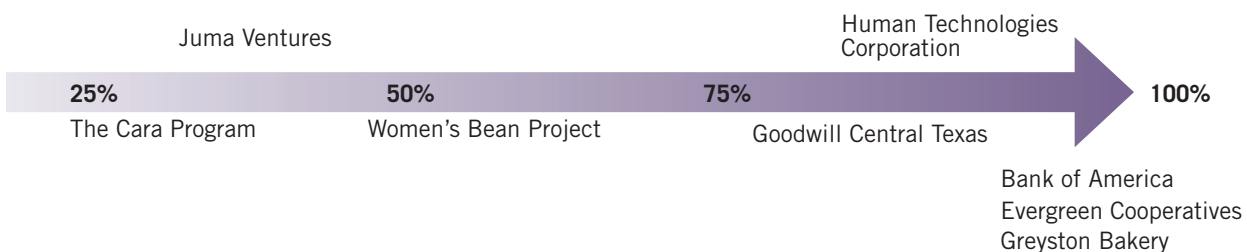


Figure 5 shows the extent to which social enterprises differ by the proportion of total revenue generated by their businesses (as compared to grants and other non-business income), from 30 percent all the way to 100 percent. The proportion of total revenue generated by businesses is highly correlated with the program model of the social enterprise.

The four enterprises focused entirely on the job creation element of the social enterprise model (Bank of America, Evergreen Cooperatives, Human Technologies Corporation, and Greyston Bakery) generate between 98 and 100 percent of their revenue from business operations. Those that invest in and offer a more robust set of supportive services in-house (rather than by community partners) have a larger non-business expense base and a related larger proportion of funds coming from other sources. These social enterprises include The Cara Program, Juma Ventures, and Women's Bean Project. Goodwill Central Texas (GCT) is unique in that its business revenue subsidizes most of the cost of its employment and training services. While GCT provides a rich set of in-house supports, 85 percent of its annual revenue is generated by business operations, thanks to the success of the retail thrift stores for which Goodwill is best known.

Figure 5. Percentage of revenue from business services



## II: CORE DRIVERS OF SUCCESS

### INTRODUCTION

Despite tremendous diversity in social enterprise business models, industries, markets, geographies, customers, and employee populations, the experiences of the 10 featured social enterprises point to a consistent and replicable foundation for achieving scale.

Upon close examination, five drivers of impact and growth emerged as common across almost all of the enterprises studied. These drivers offer signposts of best practices for burgeoning social enterprises, hold promise for philanthropic and impact investors intrigued by a business and social proposition, and forge a common ground from which to explore a systemic approach to workforce change.

Figure 6. The five core drivers

<b>ANCHORS</b>	Anchors are the large private and public sector customers that help social enterprises gain a market foothold, develop products, and build operational infrastructure for growth.
<b>AUDACITY</b>	Audacity is a fearless approach to leadership driving new commercial relationships, path-breaking business models, and bold long-term goals.
<b>EVIDENCE</b>	Evidence is the practice of exceptional performance measurement and management, transparent reporting of financial and social indicators and, in some cases, conducting rigorous evaluations of impact.
<b>GROWTH CAPITAL</b>	Growth Capital is enterprise-level funding or investment that builds the capacity for business expansion.
<b>IDENTITY</b>	Identity is an organization's clear and coherent purpose and its realization internally as a set of aligned operational and cultural practices and externally in exceptional communications.

These drivers offer signposts of best practices for burgeoning social enterprises, ... and forge a common ground from which to explore a systemic approach to workforce change.



### ANCHORS

**Anchors are the large private and public sector customers that help social enterprises gain a foothold in the market, develop products, and build the infrastructure necessary to grow.**

For many of the organizations profiled in this report, having one or two anchor customers was the most important factor facilitating growth. Some started with an anchor customer already in place, while others were able to secure an anchor early on. Regardless, very few would have achieved strong rates of growth and expansion without these large purchasers of goods and services.

Anchor customers also benefit from their relationships with social enterprises. The social mission acts as a competitive advantage in attracting public sector agencies and large, multi-national corporations. For private corporations, partnering with social enterprises demonstrates its philanthropic commitment to investing in the local community. For the public sector agencies, social enterprises provide a concrete product or service while simultaneously addressing other costly social problems, such as unemployment and recidivism.

Anchor customers fall into three main groups:

- **Private sector anchors.** Private sector anchors are interested in the product or service, but also the larger mission of the organization, generally because it aligns with their own goals for social justice and community impact.
- **Public sector anchors.** These anchors work with social enterprises both to obtain needed goods and services and because they are meeting broader public sector goals, such as reducing recidivism or meeting mandates for engaging contractors that employ people with disabilities.
- **Internal anchors.** Internal anchors are less common, but occur when the major purchaser of goods or services exists within the structure of the larger institution in which the social enterprise is housed.

## APPROACHES TO ANCHORS

Anchor customers account for the majority of business-generated revenue in each of the social enterprises profiled in this report. The following table provides an overview of the anchor customers for each organization.

ORGANIZATION	APPROACH
<b>BANK OF AMERICA SUPPORT SERVICES</b>	Bank of America Support Services Division provides back office services exclusively to other Bank of America business divisions.
<b>THE CARA PROGRAM</b>	The Cara Program works primarily with Chicago's Special Service Areas (SSAs), known as "business improvement districts" in other cities. SSAs account for close to 70 percent of the revenue of Cara's largest social enterprise, Cleanslate.
<b>CEO</b>	CEO works primarily with the New York State Internal Service Fund (housed within the New York State Division of Parole) and CalTrans in California. Its relationship with the criminal justice system has facilitated its expansion and replication.
<b>EVERGREEN COOPERATIVES</b>	Evergreen Cooperatives is an outgrowth of the Greater University Circle Initiative—a consortium of anchor institutions including Case Western Reserve University, University Hospitals, and Cleveland Clinic. The anchor institutions have been some of the primary customers of the social enterprises incubated by Evergreen.
<b>GOODWILL CENTRAL TEXAS</b>	Goodwill Central Texas is unique in this group of social enterprises; the general public—through its retail stores—serves as an anchor for the organization by providing the majority of its business revenue.
<b>GREYSTON BAKERY</b>	Ben & Jerry's has been Greyston's main customer since very early in its history, and the two companies have grown in lock step ever since. In the past few years, Greyston has added Whole Foods as another anchor customer and is hoping to continue to diversify its customer base in the future.
<b>HUMAN TECHNOLOGIES CORPORATION</b>	Federal government entities contract with HT through Ability One. Its biggest customers are the Department of Defense and the National Park Service.
<b>JUMA VENTURES</b>	Juma works primarily as a subcontractor to three national concessionaires: CenterPlate, Aramark, and Levy Restaurants. These relationships have been critical to its expansion to new venues, markets, and geographic locations.
<b>NOBIS WORKS</b>	Several years ago the federal Department of Housing and Urban Development approached Nobis to expand its contract nationwide, and is now a significant anchor.
<b>WOMEN'S BEAN PROJECT</b>	The Kroger grocery chain sells WBP products across Colorado. WBP is starting to work with Walmart on a national scale as part of Walmart's Empowering Women Together initiative.

## PRIVATE SECTOR ANCHORS

Of all the organizations profiled, Greyston Bakery most clearly illustrates the power of a strong anchor customer. The bakery started in the mid-1980s producing high quality hand-made cakes and pies to New York City restaurants. In 1988, Greyston founder Roshi Bernie Glassman was introduced to Ben Cohen of Ben & Jerry's ice cream, which led to an order of brownies initially intended to create ice cream sandwiches. When the first shipment arrived, the brownies were stuck together and unusable for their intended purpose. Instead, Ben & Jerry's broke them into pieces and, in the process, created a new ice cream flavor—Chocolate Fudge Brownie, which became one of its best sellers. Greyston continued to provide Ben & Jerry's with brownies, and the partnership enabled them to grow and mature, buying the machinery needed to scale up operations. As another values-led business, Ben & Jerry's was an ideal partner for Greyston and the two grew together.

While the relationship with Ben & Jerry's has been critical to its growth, Greyston did not take the ice cream company's business for granted. It used the foundation Ben & Jerry's provided to create a state-of-the-art bakery that has allowed them to produce a high-quality product at a competitive price. Having a competitive product proved critical when Ben & Jerry's was bought by Unilever. While at first the buyout did not affect Greyston's work with Ben & Jerry's, over time the relationship with Unilever turned out to be a huge asset. In 2009, Unilever unveiled its Sustainable Living Plan designed to reduce the environmental impact and improve the labor practices of the companies in its global portfolio. Greyston had already been working to improve its own supply chain with these factors in mind, and as a result, Unilever began highlighting Greyston as a model for how the company would like other businesses in its portfolio to operate. Mike Brady, Greyston's CEO, was invited to participate in a series of TED Talks coordinated by Unilever to publicize Greyston's work. The benefit for Unilever was Greyston's alignment with its larger social goals, and Greyston benefits from the positive publicity that comes with the relationship.

Similarly, the Women's Bean Project's (WBP) new relationship with Walmart has been mutually beneficial. In March 2013, WBP became part of Walmart's Empowering Women Together (EWT) initiative, which includes a commitment to source \$20 billion from women-owned businesses for their U.S. stores over five years. The relationship has enabled WBP to improve its infrastructure and become a drop-ship vendor, which means it ships directly to online consumers from its own warehouse. Having drop-ship status allowed Walmart to add more of WBP's products to the Walmart.com website. The relationship also led to increased publicity for WBP. It was featured as Walmart's North American model in an Oxford University case study about the Empowering Women Together Initiative; Tamra Ryan, the CEO, has been interviewed several times in *Fast Company* magazine; and WBP has been featured in an advertisement at the U.S. Chamber of Commerce Social Responsibility Awards. This publicity increases WBP's visibility and benefits Walmart, by being seen as a large corporation that supports small businesses working to improve lives.

In 1988, Greyston founder Roshi Bernie Glassman was introduced to Ben Cohen of Ben & Jerry's ice cream, which led to an order of brownies initially intended to create ice cream sandwiches.



Evergreen Cooperatives is unique in that it was conceived as an anchor-based strategy from the very beginning. The Greater University Circle (GUC) Initiative, a partnership between the Cleveland Foundation and the city's leading anchor institutions, was established to address disinvestment in some of Cleveland's poorest neighborhoods. As an incubator of worker-owned cooperatives, Evergreen was created as part of GUC's larger goal of creating jobs and building wealth for neighborhood residents. The businesses developed under the Evergreen umbrella—including a laundry, construction firm, and a hydroponic greenhouse—provide goods and services that the anchor institutions purchase. Across the three businesses, approximately one-third of the revenue comes from contracts with the GUC anchor institutions, including Cleveland Clinic, Case Western Reserve University, and University Hospitals Case Medical Center.

## PUBLIC SECTOR ANCHORS

Public sector anchors provide much of the same support to social enterprises as private sector anchors, although the reasons for initiating these relationships are somewhat different. In the case of both Human Technologies Corporation (HT) and Nobis Works, working with these organizations helps anchor customers procure goods non-competitively (and therefore more efficiently) through the Javits-Wagner-O'Day Act, which provides for the purchase of certain supplies and services from non-profits employing people with disabilities. It also helps the federal government address the problem of high unemployment in disabled populations generally. In the case of CEO, state government benefits both from the services the work crews provide as well as the savings incurred from reduced recidivism among their participants.

These mandates notwithstanding, maintaining a relationship with public sector customers requires a quality product, as it does with private sector customers. HT, for example, was able to secure a long-term relationship with the U.S. Forest Service because it went above and beyond the scope of the contract to improve the uniforms it was contracted to deliver directly. According to a customer at the Forest Service, "HT put all hands on deck, addressed every single complaint, and eventually changed the whole thing top to bottom. In the end we got better uniforms, better quality, and better pricing."

For CEO, anchor customers have been the primary driver of expansion. In CEO's 20-year history, these customers have always been government agencies—the Internal Service Fund in New York and CalTrans in California. These are ideal customers because they can provide large, long-term contracts and have an institutional commitment/obligation to providing public benefit. CEO also places an emphasis on real, consistent, and meaningful work. If the work does not provide concrete value to the customer, the relationship will not last.

CEO also has the added benefit to government of addressing a critical social problem by employing people recently released from prison. Thus, the criminal justice system also views CEO as an asset. CEO first began working directly with the criminal justice system in the 1990s in partnership with an innovative Parole Commissioner and the State Budget Department in New York. This partnership formed the model CEO has used since. When CEO makes a decision to expand, a local criminal justice partner is an integral piece of the puzzle. The current policy environment in criminal justice, especially in California, leads CEO staff to believe there is a great deal of room for growth. In coming years, California counties will be shifting more offenders toward services and probation rather than jail, with a parallel growth in mass supervision.

HT, for example, was able to secure a long-term relationship with the U.S. Forest Service because it went above and beyond the scope of the contract to improve the uniforms it was contracted to deliver directly.

## INTERNAL ANCHORS

Only two of the social enterprises—Bank of America and Goodwill Central Texas—have internal anchors. Bank of America Support Services Division (Support Services) has an integrated business relationship with Bank of America. The division exists to provide back office and logistics support to the larger corporation. The department does not work with outside clients, but would not exist if it could not provide cost-saving, high-quality services to internal clients, including a number of large divisions, most notably home mortgages.

MBNA's former CEO, Charles Cawley, created Support Services in 1990 in order to employ a friend's son with a disability. The first three employees—the friend's son and two others—were hired and placed into competitive roles at the bank. Support Services was created shortly thereafter, but was not built like a business. In subsequent years Cawley decided how many new workers to add and Support Services grew to over 200 employees. It was not until Bank of America's acquisition of MNBA in 2006 that the executive team was provided the opportunity to think about Support Services more strategically.

When Bank of America acquired MBNA in 2006 it would have been easy for Support Services to disappear. Instead, the Support Services leadership team was challenged to integrate the division into Bank of America not as a “charity case,” but as a valuable line of business. Prior to the acquisition, individuals were first hired into Support Services before leadership would go looking for work in order to keep them busy. Mark Feinour, executive of Support Services, refers to the model as “trying to put a square peg in a round hole.” Bank of America flipped that model and looked for appropriate work before hiring people. As a result, Support Services has become an efficient and cost-effective business.

Goodwill Central Texas is unique in that its retail stores serve as an anchor. While the customer is essentially the general public, the national Goodwill brand makes its stores a reliable source of income in both good and bad economic conditions. Upon joining Goodwill, CEO Jerry Davis improved and expanded existing stores as a way to increase revenue for the organization. Over the last few decades, GCT has consistently generated over a third of its revenue from retail sales, giving the organization financial stability and the flexibility to pursue new lines of business.

GCT used its retail stores to expand into computer refurbishing and recycling. Starting in 1997, the organization was receiving donations of old computers, and because of local environmental ordinances, was unable to throw out what it could not sell. Instead, GCT decided to turn the operation into a training program. Clients would disassemble the donated computers, put them back together to be in working order, and sell them through a store dedicated to refurbished computers. The store brought national attention to GCT, and in 2004, the organization partnered with Dell to create a program called ReConnect. The program has since expanded to a national partnership with Goodwill Industries International and operates in 1,900 Goodwill stores nationwide – diverting 96 million pounds of e-waste and creating 250 green jobs. Internally, GCT has expanded the program and generates \$1.5M in sales. GCT staff provides consulting services across the country and globe replicating the model.

Over the last few decades, GCT has consistently generated over a third of its revenue from retail sales, giving the organization financial stability and the flexibility to pursue new lines of business.

## FINDINGS

Rather than evolving over time, like other pathways, anchor customers were generally secured early in the history of the social enterprises and/or directly preceded expansion and replication. The case studies reveal some key findings about the important role of anchor customers in providing a foundation and launching pad for social enterprise:

- 1. A quality product is necessary, but the social mission provides leverage.** Maintaining and building a relationship with an anchor customer requires developing a quality product or service and offering a competitive price. However, the social mission of these companies often benefits anchor customers as well, providing a competitive advantage to social enterprise. Being associated with a social enterprise can give large corporations positive publicity on a local or national level. For public sector anchors, the benefit often takes the form of a positive social externality that results in cost offsets, such as higher levels of employment and lower levels of recidivism.
- 2. Diversification is critical.** Relying on a few anchor customers over the long run may limit growth and exposes the business to risk if the anchor customer gets bought out, scales back operations, or goes out of business. Not surprisingly, the two largest social enterprises profiled in this report—Goodwill Central Texas and Human Technologies Corporation—also have the most diversified customer bases.



## AUDACITY

**Audacity is an expansive, creative approach to leadership, pushing an organization towards new commercial relationships, path-breaking business models, and bold long-term goals.**

Leadership audacity was thrust into the spotlight as a key element of success in business by the publication in 1994 of *Built to Last: Successful Habits of Visionary Companies*, a seminal book on the characteristics that set “visionary” companies apart from others. Authors Jim Collins and Jerry Porras discovered that strategic and emotionally compelling “BHAGs” (Big Hairy Audacious Goals) serve as a focal point of effort and act as a clear catalyst for team spirit.

Collins and Porras were referring to BHAGs focused largely on systems-change over at least a decade, which is a difficult timeframe for many resource-constrained social enterprises to contemplate. Nevertheless, social enterprises operating at scale benefit from the same audacious style of leadership.

Audacity manifests in many ways for social enterprises, including the following key areas:

- **Solution-driven goal setting.** Like the BHAGs in *Built to Last*, social enterprises that are audacious goal-setters tend to focus on the end-state, or outcomes, they are seeking.
- **Fearless partnering.** Successful social enterprises punch above their weight, striving to develop business relationships with much larger public and private sector buyers.
- **Unconventional thinking.** Social enterprises operating at scale are pioneers in the effort to apply market-based solutions to intractable social problems. Our case study subjects include many notable examples of audacious business models that defy convention in blending “mission and margin.”

Audacity manifests in many ways for social enterprises, including: solution-driven goal setting, fearless partnership, and unconventional thinking.

## APPROACHES TO AUDACITY

The following table provides an overview of the audacious leadership and approaches of the ten social enterprises.

ORGANIZATION	APPROACH
<b>BANK OF AMERICA SUPPORT SERVICES</b>	There were no other large corporations to show the way when the CEO of MBNA (which was later acquired by Bank of America) insisted on directly hiring disabled workers and not just working with outside agencies.
<b>THE CARA PROGRAM</b>	The Cara Program is mid-way through a highly visible effort to double the number of jobs created in this five-year period versus the last.
<b>CEO</b>	CEO's pioneering model proves that ex-offenders are successful employees. The key: novel programmatic innovations including daily hiring and payroll.
<b>EVERGREEN COOPERATIVES</b>	Evergreen's cooperative business model is unique in the U.S. context and is now being enthusiastically studied and even replicated.
<b>GOODWILL CENTRAL TEXAS</b>	Goodwill Central Texas has set an ambitious goal: creating 100,000 jobs over 10 years, directly and through partners, thereby touching every individual in its service area affected by barriers to employment.
<b>GREYSTON BAKERY</b>	Greyston is working tirelessly to become a bona fide, world-class bakery. Greyston is expanding its product line to include cookies and other products for Whole Foods.
<b>HUMAN TECHNOLOGIES CORPORATION</b>	With the goal of "transforming the disability system," HT is working to expand a new contract with the Department of State, potentially doubling its revenue, and has acquired a number of other important new private and public sector customers.
<b>JUMA VENTURES</b>	Juma subcontracts to many of the largest national concessionaires, despite its modest size.
<b>NOBIS WORKS</b>	With the backing of "Mr. Atlanta," former Atlanta Falcon and five time NFL Pro Bowler Tommy Nobis, Nobis was created by going directly to Georgia's governor for foundational support.
<b>WOMEN'S BEAN PROJECT</b>	WBP's relationship with Walmart is atypical given the contrasting scales of the two organizations: the smallest social enterprise in <i>Impact to Last</i> and the world's largest retailer.

## SOLUTIONS-DRIVEN GOAL-SETTING

All high-achieving social enterprises set ambitious goals. Fewer set the kind of audacious, end-state goals that characterize the BHAGs featured in *Built to Last*, like Henry Ford's promise in 1909 not only to build great cars, but to "democratize the automobile." Orienting goals to the delivery of a solution is what makes BHAGs so motivating; the prospect that something so transformational might actually be accomplished.

For many social enterprises, particularly nonprofit organizations, solutions-driven goals achieved over decades can be difficult to contemplate, in part because of resource constraints. As Sir Ronald Cohen, chair of the G8's social impact investing taskforce has noted, over the last 25 years, 50,000 U.S. businesses have successfully surpassed \$50 million in sales, compared to just 144 nonprofits.<sup>5</sup> To be sure, size is not a goal in and of itself for most nonprofit organizations. Impact is more important. Nonetheless, with more limited access to the resources that enable for-profits to scale, social enterprises tend to think three to five years ahead, not a decade or more.

The 10 social enterprises include two particularly notable examples of audacious goal-setters: Human Technologies Corporation (HT) and Goodwill Central Texas (GCT).

<sup>5</sup> <http://www.ronaldcohen.org/sites/default/files/26/Sir%20Ronald%20Cohen%20Mansion%20House%20Speech%2023JAN14.pdf>

HT is committed to nothing less than changing the disability system—a journey that began in earnest in 1992 when the board embraced the teachings of John Durand, a leading advocate for “affirmative business,” or the idea that disabled workers should receive the same benefits, pay, and conditions as non-disabled co-workers and supervisors. HT’s ambitious thinking led the organization to begin paying all employees the New York State minimum wage or above in 2005.<sup>6</sup> The effect was immediate and dramatic. Counter-intuitively, there was a 17 percent drop in employee productivity, driven primarily by non-disabled, disaffected workers laboring alongside colleagues with disabilities. Disabled workers also became more abundant for HT, suggesting the sub-minimum wage had been a significant disincentive preventing capable people from working. And culturally, by aligning all employees, HT found that the priority quickly turned to the welfare and growth of the organization, rather than simply pushing product out the door.

At Goodwill Central Texas (GCT), longtime CEO Jerry Davis asked a simple question: was it possible to achieve scale by solving the entire social problem that GCT was committed to addressing in its service area—unemployment among people who were disabled, had a criminal history, were homeless, or lacked education? This deep process of reflection, aided by the results of an evaluation of GCT’s work by researchers at the University of Texas, has resulted in a goal of employing 100,000 people over 10 years, directly and through partners. The goal, in turn, has inspired a number of concrete and highly impactful strategic changes: setting aside revenue for continuous innovation; extensive outreach to local employers to ensure alignment with growth industries; a focus on education and training, including establishing a charter school for adults working towards their high school diplomas; and a more active role in policy advocacy.

The Cara Program (TCP) is an example of an organization that—having set an ambitious target of doubling the number of jobs created in the five years ending 2017—is moving towards an even more audacious, solutions-driven goal. “How much difference are we really making when hundreds of thousands more are in need, in Chicago alone?” the board is asking. “We haven’t scratched the surface,” says TCP’s founder, Tom Owens. “We need to be able to describe the The Cara Program’s mission as a fight against extreme poverty.”

## FEARLESS PARTNERING

Social enterprises and their leaders are passionate about the impactful services they provide and relentless in developing business relationships with much larger public and private sector buyers – advocating not only the commercial value of what they offer, but also their ability to help business partners achieve their social and community objectives. Put another way, fearless partnering is the way that anchor client relationships are put into practice.

Women’s Bean Project, the smallest social enterprise in *Impact to Last*, became part of the Empowering Women Together initiative at Walmart.com in 2013, a corporate-wide commitment to sourcing \$20 billion from women-owned businesses for U.S. stores over five years. As a result, WBP has been subject to food safety and ethical sourcing audits and has significantly enhanced its logistics capacities to the point of being granted the privilege of becoming a “drop-ship” vendor. WBP can now ship Walmart.com orders directly to customers from its own warehouse.

<sup>6</sup> Reductions in funding meant HT later had to return a small percentage of its workforce to the Special Minimum Wage Certificate. There are less than 50 employees under the Certificate today and, through attrition and by not hiring additional people in these areas, the company will end the use of the certification over the next couple of years. The rest of the organization continues to pay minimum wage and, in most cases, far above minimum wage plus full benefits.

“We need to be able to describe the The Cara Program’s mission as a fight against extreme poverty.”

—Tom Owens,  
TCP Founder

2015 was be a breakout year for HT, due primarily to a new, flagship relationship with the U.S. Department of State. The contract was secured in a competitive bidding process (i.e. outside of the AbilityOne program, which provides procurement preferences to businesses employing people with disabilities). The partnership has expanded from one to four offices at the department and is expected to account for just under 50 percent of top line revenues for HT in 2015 and could grow to two to three times that amount in the near future. The contract is a high-stakes engagement for HT—providing 12,000 security guards around the world with clothing HT has touched directly, either in the production or packaging cycle.

## UNCONVENTIONAL THINKING

Social enterprises operating at scale are pioneers in the effort to apply market-based solutions to intractable social problems. Our case study subjects include many notable examples of audacious business models that defy convention in blending “mission and margin.”

Center for Employment Opportunities (CEO) has developed a widely admired model for providing transitional jobs to men and women with recent criminal convictions, and in the process provided access to economic opportunity and reducing recidivism. CEO’s audacity can be seen in its commitment to disciplined replication at every one its 12 sites, including fidelity to specific programmatic elements that have been proven to work: emphasizing referrals from parole probation officers, paying clients for the work they do every day, training workers in life skills prior to joining a work crew, and matching clients with job coaches for help securing unsubsidized work.

Bank of America’s Support Services Division is audacious in its design. There is no difference between Support Services and any other line of business at Bank of America. Employees are provided the same benefits and wages and are expected to meet high standards for quality. In the 25 years since Support Services’s creation, neither MBNA nor Bank of America has touted the success of the division, or even shared its story externally, until now. Information is passed on internally by word of mouth, allowing Support Services to prove itself through the work alone. Support Services exists to provide back office and logistics support to Bank of America. The department does not work with outside clients and would not exist if it could not provide cost-saving, high-quality services to internal clients.

## FINDINGS

Social enterprises are not alone in benefiting from audacity. As the book *Built to Last* makes clear, audacity also distinguishes the most successful traditional businesses from their less-visionary peers. For social enterprises, the importance of audacity is another reminder that, in a competitive market environment, it is essential to operate like any other high-performing business. The following findings provide additional insight.

- 1. Audacity is grounded in deep, internal reflection.** Many of the most audacious goals and business models emerged from case study subjects looking inward. Goodwill Central Texas arrived at the ambitious goal of creating 100,000 jobs and related strategies by responding very intentionally to research from the University of Texas questioning the organization’s depth of impact.
- 2. Audacity requires both a “spark” and a “web” of leadership.** CEO’s might be the most visible embodiment of audacity—and more often than not the providers of a visionary “spark”—but they are just one part of a web of leadership, extending to all employees, the board, funders, and other community partners. HT’s former CEO, Rick Sebastian, balanced a bold style of leadership with a significant investment in the reconstitution of HT’s board, which turned over entirely and emerged as an integral driver of the organization’s growth.

Social enterprises operating at scale are pioneers in the effort to apply market-based solutions to intractable social problems.



## EVIDENCE

**Evidence is the practice of exceptional performance measurement and management, transparent reporting of social outcomes and financial indicators and, in some cases, conducting rigorous evaluations of social and economic impact.**

Having a double bottom line requires successful social enterprises to measure both financial and social outcomes and impact. Evidence, as a driver to scale, involves both collecting and acting on the data appropriately to improve business operations and employee supports to reach long-term strategic goals. For the social enterprises profiled in this report, there are three main ways evidence has been used to achieve their social goals and grow their businesses simultaneously:

- **Performance Management.** Measuring and managing for performance improvement involves collecting real-time data on employee outcomes, work processes, quality of product/service, and financial indicators. These measures help social enterprises determine whether they are on track to meet their goals for employee outputs and outcomes, whether they are creating a quality product or service for their customers, and whether they are on track to meet longer-term strategic goals and make course corrections where necessary.
- **Financial Discipline.** Over the long run, social enterprises cannot achieve their intended impacts without financial stability and sustainability. Achieving this goal requires ongoing tracking of key indicators measuring the financial health and growth of the business. Similar to performance management, changes are made when opportunities present themselves and problems are identified.
- **Measuring Impact and Return on Investment.** Evidence is used to demonstrate the impact a social enterprise is having on its employees and the return on investment it is delivering to funders and/or the larger community. The most rigorous approach to measuring impact requires having an independent third party conduct an evaluation using experimental or quasi-experimental methods. However, collecting data on the long-term outcomes of employees can also be a valuable way to estimate individual and community-level impact.

### APPROACHES TO EVIDENCE

The table below summarizes each enterprise's approach to using evidence to facilitate growth. While all have systems to track and monitor key indicators, they vary in terms of their focus on financial versus social outcomes and the extent to which they are able to use the data in real time to identify problems and make course corrections.

Evidence, as a driver to scale, involves both collecting and acting on the data appropriately to improve business operations and employee supports to reach long-term strategic goals.

ORGANIZATION	APPROACH
<b>BANK OF AMERICA SUPPORT SERVICES</b>	Bank of America's Support Services does work that requires perfect accuracy and high efficiency rates. These are measured for each individual client daily, and tracked by individual employee, so management can implement changes when and if necessary.
<b>THE CARA PROGRAM</b>	TCP instituted a Salesforce system and measures its ability to meet the needs of three "customer groups": participants, employers, and communities. Key measures include one-year retention, average wages earned, and total placements.
<b>CEO</b>	CEO has a sophisticated, centralized data system that tracks employees and their work daily. CEO worked with MDRC, a respected third-party evaluator, to conduct a large-scale, rigorous evaluation of long-term impacts on participant earnings, rates of recidivism, and return on investment for government funders.
<b>EVERGREEN COOPERATIVES</b>	Currently, Evergreen is focused primarily on monitoring the financial health of its three worker-owned cooperatives. Its primary social outcomes are (1) the number of jobs created, (2) the number of jobs filled by residents of target neighborhoods in the Greater University Circle area, and (3) the number of employees who become cooperative members.
<b>GOODWILL CENTRAL TEXAS</b>	Goodwill Central Texas has a Performance Excellence division that is responsible for collecting data and tracking participant outcomes and larger strategic goals. GCT also measures overall community economic impact based on the number of jobs created, people employed, wages earned, and taxes paid.
<b>GREYSTON BAKERY</b>	Greyston's metrics focus primarily on the financial health of the business and making sure the bakery is running as efficiently as possible. Its primary social outcome is creating more jobs for the local community through its open hiring process.
<b>HUMAN TECHNOLOGIES CORPORATION</b>	HT tracks a range of financial metrics, including overall financial performance by business line, region, and contract; financial and employment growth by line; and a new rolling performance measure that tracks profitability relative to funding. As part of its business metrics, HT also tracks the performance of its services, including orders processed and shipped, number of items returned, items shipped without defect, and accuracy in order processing.
<b>JUMA VENTURES</b>	Juma has a sophisticated data management system that tracks its success factors at the individual participant, caseload, site, and organization levels. Higher-level dashboards also track larger strategic goals including revenue generation and operational efficiency.
<b>WOMEN'S BEAN PROJECT</b>	WBP measures key financial and social metrics. Financial metrics include revenue, operating reserve growth, and expansion of customers and funders. Social metrics include retention and graduation rates, job placement, and wages.

## PERFORMANCE MANAGEMENT

All of the social enterprises are using data and evidence to measure both financial and social outcomes and progress. However, some are more sophisticated in their ability to use this information to manage toward both short- and long-term operational and strategic goals. For example, both Juma Ventures and Goodwill Central Texas have created sophisticated data systems and management reports that help them assess progress toward their social outcomes, while HT has a similarly sophisticated system designed to track financial and business-related goals.

As Juma started expanding its model to multiple sites, executive staff began to realize that upgrading its systems for data collection and performance management was necessary to assure efficient business operations and fidelity to the Juma program model. Juma hired a consultant to develop a data system in Efforts to Outcomes (ETO) that would track key participant/employee outcomes across the organization and eventually hired a Director of Learning and Evaluation to create, disseminate, and monitor performance at all levels of the organization. Dashboard reports, reviewed on a monthly basis, help staff identify and address problem areas. These reports include: (1) student dashboards for case managers to track student progress, (2) caseload reports for case managers and their supervisors to track the progress of their caseload as a whole and by cohort, (3) program-level dashboards



for site directors to monitor all student and business-related outcomes in a geographic location, and (4) a variety of higher-level reports that track larger organization-wide success factors and progress on strategic objectives. Having reports at all levels of operation helps Juma drill down on problem areas. For example, if a site has low savings rate, executive and site staff can determine whether a small handful of students are not saving or whether it is a more systemic issue and make changes accordingly.

Similarly, Goodwill Central Texas created a Performance Excellence division to help the organization track progress toward short- and long-term strategic goals. The division is responsible for tracking key indicators and improving data collection processes across the organization and creates three key reports. On a monthly basis, the Services and Employment Report (SER) tracks the number of people served in each program, course completions and certifications, the number placed in jobs, and average wage at placement. The Balanced Scorecard, also updated monthly, tracks indicators specific to goals in the strategic plan including its financials, intakes and job placements, jobs created, zero waste (recycling goal), donations, and staffing goals. These monthly reports help GCT use a forward-thinking approach whereby employees are able to track how far ahead or behind they are with their annual goals and adjust monthly goals accordingly. At the end of the year, the Outcome Management Report tracks whether each division has met these annual goals. The Performance Excellence division also measures GCT's overall community economic impact based on the number of jobs created, people employed, wages earned, and taxes paid.

## FINANCIAL DISCIPLINE

Other enterprises have more sophisticated systems to track the financial and business-related outcomes. HT tracks a range of financial metrics, including overall financial performance by business line, region, and contract; financial and employment growth by line; and a new rolling performance measure that tracks profitability relative to funding. As part of its business metrics, HT also tracks the performance of its services. Metrics tracked include: orders processed and shipped, number of items returned, items shipped without defect, and accuracy in order processing.

HT shares the performance metrics with both current and prospective clients to prove the effectiveness of the employees, but also to shine a light on the strict discipline HT brings to all of the work they do. HT Chief Operating Officer Greg Frank says these numbers “are really eye opening, especially for customers wary of what people with disabilities can do. They also help customers realize they can offload their administrative burden to HT, since the quality is higher than in other places.”

## MEASURING IMPACT AND RETURN ON INVESTMENT

Some of the social enterprises have gone beyond performance measurement to measure long-term social and economic impact. A few have done this by tracking the collective community economic impact of their work (e.g. number of jobs created, total earnings, total tax revenues, etc.), while others have made a greater effort to track the long-term outcomes of their employees. For example, Goodwill Central Texas was interested in learning more about how their participants fared once they left their job at Goodwill and moved on to unsubsidized employment. In order to learn more, GCT staff worked with researchers from the University of Texas in 2011 to track employment and earnings data for former participants. They found that many former participants were either out of work

HT shares the performance metrics with both current and prospective clients to prove the effectiveness of the employees, but also to shine a light on the strict discipline HT brings to all of the work they do.

or earning very low wages. As a result, GCT took this information as a challenge to improve the type of training and job opportunities it offered, and it helped shape the direction of GCT's 10-year plan, which included a greater focus on high-demand jobs that put participants on track toward living wage employment. A few years later, the GCT Career Academy was launched to help participants pursue professional certifications, including in Heating, Ventilating, and Air Conditioning (HVAC) and as a Certified Nursing Assistant (CNA).

To date, CEO is the only social enterprise of the 10 profiled that has conducted a randomized control trial (RCT) of its social and economic impact, and the research proved to be critical to its growth and expansion. In 2004, CEO participated in a RCT of organizations that serve "hard-to-employ" populations, funded by the Department of Health and Human Services and conducted by MDRC. Results published in 2010 show a 4:1 benefit-to-cost ratio of CEO's program and an over 20 percent reduction in reconviction and returns to incarceration. CEO had the biggest impacts on the most high-risk subgroups of program participants. The MDRC evaluation also showed that recently released ex-offenders who enrolled at CEO had significantly lower rates on all measures of recidivism a full three years after their participation in the program.

Results from the evaluation highlighted CEO's track record of reducing recidivism and demonstrated a commitment to rigorously evaluating impact, helping to secure and shore up funding. Recently paroled ex-offenders are a particularly challenging group to support, with high associated social costs. Being able to prove that CEO is a cost-effective solution to this problem increased the demand for its services.

## FINDINGS

Clearly, evidence can support ambitious goals for growth by allowing organizations to create standards across a growing organization, identify deviations from those standards, and make course corrections in real time. Using evaluation to prove impact and cost-effectiveness demonstrates value to funders and customers and benefits the social enterprise field more broadly. Experiences from these social enterprises provide some critical lessons for the field:

- 1. Evidence to inform decision-making improves performance.** The value of a well-structured performance management system is that it allows staff at all levels of the organization to work toward their goals and identify problems as they arise. Such a system requires: (1) that each employee has what they need to do their job and make course corrections, and (2) a culture of transparency to facilitate an honest assessment of what parts of business operations and employee supports are working well and not working well.
- 2. Proving long-term impact attracts funding and new customers.** Quantifying impact—both from a social and economic perspective—will help clearly articulate the value proposition of the social enterprise, putting it in a better position to secure ongoing funding for growth and expansion. Conducting rigorous, experimental evaluations is a major investment of time and resources and should only be undertaken when both the program model and business are on a firm footing so the evaluation is measuring the impact of a fully implemented intervention. However, formative or developmental evaluation strategies can be employed to measure progress toward social outcomes and impact for organizations still implementing and perfecting their program model.

To date, CEO is the only social enterprise profiled that has conducted a randomized control trial (RCT) of its social and economic impact, and the research proved to be critical to its growth and expansion.



## GROWTH CAPITAL

Growth Capital is enterprise-level funding or investment that builds the capacity for business expansion and strategic planning. Growth Capital provides social enterprises with the space for deep reflection before tackling the next step in their plan to scale.

Growth Capital comes in many different forms, but at its root it is an influx of unrestricted funding that provides both time and tailored support to an organization when it is most needed. As with business venture capital, distinctive types of support are needed at different phases of growth. An investment of capital at the right time can provide the foundation for expansion to a new site, help an organization grow from a personal project into a multi-million dollar enterprise, or save an organization from going under. There are three distinct phases and types of growth and growth capital:

- **Early stage.** At this stage capital (often referred to as seed capital) is pieced together from many sources. It can be friends, family, a founder, or small local foundations and donors. This capital is often more modest in amount and targeted to a specific part of an enterprise, or intended to be one piece of a larger funding puzzle.
- **Growth stage.** In the growth stage, capital from philanthropic investment by foundations or individuals is usually provided in the form of multi-year, unrestricted grants. Often there is substantial goal-setting and business planning involved in securing funding of this type.
- **Later stage.** Several of the social enterprises profiled for this report have grown to a stage where growth capital means something entirely different. These organizations are entirely dependent on their own revenue to sustain the business and focus on creating revenue reserves that can function as growth capital.

A goal for many of the social enterprises in *Impact to Last* is self-sustainability—they want to support themselves with no outside funding. This provides the freedom to make bold decisions, but also requires a reserve to fall back on if necessary, or to use to tackle new projects and growth.

### APPROACHES TO GROWTH CAPITAL

There is a particular kind of long-term, unrestricted, pioneering investment that has been a crucial enabler of enterprise expansion. While every enterprise approaches expansion and scale differently, this provision of capital for operations, often paired with strategic planning requirements, allows each organization to build as it sees fit. Much of this capital comes as a multi-year grant or investment, usually for three to five years at a time. The diversity of each organization's individual approach to growth capital can be seen in the table below.

A goal for many of the social enterprises in *Impact to Last* is self-sustainability—they want to support themselves with no outside funding.

ORGANIZATION	APPROACH
<b>BANK OF AMERICA SUPPORT SERVICES</b>	Support Services reworked their pricing structure several years ago to become a more efficient line of business that could compete and win internal clients—thus growing from one site to three.
<b>CEO</b>	CEO's relationship with the Edna McConnell Clark Foundation (EMCF) began in the mid-2000s, providing a new type of unrestricted funds tied to three-year strategic plans. EMCF has contributed over \$20 million in unrestricted funding to CEO in the past decade.
<b>EVERGREEN COOPERATIVES</b>	Initially, all three Evergreen businesses were funded entirely with debt, primarily through New Market Tax Credits and a low-interest revolving loan fund created by the Cleveland Foundation and other partners/funders of the Greater University Circle Initiative. Since then, some of the debt has been converted to equity with Evergreen Corporation as the preferred shareholder.
<b>GOODWILL CENTRAL TEXAS</b>	Goodwill's retail stores generate a significant amount of unrestricted revenue that it uses to invest in new lines of business and program services. Its goal is to save three to five percent of its operating revenue each year for this purpose.
<b>GREYSTON BAKERY</b>	Although Greyston operates more like a traditional business in terms of growth capital, the bakery is wholly owned by the Greyston Foundation, which provides more wiggle room in lean years. Most of the salary of Greyston's CFO is covered by the Foundation, for example.
<b>HUMAN TECHNOLOGIES CORPORATION</b>	HT has expanded to the point where it provides its own capital through business operations, or borrows from mainstream financial institutions for growth. HT aimed to take no government subsidies by the end of 2015.
<b>JUMA VENTURES</b>	One of the major lessons of Juma's failed expansion to Washington, D.C. was the need to have at least three years of operating costs before expanding to a new site. Juma has succeeded in obtaining these funds from a number of sources.
<b>NOBIS WORKS</b>	In 1995, Nobis received a \$250,000 grant to create a "new venture fund" in-house, which has been expanded, invested, and replenished ever since.
<b>THE CARA PROGRAM</b>	Entrepreneur Tom Owens was the founder and key funder in TCP's early years and remains an important source of capital and influence.
<b>WOMEN'S BEAN PROJECT</b>	The Women's Bean Project almost ceased operations in 2002, surviving thanks to two local foundations that stepped up to help; both provided three-year capacity building support to help WBP get back on its feet.

## EARLY STAGE

There are no rules for funding in the early stages of a social enterprise. Growth capital is often difficult to acquire and part of a scramble for any type of funding that can be secured. Capital is often provided by family, friends, and small, local funders, consistent with the individual needs and opportunities for enterprises at this stage.

The Women's Bean Project (WBP) was funded in large part by the founder and her friends and family in the early years, and focused more on social justice than on the business in its own right. The focus on social justice came to a head in 2002. Without business controls in place, WBP was confronted with having insufficient funds to meet payroll. Two local foundations were instrumental in keeping WBP afloat in 2002 by providing three-year capacity building grants that allowed for business planning and were accompanied by technical support. Tamra Ryan was brought in as CEO in 2003, and the influx of growth capital provided Ryan, and WBP, with the breathing room to figure out what was needed to help the organization move into a stabilizing and growth phase.

Few organizations are lucky enough to have a founder and major funder still involved after nearly 25 years—the Cara Program (TCP) in Chicago is one of them. Tom Owens founded TCP in 1991 and, after a five-year incubation period, decided it was time to run it like a business. He provided \$400,000 in seed capital and hired TCP’s first CEO. Owens is still a major funder of TCP, but the first influx of capital he provided gave TCP the foundation it needed to grow into the rigorous life skills training and transitional jobs program it is today. The challenge with this type of funder/founder relationship is to ensure diversity in funding streams as the enterprise grows and scales.

Government funding often plays an important part in the early stages of an enterprise’s development, but many case study subjects found the restrictions and requirements that come with government funding to be an extra burden. A distinction must be made between government grant funding and government contracts for service. Government contracts provide the revenue backbone for many of the social enterprises profiled for this report, and provide a constant stream of work for employees. Women’s Bean Project CEO Tamra Ryan explains: “we never want to be dependent on government dollars such that, if they go away, we are in jeopardy.” This concern in accepting government money was echoed by many of the CEOs interviewed for *Impact to Last*. At HT, the leadership team set a goal of no longer accepting New York State funding by the end of 2015.

## GROWTH STAGE

At the growth stage, long-term, general operating capital is ideal and partnership with a private, institutional funder can be catalytic. National foundations are often the providers of large, multi-year grants at the growth stage, which are typically accompanied by technical assistance, including business and strategic planning, and meetings with grantee cohorts to share lessons and experiences.

At Juma Ventures in San Francisco, the executive team found funders to support program services, and the business revenue helped support most—and some cases all—of the costs of providing employment to participants. With a solid early foundation, Juma was able to replicate its model in other locations: Oakland and San Diego. Through early replication, Juma learned a number of lessons—most importantly, the importance of upfront growth capital that could provide at least three years of operating costs, and partnerships with local service providers.

In 2003 the Center for Employment Opportunities (CEO) in New York was awarded its first long-term, unrestricted funding by the Edna McConnell Clark Foundation (EMCF). The three-year grant helped CEO plan its first set of site expansions, and CEO is now in its third round of funding and business planning with EMCF. While the money is technically grant funding, both EMCF and CEO refer to the \$20 million provided in the last decade as investment capital. The growth capital is provided without restriction, but only on the condition that CEO plans for and achieves strategic milestones. As EMCF staff explains, providing this type of capital means “more programs, more evidence, more youth served.”

Government funding often plays an important part in the early stages of an enterprise’s development, but many case study subjects found the restrictions and requirements that come with government funding to be an extra burden.

## LATER STAGE

During the later stage of development, some social enterprises become their own engine for growth capital—using revenue and reserves to achieve sustainability and scale. At this point, enterprises have grown past foundation and government funding for the most part and rely on strong and successful business models to continue to employ their target population and grow into new locations and new lines of business and move forward strategically.

Several social enterprises profiled in *Impact to Last* have grown to a stage where capital for expansion is typically not provided from the outside, but is generated internally. These organizations—HT and Goodwill—build revenue reserves through mature and predictable lines of business that support continuous innovation. At Nobis Works in Georgia, the CEO created a “new venture fund” several years ago with help from a large local foundation and has replenished the fund with revenue, reserves, and additional philanthropic support in order to maintain the important source of growth capital.

## FINDINGS

Growth capital is an essential piece of the puzzle for social enterprises at all stages of development. Needs look different for each enterprise depending on where it is in the process of strategic development, but some key findings from this study can provide insight about the process of securing and effectively leveraging growth capital:

### 1. Intentionality and thoughtfulness are crucial in the search for growth capital.

Different types of capital come with differing requirements and rules, so an enterprise should be strategic about seeking out and using infusions of growth capital. Both planning for and understanding the purpose of the capital will help to identify the appropriate funding source, strategically use it once acquired, and track progress toward enterprise goals. An explicit focus should be placed on planning for and securing growth capital as a strategic imperative, helping an enterprise grow sustainably.

### 2. Diversification of capital sources is difficult in early stages, but necessary for sustainable growth.

Especially in the growth phase, many organizations rely on one large funder. In looking to the future, all social enterprises should have multiple sources of growth capital, including from philanthropy, traditional financial institutions, and business income. An enterprise reliant on one or two large funders is beholden to the requirements that accompany that funding. Diversification of capital sources allows an enterprise space for new, creative thinking, and the opportunity to plan for the future without worrying about what might happen if the main funding source was to be lost. Diversification is an important financial metric for a social enterprise—and a tool for building not only a fundraising strategy, but also developing business lines.

At Nobis Works in Georgia, the CEO created a “new venture fund” several years ago with help from a large local foundation and has replenished the fund with revenue, reserves, and additional philanthropic support in order to maintain the important source of growth capital.



# IDENTITY

**Identity is an organization’s clear and compelling purpose—operationalized internally and communicated externally.**

Identity can take the form of a line of branded products, fidelity to a model so strong that each site is internally audited, or a daily practice of gathering as a community to share stories and provide motivation to all participants. No matter its form, identity is what makes each organization successful in its own right. A rock-solid alignment of mission and margin influences every decision made by the boards and staff of social enterprises and is the foundation of each organization’s footing in its community and the field. Identity is usually exemplified in one of three key areas:

- **Cultural identity.** An internal value system that all staff and participants share, espouse, and can easily communicate to those interested in learning more.
- **Brand identity.** Infusing products and services with mission, thereby enabling customers to connect authentically with an organization’s purpose through the act of consumption.
- **Operational identity.** The consistency and quality in implementation needed to support business model efficiency, replication, and high performance.

## APPROACHES TO IDENTITY

Identity is an organization’s clear and compelling purpose and its realization internally as a set of aligned strategic, operational, and cultural practices, and externally, in exceptional communications and branding. The diversity of each organization’s individual approach is described below.

ORGANIZATION	APPROACH
<b>BANK OF AMERICA SUPPORT SERVICES</b>	Support Services has thrived by building a strong operational identity integrated with core Bank of America businesses and surpassing all expectations.
<b>CEO</b>	CEO emphasizes an operational identity rooted in fidelity to its enterprise model. The structure provides for the disciplined execution of complicated programmatic elements.
<b>EVERGREEN COOPERATIVES</b>	The distinctive, collaborative identity and mission of Evergreen is driven by the Great University Circle Initiative that is striving to create jobs and build assets for the residents of the historically disinvested neighborhoods surrounding Cleveland’s University Circle.
<b>GOODWILL CENTRAL TEXAS</b>	GCT’s unique operational and mission alignment—a large proportion of revenue comes from the retail and staffing businesses—provides flexibility for pursuing independent goals rather than those of outside funders.
<b>GREYSTON BAKERY</b>	Greyston’s cultural identity is rooted in the Buddhist philosophy of its founder, Bernie Glassman, and manifests in its PathMaking program that strives to support and nurture the body, mind, and spirit of each employee.
<b>HUMAN TECHNOLOGIES CORPORATION</b>	HT is committed to a passionate “affirmative business” culture with the goal of changing the disability system. The organization’s annual reports always emphasize the contributions of its employees, and in 2015 HT launched a new logo and tagline: The power of people with purpose.
<b>JUMA VENTURES</b>	Juma’s very focused mission—on ensuring that participating youth attend college—gives the organization a strong and distinctive identity.
<b>NOBIS WORKS</b>	The Nobis identity is deeply tied to the Atlanta GA, region, where local business leaders, public officials, and prominent athletes have provided backing for decades.
<b>THE CARA PROGRAM</b>	TCP is renowned for cultural elements including putting staff on an equal footing with participants and a “tough love” attitude. The organization has a high-touch and relatively high-cost approach, but with deep and sustainable impact.
<b>WOMEN’S BEAN PROJECT</b>	CEO Tamra Ryan has been focused on branding since becoming Executive Director in 2003. With a nationally distributed product, brand identity is crucial for entering into the consciousness of consumers.

## CULTURAL IDENTITY

Cultural identity is the foundation for many of the social enterprises featured in *Impact to Last*. Some organizations are so focused and dependent on culture there is no way to talk about the business without it. Human Technologies Corporation (HT) in Utica and The Cara Program (TCP) in Chicago are two such organizations. And even those social enterprises that do not highlight their internal culture are steeped in behaviors and practices that come from a core belief in the mission and work of the business.

At HT in New York State, what they refer to as an “affirmative business” culture is pervasive. HT sees itself as a catalyst for transforming the disability system so individuals with barriers to employment have the opportunity to work and achieve their fullest potential.

This was not always the case. In 2004 the organization was siloed, with HT staff and program participants having separate holiday parties and being paid differently, with disabled employees receiving below-minimum wages commensurate with their abilities, as permitted by federal labor laws. When Rick Sebastian was hired as CEO in 2004, he implemented efforts to break down the silos and give workers with disabilities all the rights, benefits, and risks of being an employee. This remains the single greatest transformation for HT, and created the basic belief system and culture that is the touchstone for every decision made at HT today.

Life and career skills development is the backbone of The Cara Program. Every day begins with “Motivations”—a practice of gathering as a community (staff and students) to share experiences, educate one another, and draw people out of their comfort zones. Key stakeholders like customers and funders who have observed and participated in Motivations emphasize how moving it is, which exemplifies TCP’s focus on personal transformation. All who have attended Motivations say that attending even once has made them loyal to TCP because seeing the values and commitment of students is indelible.

The culture at Greyston Bakery is grounded in the Greyston Mandala—a philosophy that approaches people and their needs from a holistic perspective, which is why Greyston provides employment along with affordable housing, childcare, and workforce programs through the Greyston Foundation. Two tenets are central to Greyston Mandala and the bakery’s mission and philosophy:

- **Open Hiring.** Open hiring is a policy whereby anyone who wants a job is eligible with no application, background check, or interview required. It is designed to give people with a range of employment barriers—having a criminal or drug history and lacking work experience or education—a foothold in the workforce. The company keeps a list of people who are interested in employment, and hires them on a first-come, first-served basis.
- **PathMaking.** PathMaking is based on the Buddhist philosophy that everyone is on his or her own unique path in life. The Director of PathMaking works with Greyston employees to help them accomplish their personal and professional goals, which can involve accessing supportive services, resolving workplace conflicts, stress reduction, job searching, investigating education and training opportunities, and dealing with dependent or eldercare issues. This dedicated role works with employees individually and in groups, and assesses the extent to which Greyston is meeting the needs of the broader community and fulfilling its mission.

Life and career skills development is the backbone of The Cara Program. Every day begins with “Motivations”—a practice of gathering as a community ... to share experiences, educate one another, and draw people out of their comfort zones.



For over thirty years, Greyston has stayed true to these core values and practices while delivering high-quality products at a competitive price. The company's social mission has given it leverage to build relationships with other values-led corporations—including Ben & Jerry's, Unilever, and Whole Foods—that have propelled Greyston's growth to its current size.

## BRAND IDENTITY

When the core business of a social enterprise is dependent on a product, brand identity is essential to success. This is the case if the business is a service and the brand is communicated by the individuals working on a contract—whether they are providing building maintenance, road cleaning, or warehousing and assembly. Workers interact with customers and each can tell a story. It is also the case if a product is shipped nationally or internationally. The product must stand on its own, conveying the story of the enterprise, and encourage consumers to purchase it again.

CEO of the Women's Bean Project (WBP) Tamra Ryan arrived from the marketing industry with some bias toward the influence of branding in an organization. In 2003 Ryan changed the logo from a pot of soup to a sprouting bean, which stands for growth, prosperity, and change. The new logo—and the internal culture shift that occurred with the transformation—allowed WBP to expand into a wide range of product areas. According to Ryan, branding is critical because WBP puts “a tangible product in people's hands all over and we must take that opportunity to enter into their consciousness.”

A part of Walmart.com's Empowering Women Together initiative since 2013, WBP was featured as Walmart's North American model in an Oxford University case study about the initiative. Walmart.com buyer Andrea Rockers Wright highlighted the importance of the WBP Brand: “As a merchant, I am looking at everyone's brand. Not just for what it means to me as a merchant, but what it means to my customers. Women's Bean Project has a really great brand, a really great story, and a really great product. When you put them all together it's a win-win.”

## OPERATIONAL IDENTITY

Operational identity is the consistency and quality in implementation needed to support business model efficiency, replication, and high performance. Operational identity is essential as social enterprises grow and scale. The successful enterprises featured in *Impact to Last* are constantly working to serve more customers, serve their current population more efficiently, or become less dependent on outside money and influence. Robust systems of data collection and rigorous program management are a critical but not sufficient precondition for achieving scale. Without robust systems, enterprises scramble to deliver the work to which they are committed.

With strong business disciplines in place, expansion (while never easy) can be fairly seamless. CEO has expanded from one site in 2004 to 12 sites in three states in 2015, and has a track record of identifying and taking advantage of discrete opportunities. CEO has taken advantage of Federal ARRA and Social Innovation Fund initiatives and a Pay For Success program in New York State in order to facilitate rapid growth. These funds provided a foundation for CEO to leverage additional investment, including private funding, earned revenue, and government investment.

“As a merchant, I am looking at everyone's brand. Not just for what it means to me as a merchant, but what it means to my customers. Women's Bean Project has a really great brand, a really great story, and a really great product. When you put them all together it's a win-win.”

— Andrea Rockers Wright  
Buyer, Walmart.com

There have been challenges along the way. CEO opened a site through an affiliate in one location, only to realize the partner could not adhere to the CEO model. CEO made the decision to bring management back in-house and now operates the site directly, as it does all others. Fidelity to the social enterprise model is the backbone of CEO.

While Bank of America's Support Services Division began in 1990 as a discrete project of the CEO at MBNA, it was not until Bank of America purchased MBNA that the division really took off. At that point Support Services management made a decision to treat Support Services like any other line of business within the bank and began to "hire for the work"—the very distinctive skills inherent in Support Services—rather than finding odd jobs as a reason to hire.

Support Services is proud of its record of accuracy, efficiency, and systems improvement. Every customer reports higher accuracy rates than other service providers and, as Support Services' customer in the Mortgage Division, Cheryl Moncure, explains: "Support Services Division keeps securing more and more work based on confidence and the results we are seeing."

## FINDINGS

Identity is not a one size fits all solution. It takes years for a social enterprise to solidify its identity, and in an ever-changing market, there will always be a need for constant reassessments and adjustments. The process of creating an identity and culture—both internally and externally—has been a journey for each of the 10 social enterprises profiled in this report. And while the path is unique to each organization, there are two important findings from the *Impact to Last* research:

- 1. Identity must reflect real strengths and values.** In order to be authentic (authenticity being among the critical maxims in branding, particularly for social enterprises) identity must be grounded first in the reality of an organization's mission, goals, and business strategies; and second, in the recognition that half the battle is the ease with which these characteristics can be communicated. Not all social enterprises need their brand to stand out on the shelf of a grocery store or in an online marketplace. Some are dependent on a culture that supports the growth and success of students and employees, and some are strong and efficient precisely because they resemble other lines of business in the same company. Identity is created through analysis of an organization's real purpose and approach and the desire to share this story with the outside world.
- 2. A social enterprise cannot succeed without an across-the-board belief in its identity.** Staff must understand the mission and the business operations and be willing to tackle the tough issues when the two conflict. Boards are an integral part of the effort to achieve operational and strategic alignment and attract new customers. External partners and investors/funders should be cultivated as active surrogates through identity. If the board and staff believe wholeheartedly in the identity of the social enterprise, that enthusiasm will provide the fuel for growth.

Support Services is proud of its record of accuracy, efficiency, and systems improvement. Every customer reports higher accuracy rates than other service providers.

### III. EMERGING DRIVERS

Three other distinctive market approaches and developments are quickly becoming drivers of growth in social enterprise, although their influence was not sufficiently ubiquitous and long-standing within the case studies to rise to the level of being established core drivers. Nurturing these new, emerging practices is a critical priority for the field of social enterprise.

#### SOCIAL AND POLICY INNOVATION

Governments faced with shrinking budgets and stubborn challenges that traditional approaches to social services have struggled to alleviate are turning to social innovation as one response, defined by Stanford's Graduate School of Business as "a novel solution to a social problem that is more effective, efficient, sustainable, or just than present solutions and for which the value created accrues primarily to society as a whole rather than private individuals."<sup>7</sup>

Social enterprises are often the beneficiaries of this shift in emphasis towards the cost of the outcomes that policymakers are seeking (rather than the cost of the inputs). In the case of ex-offenders and many other populations disconnected from the workforce, leading social enterprises like CEO are among the organizations best positioned to appropriately provide the jobs and related supports they need at a lower cost to government, particularly if re-entry into public care is avoided. The *Mathematica Jobs Study* of social enterprises supported by REDF found that, one year after starting their jobs, workers at the social enterprises received 24 percent of their income from government transfers, down from 71 percent.<sup>8</sup>

In the U.S., an emphasis on social innovation has driven a broad agenda of policy reform: creation of an Office of Social Innovation within the White House and a related fund that builds the capacity of social enterprises; funding for new pay for success initiatives, described below; and myriad efforts to emphasize outcomes and results-driven funding across criminal justice, workforce development, education, and many other areas of federal and local jurisdiction.

Pay for Success initiatives (sometimes called "Social Impact Bonds") are the newest examples of social innovation in government: a creative approach to funding social services in which private investors pay for prevention up front and, once the intended programmatic results are delivered, are then reimbursed by governments using the cost savings from avoiding negative outcomes. In 2013, CEO was chosen to anchor New York State's first Pay For Success (PFS) initiative—a five-year, \$13.5 million investment extending CEO's services to an additional 2,000 individuals. Under the contract, funded primarily by private individuals through Bank of America Merrill Lynch, the state will reimburse and pay a return to investors if CEO meets agreed-upon performance targets.

As social innovation has emerged as a priority for governments, social enterprises are becoming more active in policy, above and beyond their longstanding relationship with specific public agencies as anchor customers.

Pay for Success initiatives are the newest examples of social innovation in government: a creative approach to funding social services in which private investors pay for prevention up front and, once the intended programmatic results are delivered, are then reimbursed by governments using the cost savings from avoiding negative outcomes.

<sup>7</sup> <http://csi.gsb.stanford.edu/social-innovation>.

The rise of social innovation and its focus on the most efficient and effective ways of supporting key populations has the potential to create a new era of public-private partnership and a new, core driver of growth for the field of social enterprise writ large.

## COLLECTIVE ACTION

Social enterprise is always an outcome-driven strategy, and often place-based. Deep local partnerships—and partnerships with peers that share the same mission—can provide an important driver of scale in their own right, through collective action.

Collective action elevates an issue in the minds of key decision makers, provides easier access to key public and private sector stakeholders, helps organizations focus on their core strengths by leveraging the expertise of others, and provides a platform for leveraging best practices, data, and knowledge, as the following examples illustrate:

- **Access to influence.** Goodwill Central Texas (GCT) has focused on coalition building and collective action primarily in the policy arena. One example is GCT's leadership of the Smart on Crime Coalition focused on criminal justice issues that make finding work difficult for those being released from jail or prison. The coalition's goals include changing sentencing policy for youth, adjusting sentencing for non-violent drug offenses, making it less difficult for people coming out of the criminal justice system to obtain identification cards (ID), and exploring pre-release employment programs. The coalition, along with GCT's other policy efforts, has created a lever to build partnerships with a wide array of community organizations across the political spectrum that the organization might not otherwise be working with. GCT sees larger community collaboration as critical to achieving its goal of employing 100,000 people over 10 years.
- **Bolstering core strengths.** A failed effort to expand to Washington, D.C., led Juma Ventures to conclude that partnerships with local service providers were critical to achieving scale. Working in partnership with local nonprofits provides a more seamless entrée into a community and reduces funder concerns about supporting redundant services. In addition, having outside organizations providing case management and academic support allows Juma to cover more of its operating costs through business revenue.
- **Best practices.** REDF's Impact Recyclers is not a place-based initiative per se, but rather a network to harness the collective action of a single sector within social enterprise: e-waste recyclers. The businesses share a common purpose: they recycle, refurbish, and resell electronic waste (e-waste) to create jobs for people who would otherwise struggle to enter the workforce. And they use the network to share best practices and develop business leads. Reworx—a social enterprise created by Nobis Works that recycles, refurbishes, and resells electronic waste—is among its members.

The value of collective action has been made more explicit in the recent work of Mark Kramer, the Founder and Managing Director of FSG, and others to advance the related notion of collective impact; the very intentional development of “a centralized infrastructure, a dedicated staff, and a structured process that leads to a common agenda, shared measurement, continuous communication, and mutually reinforcing activities among all participants.”<sup>9</sup>

<sup>9</sup> [http://www.ssireview.org/articles/entry/collective\\_impact](http://www.ssireview.org/articles/entry/collective_impact).

The rise of social innovation and its focus on the most efficient and effective ways of supporting key populations has the potential to create a new era of public-private partnership—and a new, core driver of growth for the field of social enterprise writ large.

Evergreen Cooperatives embodies collective action and impact. Evergreen's worker-owned businesses were conceived by the Cleveland Foundation as part of the larger Great University Circle Initiative, a collaboration with institutions like Case Western Reserve University and Cleveland Clinic to create jobs and build wealth in surrounding neighborhoods.

Now that Evergreen is established, the organization has itself become a catalyst for additional investment and collaboration. It has developed an active leadership council that brings together these anchor institutions on a regular basis to support Evergreen but also energizes the larger efforts to create jobs and increase investment in the target neighborhoods.

## INTERMEDIARY ENGAGEMENT

As social enterprise has proven its mettle in the last decade, support from intermediaries in building market infrastructure with the explicit goal of scaling social enterprise has surged, including interest from business accelerators, advocacy organizations, academic centers, and trade groups.

This is not a new phenomenon. Organizations like REDF and other intermediaries providing growth capital and business supports—sometimes referred to as venture philanthropy—have bolstered the sustainability of social enterprises for 20 years. Two case study subjects benefited significantly from REDF's support, including Juma Ventures and CEO.

SourceAmerica is another crucial and longstanding intermediary in social enterprise, serving nonprofits like HT working with the AbilityOne program. SourceAmerica™ solicits and arranges contracts with the federal government for its 550 member organizations and provides a range of IT and other professional supports while also advocating for disabled workers generally.

What has changed in recent years is the scale and accessibility of available supports and the range of services with the potential to create drivers of scale: more thought leadership and research, tools for aggregating and analyzing data, policy advocacy, network building, field-level messaging and awareness raising, and mentorship. Put simply, the majority of social enterprise accelerators, advocacy organizations, academic centers, and trade groups were created in the last five to ten years. Their impact is yet to be fully realized but carries tremendous potential.

Put simply, the majority of social enterprise accelerators, advocacy organizations, academic centers, and trade groups were created in the last five to ten years. Their impact is yet to be fully realized but carries tremendous potential.

## IV. THE ROAD AHEAD: BREAKING THROUGH

The 10 organizations profiled in this report demonstrate the profound impact of even a small number of social enterprises, highlighting the potential of a maturing field operating at scale. The success of these social enterprises is due to many factors, including strong, forward-thinking leadership; ambitious goals; a distinctive, mission-driven identity; and the ability to raise unrestricted revenue to facilitate growth.

In addition to these fundamental strengths, each of the businesses had at least one breakthrough opportunity. Greyston's original CEO, Bernie Glassman, was introduced to Ben Cohen of Ben & Jerry's, the company that became Greyston's critical anchor customer. Similarly, CEO was invited to participate in a rigorous evaluation funded by the U.S. Department of Health and Human Services. Positive results from the evaluation have been critical in its efforts to attract philanthropic funding and expand to new communities.

In order for the field to grow and prosper, more opportunities like these need to be created, both for new social enterprises and for social enterprises that have not been able to achieve scale in the same way. The community leaders, intermediaries, think tanks, trade groups, and others advocating for the growth of social enterprise can facilitate these opportunities in a number of ways, including:

- **Developing social enterprise leaders with business acumen.** When it comes to backing up audacious goal setting and partnering, as described earlier, leaders need experience in running businesses in their respective industries. While social mission can provide a competitive advantage, it is of primary importance for social enterprises to provide a quality product at a competitive price. Social enterprise, as a field, needs more leaders with deep expertise in the private sector. The Evergreen businesses, for example, were only able to move toward profitability when they hired leaders who had worked extensively in their respective sectors—laundry, construction, and food production and safety.
- **Generating more private sector interest.** Consumers are increasingly motivated to support products and services that reflect their values. More and more, people want to purchase from companies that are environmentally responsible and treat workers fairly. Many large, multi-national corporations understand this trend and are attempting to ensure not only that their supply chains include responsible businesses, but that their own purchasing power creates positive impacts. As demonstrated in the relationship between Greyston and Unilever, social enterprise can be an effective way to achieve these goals. Large, private sector companies can also serve as a pipeline for the trained workforce that social enterprises develop. Advocates should relentlessly promote and highlight the mutually beneficial partnerships between the private sector and social enterprise.
- **Influencing public policy.** In addition to creating new opportunities through the emerging pathway of policy innovation, government is an important anchor customer for many of the social enterprises profiled in this report. The Javits-Wagner-O'Day Act is one important example of how public policy facilitates these partnerships. Advocacy for policies that incentivize public procurement, by creating set aside programs similar to those for minority- and women-owned businesses, could have a big impact on the field of social enterprise.

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- **Facilitating collective action.** Experience has shown time and again that large-scale social change only happens through collective action, rather than the independent work of one individual or organization. The same is true for social enterprise. Collective action can take many forms: advocating for policy or system changes to benefit a target population (i.e. criminal justice reform), organizing across a specific sector to share expertise and gain visibility (i.e. REDF's Impact Recyclers), or collaborating within a community to improve service delivery. Funders and intermediaries can facilitate this type of collaboration by brokering and incentivizing community and cross-sector partnerships.
- **Building the evidence base for social enterprise.** It is assumed that social enterprise provides a uniquely efficient programmatic model since all or part of an intervention's cost is offset by business revenue. However, only a few evaluations—including those of CEO and REDF's *Mathematica Jobs Study*—have attempted to answer these questions in a rigorous and incontrovertible way. Building the evidence base will be key to expanding the field, bolstering public will and philanthropic funding, and taking advantage of new innovations in public sector financing, including Pay for Success and Social Impact Bond initiatives.

Given the scale of untapped talent in the U.S. and the challenges we face as a society at large—including entrenched unemployment, poverty, and declining income and social mobility—countermeasures must also exist at a systemic level.

*Impact to Last* finds great promise in the types of private, public, and nonprofit synchronization and committed innovations that these featured social enterprises embody. Social enterprises thrive when businesses, government actors, funders, and investors work together to bolster the core business models that become sustainable engines of economic opportunity and individual transformation.

As the 10 profiled organizations demonstrate, social enterprises are at the forefront of the effort to bridge the gap between pure business interests and larger societal goals. With the right breakthrough supports, social enterprises and their peers represent a unique opportunity to create impact at scale that truly lasts.

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