

EMBERS STAFFING SOLUTIONS SOCIAL ENTERPRIZE CASE STUDY 2015

Prepared for **Trico Charitable Foundation**

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CASE STUDY



Embers Staffing
Solutions

INTRODUCTION BY TRICO CHARITABLE FOUNDATION

Established in 2008, the Trico Charitable Foundation seeks to provoke innovation and build capacity in social entrepreneurship. We believe social entrepreneurship can be leveraged to close gaps in society.

For us, social entrepreneurship is any organization or individual, for-profit or not-for-profit, that uses markets and new ideas to solve social problems.

The Social EnterPrize awards celebrate leadership and excellence in social entrepreneurship across Canada. The awards are presented biennially and provide organizations with financial support as well as support for their public profiles via bespoke videos.

Storytelling is one of the most powerful forces in humanity. As a private foundation, we have learned that our work is better when we tell stories and when we listen to them. One of the great challenges to advancing social entrepreneurship lies in the way we tell our stories. What is needed are stories that reveal, and perhaps even reveal in, the hard-fought journeys and extraordinary impact that are at the heart of being a successful social entrepreneur.

To these ends, we saw an opportunity with the Social EnterPrize recipients to have their story told in a much deeper way than we had ever attempted before. The result is a series of social entrepreneurship case studies that, in terms of the breadth of the organizations studied and the depth of the analysis, is the first of its kind in Canada. The subjects and the authors of the studies are as follows:

| Subject | Post-Secondary Institution | Targeted Release Date |
|--------------------------------------|---|-----------------------|
| YWCA Metro Vancouver Hotel/Residence | Okanagan School of Business Okanagan College | April 08, 2015 |
| TurnAround Couriers | Diversity Institute Ted Rogers School of Management Ryerson University | April 22, 2015 |
| EMBERS Staffing Solutions | Sauder Centre for Social Innovation & Impact Investing, Sauder School of Business, The University of British Columbia | May 06, 2015 |
| JUMP Math | QSB Centre for Social Impact, Queen's School of Business | May 20, 2015 |

Storytelling is no easy task, and these are no average journeys. For us, these stories have challenged our assumptions and have taken us deeper into social enterprises than we had seen before. The studies have exceeded our wildest expectations. For that, credit is due to each recipient, not only for their leadership, but their candour; and to each post-secondary institution, for its hard work and thoughtful analysis.

What we know is that our work has only begun. We hope you enjoy these studies, and that they entice you to tell your story. We are eager to hear from you @tricofoundation and will continue share our insights at www.tricofoundation.ca.

1 INTRODUCTION TO EMBERS STAFFING SOLUTIONS

EMBERS (Eastside Movement for Business & Economic Renewal Society) began as a community economic development charity in August 2001. With the mission of empowering “people living on low incomes to be economically self-sufficient and develop productive futures,” their goal is to reduce poverty and participate in the revitalization of Vancouver’s Downtown Eastside (DTES).¹ EMBERS runs a program called EMBERS Staffing Solutions (ESS), which they operate as a social enterprise that provides temporary labourers for a variety of blue-collar industries, primarily in the construction field.

The idea for ESS emerged when EMBERS’ search for a new source of revenue coincided with a suggestion from a community member that EMBERS establish a day-labour company to employ DTES residents in a way that, unlike conventional employment agencies, recognized the needs and abilities of this particular demographic. What resulted was a social enterprise model that fully blended the financial objectives with the impact objectives.

EMBERS launched ESS in 2008 hoping to tap into the general hum of construction and other activity leading up to the Vancouver 2010 Winter Olympics. At one point, they had placements for 20 to 25 workers; however, they struggled to establish themselves and by the end of 2012 they were averaging only 8 to 10 placements a day.² With insufficient revenue to cover their overhead costs EMBERS seriously considered closing down the operation. Convinced that the model still had potential, EMBERS Executive Director and Founder, Marcia Nozick, persuaded her board of directors to let her run a pared-down version of ESS as a pilot for six months. After revising their business development strategy and securing a new multi-year contract their business turned around and has continued to grow at an astounding rate. In fact, as of the end of 2014, ESS had surpassed EMBERS’ other programs in terms of the social impact they created by offering meaningful and well-paid employment to hundreds of individuals while generating enough revenue to be financially sustainable.

¹ Source: EMBERS website <http://www.embersvancouver.com/>

² Their situation had much to do with the 2008 – 2009 economic downturn caused by the collapse of the American banking system and its significant effect on the construction industry.

1.1 Beginning the Journey

Vancouver's Downtown Eastside (DTES) is a small area of the city notorious for having the highest crime rates, highest drug use, largest number of people with mental health problems, and highest level of poverty in Canada. In the late 1990s and early 2000s, it was experiencing a general ramping up of attention from the civic, provincial, and federal levels of government. At about the same time, Marcia Nozick, author of *No Place Like Home: Building Sustainable Communities* (1992) and a rising academic, had moved to Vancouver from Winnipeg to teach and pursue doctoral studies in community economic development at Simon Fraser University. Residing in the Strathcona area—Vancouver's oldest residential inner-city neighbourhood³ and part of the DTES core—Marcia soon became involved in a grant-funded five-year community planning process.

As chair of a community economic development working-group, Marcia was tasked with looking at the various social enterprises in the neighbourhood. Her group's efforts included general community planning research, which involved surveying the skill sets of the local population and establishing a consultation process for the purposes of understanding what people wanted in the way of work and employment in general. As they began to understand the needs of local residents, they created a program to help people start small businesses (micro-enterprises). It was from this working group that the Eastside Movement for Business & Economic Renewal Society emerged in 2001. The micro-business development program continues today, and is EMBERS' longest standing program.

1.2 Planting the Seeds

At the time EMBERS started, the Vancouver Agreement—a tri-level agreement involving three levels of government (federal, provincial, and municipal)—came into effect. Its purpose was to address problems to do with poverty, crime, substance abuse, and homelessness in the DTES using a number of different strategies.⁴

EMBERS was fortunate to receive close to five years of government funding through the Vancouver Agreement. Ongoing core funding is hard to obtain and Marcia had to find creative ways to piece program funding together to help run the organization. At times, such as when Marcia took a 35% pay cut, money was tight or it was late arriving. In Marcia's words, "you just never knew the future or where more [funding] was going to come from."

³ Source: Strathcona Residents' Association website <http://strathcona-residents.org/welcome-to-strathcona>

⁴ Source: Vancouver Agreement website <http://www.vancouveragreement.ca/history/>

Being entirely dependent on grants and recognizing that the Vancouver Agreement funding was ending, Marcia began to consider other ways to fund EMBERS' mission. As Marcia explains:

It's stressful when you're dependent year to year on short-term project grants to keep your organization going . . . there is no long-term, or even medium-term, security. You have to be extremely creative . . . leveraging one grant to get another and layering projects to create an income flow to cover program costs and staffing. Each project and each funder has different reporting requirements. Funding cycles vary in timing and it usually takes months to find out if a project has been approved. I thought . . . wouldn't it be great for the organization to have its own source of revenue through a social enterprise and reduce dependence on outside funders. Creating a social enterprise was something I could really get behind . . . something I'd studied for years while doing my CED [Community Economic Development] research and something I felt passionate about.

In other words, the time involved in applying for funding is time taken away from running the charity. Moreover, since funders rarely fund core costs, each new grant requires the applicant to come up with a new project, find creative ways to embed or carve out operating costs, and then comply with the funder's reporting requirements. This, in turn, layers more work on already stretched resources and can be a taxing cyclical process of applying for grants and implementing new projects just to keep the operation afloat.

Coincidentally, it was at about this same time (2003) that a local DTES resident participating in a community meeting proposed the idea of a temporary labour program. He pointed out that many out-of-work people in the neighbourhood, desperate for any kind of income, were being exploited by existing day labour halls that hired people on a “work-today-get-paid-today”⁵ basis. If individuals were lucky enough to get work, the cost of acquiring or renting boots or a hard hat plus the cost of transportation to and from the worksite made their minimum wage incomes almost nil. This employment model was also unlikely to lead to much in the way of regular long-term employment. He asked Marcia if EMBERS could set something up as a not-for-profit that would pay people more and help them eventually get full time work. Marcia recognized this as a very elegant model to solve a number of core issues plaguing the DTES (with unemployment being the largest and most obvious). Thus, the seed for EMBERS Staffing Solution (ESS) was planted.

⁵ From interviews with Marcia Nozick October to December 2014.

Key Insight: As is the case with many social enterprises, EMBERS needed an independent revenue stream in order to sustain their mission and programs. The staffing solutions model offered an ideal blend of revenue generation and social impact. Thus, the time and resources used to run EMBERS Staffing Solutions directly benefited the social impact. Had the model been less well blended, the effort needed to generate revenue would have taken away from achieving the impact goals.

In its earliest iteration, they called it Able Employment. Working together at a community level, people in the neighbourhood cobbled together a marketing plan, a loose operational plan, and a cash flow projection. Initially they had imagined it as a community/resident run organization, but Marcia quickly realized that for it to run successfully it needed more structure than this model would allow—there would be many good ideas from local residents of the DTES, but follow-through and accountability needed to sit within an established organization such as EMBERS.

Over the next few years, even as she continued to build and develop EMBERS' ongoing microenterprise programs, Marcia researched, garnered outside funding support for the idea, and eventually put together a feasibility, business, and implementation plan. However, before the temporary staffing enterprise could come to fruition, a number of factors had to coalesce. One was gaining wholehearted support from EMBERS' board of directors. Early on, there was board resistance. Although a number of the board members supported the idea, some contended that adding a temporary staffing program to the work EMBERS was already doing with microenterprise development would serve to dilute EMBERS' mission. Others believed that there might be a conflict of interest with employment programs already running in the neighbourhood. In fact, a board member operated one of these employment programs. Despite board resistance, deep down Marcia knew that the ESS model provided an excellent social enterprise opportunity. Recognizing that she was at an impasse with her board, Marcia decided to let the idea simmer and develop organically—it took nearly five years to blossom from dream to reality.

Key Insight: The concept that became ESS the social enterprise evolved organically. Marcia recognized the need to pursue an alternate source of revenue at about the same time that the temporary labour idea came forward. Fortunately, she was able to recognize the idea's potential and to stick with it despite the fact that it took several years to come to fruition.

2 LAUNCHING

2.1 Organizational Buy-In

EMBERS' Board of Directors was initially comprised of residents and community agencies from the Strathcona/DTES area. Although they all had good intentions and desired positive outcomes for the community they served, Marcia found the self-interest evident in the competing agencies problematic for moving the organization forward. During the five years before ESS launched, Marcia was able to develop a board with greater expertise and a willingness to support the temporary staffing model. The change in the composition of her board happened naturally and gradually. As various board members resigned new ones were recruited for their business experience, professional expertise, and their support of social enterprise. It wasn't until the last of the people opposed to the temporary staffing idea had left that Marcia was free to pursue ESS.

Although it has taken Marcia a while to achieve and it is still a work in progress, taking the time to get the right board in place has made a difference. Currently, her board is comprised primarily of professionals with backgrounds in business, finance, community economic development, construction and, more recently, in temporary staffing. She also has a construction lawyer and an accountant on her board of directors. These various individuals have provided insight into running a temporary staffing operation from a number of different perspectives. The construction lawyer has helped them understand matters to do with liability in the construction industry, among other things. The member from the construction industry provides insight into how the construction industry works, the kinds of jobs, skills, and worker training needed as well as matters to do with hourly rates, workplace safety, and how to engage with key contacts. Their newest board member is the VP of business development for a global staffing company.⁶ Marcia hopes to tap into his operational and business development expertise as she begins to revamp ESS's internal operations, information systems, and placement logistics.

⁶ There is no conflict because they support different industries

In terms of board development, Marcia is always on the lookout for suitable people to serve on her board of directors. In particular, she seeks individuals that are fully supportive of EMBERS' social mission in that they truly understand and support the idea of community economic development and the entrepreneurial approach of the charity. As one board member described himself, "I've drunk the Kool-Aid." However, the restructuring of the board has taken several years and been a process of trial and error. For example, not long ago Marcia came across two fellows with backgrounds and connections in areas that would benefit the charity. They attended several board meetings, but decided against joining the board. While they may have offered useful skills and insights (one was a lawyer, one was from the mining industry), Marcia came to realize that they were not the right fit—they did not really understand EMBERS' overall mission and the community economic development aspect of their operations.

In the early days, Marcia was heavily involved in leading the board. This had much to do with her role founding the organization and establishing its direction. However, as it has evolved, the board as a whole has taken more initiative in establishing its identity and determining what is needed to support EMBERS and ESS effectively.⁷ While not involved in the day-to-day operations, they are updated monthly on all important developments and, in particular, the financials. As an example, ESS's growing accounts receivables has been an area of concern for a while. The issue stems from the fact that although ESS pays its workers weekly, their construction clients typically take weeks and even months to pay their invoices. While the board wants to see more rigour around collecting the outstanding debts, Marcia needs to balance collections with good customer relations. In support, the board has worked with Marcia to develop a phased collections process, which meets both their objectives and hers.

Key Insight: A social enterprise needs a strong champion capable of taking a long-term view. In the case of a social enterprise embarking on a new initiative such as EMBERS undertook, organizational buy-in, particularly at the board level, proved critical as well. The ideal board not only supports the initiative, they understand that the entrepreneurial path can be rocky. They accept that success does not occur overnight and that mistakes will be made. As with any entrepreneurial venture, strong belief in the idea and perseverance through the inevitable challenges is needed from all parties.

⁷ Because of the synergies between EMBERS's various programs, the board is well equipped to support EMBERS in almost all areas despite their greater focus on ESS.

2.2 Planning

With limited staff resources and funding, directors of non-profits work long days to keep up with the daily operations and have little time for new projects. Although incredibly busy running EMBERS, Marcia continued to explore the temporary staffing idea in an ad hoc way “off the side of her desk”⁸ until eventually she was able to move the idea forward. Marcia’s experience is comparable to that of many entrepreneurs endeavouring to launch new enterprises—they must work evenings and weekends while holding down full-time jobs.

After a number of tries, Marcia finally secured a small amount of funding from the Vancouver Foundation to pay for the development of a business plan. In Marcia’s words:

There was always something in me that knew this was a great answer in this neighbourhood and a good business model. So I got really serious and I got a grant from the Vancouver Foundation and I did a business plan. But, it took us a while.

The project funding for planning and starting ESS gave them the autonomy to develop the program they needed and to be more creative in their approach. According to Marcia:

Running a program dependent on outside funds is different from running a business. . . You only have yourself to blame if things don’t go well. It feels more independent rather than being tied to a government program.⁹

With the \$20,000 grant in hand, Marcia began the business planning process by hiring a consultant that had worked at EMBERS and knew the organization and mission. By this time, the concept for a temporary employment agency had shifted from providing work for DTES residents to providing employment to people who had graduated from addiction recovery programs and needed assistance reintegrating back into the workforce and society. Having worked in the DTES for many years, Marcia was aware of a critical deficiency in addiction prevention services. People leaving treatment centres and second stage recovery programs needed employment to support their new, clean, and sober lives. Unfortunately, they faced a number of barriers to employment including large gaps in their employment histories that were difficult to explain. Many also struggled to hold down a full time job due to mental and physical health issues or the need to take time off to deal with court dates and other crises related to their transition from recovery. The temporary employment model offered an alternative employment solution that could enable individuals to gradually work towards finding full-time employment.

⁸ From interviews with Marcia Nozick October to December 2014.

⁹ Unfortunately, funding to explore entrepreneurial opportunities, undertake market research, and develop business plans is very limited. Social enterprises with charitable status can sometimes secure grants for business planning, although traditional businesses cannot.

As part of the planning process, Marcia invited key individuals working in the addiction services field to participate in a focus group session. Through the workshop, Marcia learned more about how recovery programs worked and discovered that of the various employment programs available only one of them had an addiction focus.¹⁰ Most importantly, the session confirmed the gap she had suspected. To her, it was evident that the temporary employment model was the ideal solution for people transitioning out of recovery and reintegrating into mainstream society. The stability and independence that comes from having a steady income and the ability to pay rent and put food on the table provides an immense benefit to the individual and to society. Moreover, having this stability reduces the likelihood of relapse, which in turn reduces the burden placed on the healthcare and criminal justice systems.

In 2007, backed by her board and wanting to launch, Marcia ran her business plan by two of EMBERS Ventures' business coaches. Although the plan demonstrated the viability of the temporary staffing model, they questioned why EMBERS would choose to put energy into a new enterprise that would divert attention away from the current microenterprise program. Marcia decided to persevere despite this feedback. As she recounts "I was going against the grain, but I knew, I just knew that it was a good business model, I just knew." And so, with her business plan in hand, Marcia applied for start-up funding and in 2008 received approximately \$132,500 from various agencies to subsidize ESS's first year of operation.

Key Insight: Perseverance, patience, vision, common sense, instinct, willingness, energy, mental and physical capacity to take on more work in order to bring an idea to fruition. . . these are a few of the factors that contribute to moving an idea forward despite the obstacles. They are also crucial components of "entrepreneurial DNA." When an organization launches a social enterprise it still requires an individual with these characteristics to lead the entrepreneurial effort.

¹⁰ In 2000, Vancouver's Four Pillars Strategy (harm reduction, prevention, treatment, enforcement) came into effect. It was intended to help people exit the cycle of addiction in the DTES. Marcia noted that despite its comprehensiveness, there wasn't anything in it that dealt with employment. Marcia thought of employment and income as an important fifth pillar, which was where ESS came in. For more information: <http://vancouver.ca/people-programs/four-pillars-drug-strategy.aspx>

2.3 Open for Business

Two years after beginning the business planning process EMBERS Staffing Solutions was ready to launch.

Based on the information they had gleaned through their research, the business plan assumed that over 80% of their business would come from the white-collar sector (office and generalist work) and less than 20% would come from the construction sector. Despite this, their first sales person advised that they start by securing clients in the construction industry, as it was the easiest way to get into the temporary staffing business. According to Marcia “at the construction level you can simply walk on the site, introduce yourself, get a simple agreement signed, and begin placing workers the next day.”¹¹ Whereas, the white-collar temporary staffing field is more competitive and involves more processes such as responding to RFP’s and developing contracts. Consequently, ESS started by focusing on the construction industry.

Starting ESS by concentrating on the construction industry made sense on many other levels as well. Not only did most of their workers have construction experience of some kind, the fact that addiction is an acknowledged problem in the industry meant that the issue was out in the open.¹² Construction pay is also much better than in some industries and it offers more opportunities for advancement and skills development than many other kinds of jobs. Moreover, in recent years, Vancouver has experienced a great deal of development. Although at the time they did not realize it, the temporary staffing field is also surprisingly lucrative.

Key Insight: When starting an enterprise there is just so much information that can be gathered during the business planning process. Learning-by-doing is necessary as some critical industry information and knowledge can only be gained by being in the industry. Social ventures are often pioneering new or untried models and therefore have limited opportunities to learn from others. Individuals and organizations starting social ventures must understand that the assumptions made in their business model may change. They should be comfortable making pivots to the business model as they begin to implement it. Deviations from the business model are not failures, but part of the enterprise start-up process.

¹¹ From interviews with Marcia Nozick October to December 2014.

¹² Employers in the white collar field are uncomfortable hiring the kind of temporary workers ESS provides knowing that they might have criminal records or histories of substance abuse.

2.3.1 The Social Enterprise Model

2.3.1.1 Legal Structure

In addition to choosing the industry to enter and which product or service to offer, several other important decisions must take place when developing a social enterprise business model. One decision involves which legal form to take. Social enterprise is not itself a legal entity and organizations have several options regarding the legal formation to use. Each option will have pros and cons but the choice of legal structure has implications on what the enterprise can and cannot do.

EMBERS the charity runs ESS as a program division and not as an independent legal entity. This is possible because the business activity of ESS—providing employment for people with barriers—fits within the charity’s mission and therefore falls under the related business activity category as defined by the Canada Revenue Agency. Having a social enterprise structured as part of a charitable organization offers a number of benefits. Firstly, because the charity and social enterprise are the same entity, the social impact remains the primary goal. This means that the tension between achieving impact and making profit that can happen when a social enterprise runs as an independent business entity becomes less significant. Secondly, as a charity, ESS can access grants at both the start-up phase and on an ongoing basis in addition to generating revenue. As well, small grants for specific purposes, such as training grants, may continue to be part of the overall funding.¹³

Focusing on finding a business where social impact directly resulted from the business activities¹⁴ allowed EMBERS to establish ESS as part of the larger charity without needing to create a separate legal entity. It is also important to point out that EMBERS keeps separate financial records for each of their programs (including ESS) to ensure that other charitable programs are not subsidizing the enterprise.

Key Insight: Although not always possible, identifying a viable business model directly related to the social purpose enables the organization to benefit from both grant income and earned revenue.

¹³ As an example, ESS recently obtained funding from the government to support training for their workers.

¹⁴ As opposed to a one-step-removed model in which generated revenue supports other activities, which in turn result in impact.

2.3.1.2 Competitive Advantage

A successful enterprise needs a strong competitive advantage—an aspect of its product or service that the market wants but is not provided by others in the industry. The market gap identified by Marcia's research pointed to the issue of worker reliability. At that time, Marcia heard a concern that, within the temporary labour field, workers could be undependable, fail to arrive at the worksite, and possibly be under the influence of their addictions.¹⁵ It was evident that the construction industry needed a source of reliable temporary labourers and as EMBERS already had experience working with people with barriers to employment (through their other programs), they were able to use their expertise to improve on the conventional temporary staffing service model.

In terms of promoting their service, utilizing a screening process that helps ensure their workers are clean and sober is another selling point that sets ESS apart from their competitors. Addiction is an acknowledged problem in the construction industry; it affects safety and work quality but it is endemic. However, ESS only accepts individuals that have been free of their addictions for a minimum of three months. As a consequence they are able to ensure the reliability of their workers. As Marcia points out,

You don't want to send people out who are drunk or on drugs . . . there are safety issues. BUT, when you're selling to the construction industry and you can pretty much guarantee to your clients that your temp workers are clean and sober, that's a big market differentiator. The competition doesn't screen their workers.¹⁶

Marcia also recognized that to break into the industry and be competitive, a competitive price was essential even though their service offered added benefits. Therefore, in addition to providing reliable workers to the construction industry—a value proposition enhanced by their social mandate—ESS also priced their service on par with the industry. Most temporary staffing firms charge their clients a fee based on an additional mark-up of between 80 and 100 percent of the rate they pay the temporary workers. ESS made the decision to charge their workers out at the same rates as their competitors but to pay their workers an average of \$2 to \$4 more per hour. Paying higher wages to workers means smaller margins, but ESS remains a viable model and is able to create significant social impact because of it. However, paying their workers more was also a business decision as higher paid workers are happier and more committed to their jobs, which adds to the benefits ESS provides their clients. On top of all that, ESS's clients like the fact that the workers they hire are paid more, at no cost to them.¹⁷

¹⁵ From interviews with Marcia Nozick October to December 2014.

¹⁶ From interviews with Marcia Nozick October to December 2014.

¹⁷ Why they feel this way is more complex than it might appear on the surface. Higher pay means that workers on the site are more motivated. Many of the hiring managers feel better knowing that the people working for them are getting a better wage. As Marcia notes, "it changes the nature of the exploitation a bit."

Key Insight: A social enterprise cannot rely solely on the social value proposition—their customers need a product or service that is priced to the market and that offers an advantage over the competition. From a competitive perspective, ESS had a well-priced distinctive business model that was incrementally enhanced by their social model.

ESS's services have developed as the enterprise has grown and they have gained greater understanding of their clients' needs. They continuously build on their core service, which in turn continues to enhance their uniqueness in the industry. Having started out by focusing on providing employment to people in recovery, many of the supports and practices from that time remain in place years later. For example, their first job coach/recruiter was an addictions counsellor. He brought insight into dealing with people in recovery and used it in his applicant screening process. To this day, ESS employs operations staff with experience working with people in recovery as it has proved to be a successful strategy for working with people in recovery. In addition, unlike many other day labour companies, ESS screens and interviews its applicants. This approach provides them the opportunity to get to know potential workers—their skills, strengths, challenges, and life and employment goals—and enables them to ensure a good fit between the individuals and their placements. Because of these screening practices and their policy of knowing their workers they are “actually making a match and not just sending bodies.”¹⁸ As a result, ESS now has a reputation for providing quality workers. Although their growth in workers and placement volume has inhibited the same full and detailed assessment of new workers that they undertook in their early years, most of their onboarding practices remain in place today.

Key Insight: Enterprises should constantly be evolving to meet their customer's needs. It is impossible to know everything about an industry and your customers until you start serving them. Getting to know your customers is a process, and customer needs or other industry factors can change. An enterprise that is always looking for better ways to meet their customers' needs has the best chance of providing a strongly competitive product or service.

¹⁸ From interviews with Marcia Nozick October to December 2014.

2.3.2 The Social Impact Model

ESS's worker population is comprised predominantly of people facing multiple barriers to employment, which includes people recovering from addictions, people leaving the prison system, people with English language challenges, and people with disabilities. Because ESS acts as an intermediary between the worker and the employer, the worker's background remains confidential and offers workers a truly fresh start. In Marcia's words:

We're the intermediary between the worker and a company. So, they [the company] don't need to know the histories of the people that we send out to work. Customers depend on our judgement about who we send to different sites. We live and die on the quality of our service. . . We know our workers' backgrounds, we provide them coaching, and we screen our workers. They [ESS clients] just trust that when they order temporary labour that you're going to send the right person to the job. And, in that way, people who have come out of prisons are able to get their foot in the door [without] which they never would have been hired otherwise. And then, if they prove themselves on the job, they may get hired on full time after a few months. We have literally hundreds of people who have found permanent work that way.¹⁹

In the first eleven months of 2014, ESS had over 400 people transition to full time work (Table 1, see page 16) and paid over \$2,641,000 in wages (Table 2, see page 16). Although not all are active, currently ESS has 4000 people in their worker database. Between April 2013 and October 2014, almost 1000 people received pay cheques. In an eleven-month period, 101 of the workers they employed were on disability²⁰ and 318 people with disabilities had applied to work with them. Of the hundreds of people that they provide placements for: 30% are Aboriginal, 10% are immigrants, 70 – 75% have histories of mental health and addiction problems, 100% are low income, 10% are homeless or just coming out of shelters, 25% have disabilities, 20% face language barriers (speak English as a second language), 5% are seniors, 8% are youth aged 13 to 24, 10% are women, and about 35% have criminal histories. In addition, since 2008 they have employed over 2200 people and helped over 1100 transition to full time work.

¹⁹ From interviews with Marcia Nozick October to December 2014.

²⁰ These are individuals officially classified by the government as having a disability and receiving disability income. People on disability are permitted to earn a small amount of additional income; however, when they earn above a prescribed amount, they may lose their disability income. Temporary work is ideal for workers with disabilities not only because it allows them the opportunity to work for shorter periods and durations, it enables them to work intermittently and top up their disability income without losing it.

Table 1. ESS Employment data to November 2014.

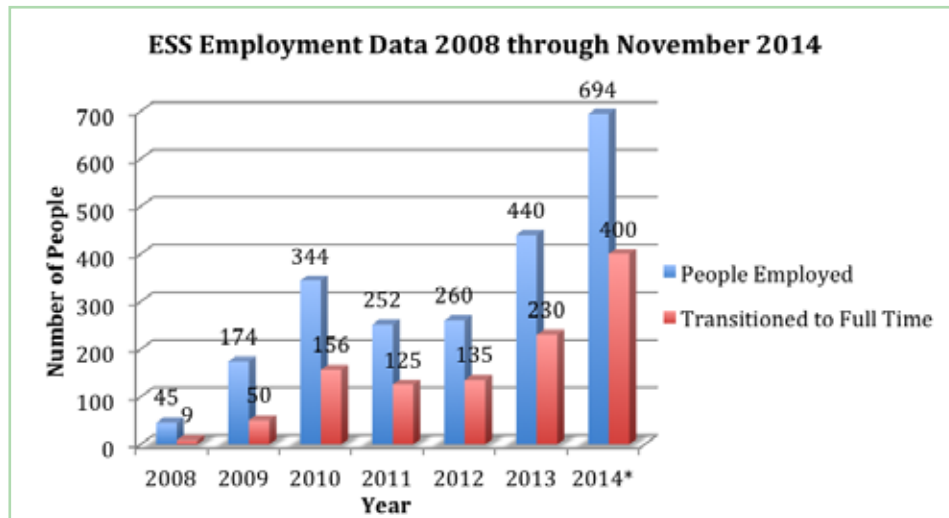
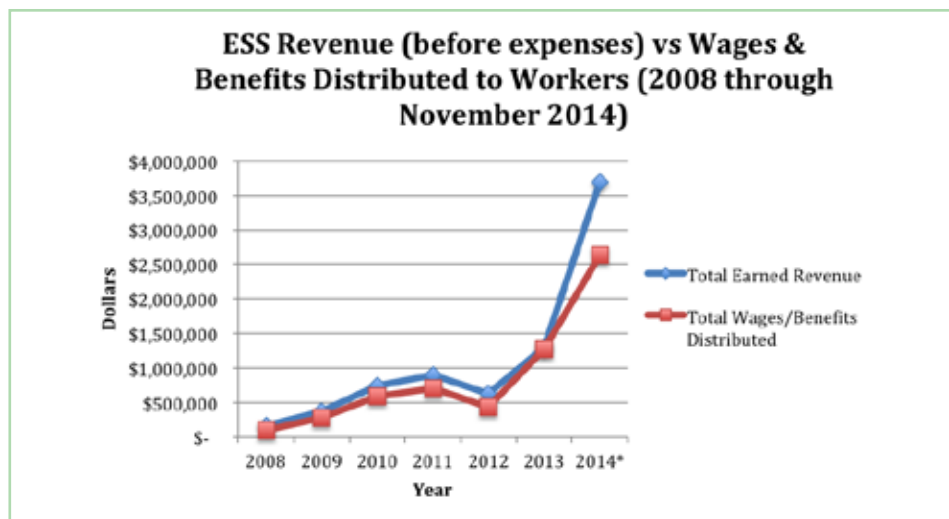


Table 2. ESS Revenue (before expenses) vs. Wages & Benefits.



Note: The revenue amount shown here is gross revenue before operating and capital expenses. In addition to paying their workers' wages and benefits, from this revenue ESS also pays training, staff salaries, payroll costs (WCB, EI, CPP) and fixed costs such as rent, office equipment, and so on.

Clearly, ESS's social impact is phenomenal, but the most remarkable thing may well be how that impact is continuing to evolve and deepen in a way that may one day transform an entire industry. For example, ESS now invests their revenue back into their workers, primarily in the form of training. Training is a new addition to their model. It had not been envisioned in their original business plan; rather, it emerged in response to requests from a client who asked if they would consider providing training to workers who showed potential. ESS agreed because they could afford it by then, it fit with their social mission, plus it helped their business.

Providing training is unheard of in the temporary staffing industry. The fact that clients engaged in this kind of dialogue with ESS is a testament to the relationships ESS was building with them. Eventually it became a selling point (to their clients and to potential workers) and they started to promote it.

Marcia and Doug have numerous examples of how training has really changed peoples' lives. They have had people come right out of shelters, become workers, get trained up, and even move into management. In some cases, their workers have accomplished this kind of success within 12 to 18 months.

This year they started giving long-term workers—people who have worked steadily for six months to a year—extended medical and dental benefits. According to Marcia, this is another first in the industry but it was something their workers were asking for and that they had always hoped to offer their employees anyway. Again, it was not in their original business plan (even EMBERS couldn't afford staff benefits until 2 years ago), but it was something that seemed like the right thing to do. Marcia sees it as a social benefit and a way to treat good long-term workers well. And, they can afford it.

Key Insight: ESS could well change industry standards by raising the bar by offering their workers better wages, benefits, and training. The model pioneered by EMBERS evolved because they use dual criteria to assess their decisions. Every decision they make not only has to be a good business decision it also has to have a positive effect on their social impact. Some ideas came about to improve the business and some came about as the means to strengthening their impact, but each was also evaluated from the other perspective. As a result, EMBERS made a series of decisions that positively influenced the bottom line of the business as well as the resulting impact.

3 GROWING EMBERS STAFFING SOLUTIONS

Marcia acknowledges that they simply had not realized how hard it would be to break into the industry:

Breaking into the market was REALLY difficult. . . . One of our biggest challenges was breaking into the industry when we were not even FROM the industry. We didn't know anything about construction let alone running a staffing agency. . . . It was so difficult and such a big learning. In addition, ESS had no profile, no brand recognition in the industry.

Certainly, providing temporary staffing to the construction industry proved much harder than they had been lead to believe. As Marcia learned, it was actually the most difficult of the temporary staffing fields to manage because of the logistics. For instance, there are multitudes of job types, work can last from hours to weeks, and workers may go to a different site every day. This is in contrast to white-collar work where positions are longer in duration and more static in nature. As such, deploying staff, tracking where they are, when they were starting or coming off a job, and their skill-sets requires a great deal of administration. The volume of operational and administrative work required to run ESS meant that Marcia had to hire additional support staff to manage their growing list of workers and job placements. In addition, connecting with the key hiring personnel proved to be problematic due to the way the construction sites are organized and because of the fact that a great deal of the work is sub-contracted.

During the first few years, ESS was reliant on grant funding to keep afloat, but as their reputation grew and they garnered more contracts, they began to generate revenue. By their third year of operation, grant funding was less than 4% of their income. However, at that time they were reliant on about three major clients and as their construction projects concluded ²¹ ESS found themselves top heavy with administrative staff and only sending out a few workers a day.

Based on their initial business plan and assumptions, ESS expected they would be sending out 60 to 80 people a day, but after three years of operation they had gone from an average

²¹ Much of EMBERS initial success was due to the construction work leading up to the 2010 Olympics in Vancouver.

²² From interviews with Marcia Nozick October to December 2014.

of 20 placements a day to an average of 10 placements a day. It got to a point in 2012 that they could not even pay salaries. Working with Marcia, the board developed a number of cost cutting scenarios, and although it meant cutting back on staff, Marcia was able to convince the board to allow her to run ESS as a “mom and pop operation”²² with Doug Aason. The board gave her 6 months to pilot this pared-down version but within 3 months, she was already seeing positive results. Marcia attributes their success to a number of factors: a new business development strategy, partnering to provide workers for a multi-year SRO (Single Room Occupancy building) renewal project, working together with other CED groups in the community to promote local hiring with developers, and the general economic upturn in Vancouver.

Looking back, Marcia recalls several decisions that proved costly. Most notable was her decision to hire a salesperson that was unfamiliar with the industry. Despite his skill as a salesperson, it became apparent that he was not gaining access to key decision-makers. Over the years, Marcia has had several different business development people who simply did not produce the necessary results. Her current salesperson knows the construction industry and how to approach it, which has had a positive effect on their business development.

Another key learning has been in the general administration of a staffing agency. As happened with their entrance into the construction industry, Marcia acknowledges they had no idea how to manage things like payroll and timesheets. As she points out, “operationally we made LOTS of errors and learned from them.”²³ For instance, in the beginning, they would get the site supervisors to fax the signed timesheets, but this did not work. Then it occurred to them to make the workers responsible for getting time sheets signed and submitted (they don’t get paid unless it is signed) and the whole process improved. Over the years, Marcia has encountered numerous obstacles like this and in each case, she has found ways to modify the process to improve operations and create efficiencies. Marcia is always willing to pilot a plausible idea as they look for ways to improve operations. As Marcia points out: “We’ve been learning as we go and we are still learning.”²⁴

From Marcia’s perspective, the biggest issue was that they did not know how to approach the industry. They tried to do it the way commercial companies did by walking on to a site and pitching the site supervisors, but that strategy proved unsuccessful at the start given that ESS had no brand awareness in the marketplace and their sales force amounted to one part-time person. Finding out who made the decisions to hire casual labour was tricky because of the structure of the construction industry and the heavy use of sub-contracting. They finally broke

²³ From interviews with Marcia Nozick October to December 2014.

²⁴ From interviews with Marcia Nozick October to December 2014.

through when they modified their strategy and approached the owners of the construction companies as well as the onsite supervisors. As they built relationships with key individuals in the firms and on the sites, they gradually acquired more and more job placements.

Finding out who to approach for business was only one factor contributing to ESS's eventual success. Their real breakthrough came as a result of what Marcia refers to as a "community effort."²⁵ A local construction firm had applied to undertake a Single Room Occupancy (SRO) hotel renewal project. The RFP they responded to had a social procurement requirement. As luck would have it, Marcia had recently met the owner of the construction firm at a fundraiser and, as a result, he was familiar with ESS's model. So, when he approached ESS (as a social enterprise) to see if they would provide workers, Marcia said yes. As Marcia notes, "in some ways we were lucky because we were there at the right time."²⁶ This contract, however, signalled the beginning of ESS's re-emergence from near disaster and their shift to solvency. With each bill the construction firm paid, ESS was able to ramp up their operations with the knowledge that they had money in the bank to pay the increasing number of workers that they were sending out on a daily basis.

After that, things began to come together and ESS continued to gain traction as their client base grew partly by word-of-mouth, but mostly thanks to Marcia and Doug's hard work providing excellent customer service and their constant effort to build and maintain client accounts.

Key Insight: ESS's business turned around when they gained access to the industry and learned how it worked. This breakthrough might have arrived sooner had they been able to tap into the knowledge available from industry insiders earlier on. Entrepreneurs can gain deeper understanding of their industry a number of ways, such as by hiring or contracting experts or by recruiting the expertise to their board.

²⁵ From interviews with Marcia Nozick October to December 2014.

²⁶ From interviews with Marcia Nozick October to December 2014.

4 THE CHALLENGES OF GROWTH

ESS has grown in a very short time from what Marcia describes as the equivalent of “being a corner store to being a superstore.”²⁷ From the end of June 2014 to the end of August 2014, they increased revenues by \$1 million dollars. This represents the significant number of people they have had to recruit in order to meet their clients’ expectations. Indeed, although ESS was initially started to fund their microenterprise program, it has now eclipsed it. As Marcia emphasizes:

We knew it was a good business model and we knew it would help people but because we were caught in the day to day running of it we didn’t realize what an impact it would have.²⁸

However, Marcia is not one to become complacent. As a good business manager, she never takes ESS’s success for granted and is always looking ahead. She keeps an eye on the competition and works to maintain customer service levels even as they grow.

While Marcia and her staff have always been busy and put in long hours, ESS’s rapid expansion has been both exciting and stressful. According to Marcia, the temporary labour business never stops. ESS’s office is open or they are on call 24/7 with placements often coming in after business hours. With the expansion, ESS has had to hire new staff, but Marcia is very cautious of becoming too “admin heavy”²⁹ because insufficient revenue to cover their administration costs had been part of what contributed to their downfall in 2012. She now keeps staffing levels to a comfortable minimum.

In 2014, Marcia realized they were “failing a number of the positions”³⁰ —clients were demanding workers but ESS was struggling to fill spots with the best people. One problem stemmed from the fact that they could not get in touch with workers since many do not have phones. In April, they decided to create a physical labour pool by having workers come to their office every morning to pick up jobs. At first, they felt uncomfortable about doing this because individuals can spend entire mornings waiting for jobs that never turn up. However, this has proved to be a good format for ESS. These days it is rare for more than one or two workers to be left over after the morning assignments and they usually are given a placement the following day.

²⁷ From interviews with Marcia Nozick October to December 2014.

²⁸ From interviews with Marcia Nozick October to December 2014.

²⁹ From interviews with Marcia Nozick October to December 2014.

³⁰ From interviews with Marcia Nozick October to December 2014.

ESS recently invested in two vans that they use to transport workers to sites. As would be expected, the majority of their workers do not own cars and are therefore restricted to areas accessible by public transit. Delivering workers by van expands the geographical scope of ESS's service area. It also insures that workers arrive where they are supposed to on time. While Doug and Marcia had been driving people in their own cars all along (especially when new people started and hadn't proved their reliability) this recent commitment to officially transport workers was not in their original business plan. Although, for financial reasons they could not have entertained this idea a few years ago, buying the vans was a good and practical business decision that has enhanced their customer service and expanded their territory.

Some aspects of ESS's success have proved bitter sweet. In the past, regardless of skill set or type of position, everybody went through the same recruitment process. However, because of the increasing number of positions needing to be filled their three recruiters are unable to offer the same individual treatment. Instead, general labourers now go through a group interview and orientation process, while those with higher skillsets go through a more rigorous in-depth interview process. On the plus side, ESS has many jobs, which means many opportunities for individuals in need. On the negative side, as numbers increase, it has become more difficult for them to know everyone on the roster as well as they used to. This is an issue Marcia is well aware of and that she discusses regularly with staff hoping to find a more effective solution.

One of the biggest challenges now is managing growth. Marcia feels that ESS is stable enough that they can move to the next level by implementing better systems, putting a new staffing plan in place, and creating greater efficiency in general. The first task on her horizon is developing and implementing an online tool to help manage the dispatching and the volumes of information they maintain on their workers and their placements. The current job placement and tracking processes, which until recently involved a variety of mediums including paper, spreadsheets, and software programs, have not been up to the task of accurately recording the ongoing placements of their growing pool of workers in a timely fashion.³¹ Their new system will integrate the front-end business processes (candidate applications, measuring skills, matching workers to placements, and dispatch) with their backend accounting processes (payroll, accounts receivable, and invoicing) and expand their organizational capacity to handle current and future growth. In the meantime, they have had to slow down their business development so that they don't over extend their systems and put the quality of what they do at risk.

³¹ To put this into context, on any given day ESS has 150 people working on different sites and 4000 applicants in their database. They need to keep track of customers, what sites workers are at, the different rates they are paid, when workers are coming off jobs, which new jobs they are starting, and so on. They also have to attach all this information to their payroll system and the database that contains information about the workers and the kinds of work they perform.

Given the implications of this new system in terms of staffing and workloads, Marcia also plans to hire a consultant to help her develop an organizational plan to clarify roles and responsibilities and aid the transition to the new information management system. In addition, she intends to put better policies and procedures in place to standardize things like paperwork processes and sign-offs.

Marcia is also putting energy toward increasing ESS's competitiveness by finding new and different ways of doing business with clients in the construction industry. For instance, exclusive contracts are common in the temporary white-collar and warehousing staffing industries but they are uncommon in the construction industry. Establishing exclusive contracts may offer ESS a competitive advantage and Marcia plans to explore the idea in greater detail.

Another growth-related challenge—a common challenge in any business heavily reliant on cash inflows and outflows—is the need for better cash flow management. In ESS's case, the larger the business became the greater the challenge to match receivables and expenses.³² Fortunately, VanCity provided them with a \$500,000 line of credit, which has been critical to managing the business growth and their cash flow needs.

Key Insight: Managing growth can pose even greater challenges than growing the business in the first place. With growth comes the need to focus on building systems and processes. This side of running the enterprise draws on a different set of skills than were required of the entrepreneur in the start-up phase. Marcia is fortunate, as she appears to have skills suited to both phases.

³² As at November 2014, ESS typically has over a million dollars in receivables that they have to finance.

5 THE ROAD AHEAD

Marcia acknowledges that EMBERS Staffing Solutions has unfolded organically. From her perspective, the fact that the idea for the temporary labour firm came from within the DTES community afforded it sufficient credibility for her to take notice and pursue the idea. However, had it not been for Marcia's readiness to recognize the idea's potential and then to embrace and champion it, ESS may never have become the successful enterprise it is today.

In all, the journey from idea to launch took almost five years. Not only did Marcia have to wait until she had full board support, she had to find the capacity to move the idea from one phase to the next. The first phase involved developing a business plan but she needed money to do it. However, because of the grant application and re-application process, it took several years before she could begin. Despite having some of her early applications declined, Marcia did not give up—she was confident in the model's success. Speaking about her belief in the business model, Marcia says:

The fact that it was a good model is common sense—it's a clear business model. Here in this neighbourhood, we've got employment problems. The fact that you can put these people to work plus the [construction] industry offers big margins . . . [means that] it directly benefits the people we want to help. You directly put money in people's pockets—you have a BIG impact. The business side and social side are blended together; the more business we do the bigger the social impact.³³

Obtaining the initial grant funding was pivotal to moving forward with the business idea. It enabled Marcia to put resources in place to develop the business plan, and the subsequent rounds of funding enabled her to launch and sustain ESS through the tough early years and while they regrouped in 2012.

When it comes to running the enterprise, Marcia advises that, “you need to know your capacity.”³⁴ Initially, her board expressed concern about her ability to run both EMBERS and ESS but she assured them that she could do both. In the beginning, she allocated 35% of her time to ESS but now that ESS has overshadowed EMBERS' other programs, she devotes 85% of her time to it. Marcia knows that to run a successful social enterprise you need to put in lots

³³ From interviews with Marcia Nozick October to December 2014.

³⁴ From interviews with Marcia Nozick October to December 2014.

of extra hours to make it happen. She is in the office at 6am every day to help drive workers to the work sites. She then spends her time on business development, creating relationships, developing programs, and pitching in to support the operations whenever she can. Although it still means mostly 12-hour days, she also has the support of program managers and other staff to deal with the ongoing work of EMBERS and ESS. In other words, according to Marcia, “when you’re a small business that is growing rapidly . . . everyone has to jump in and make it work.”³⁵

Having experienced recent rapid growth (and continuing to do so) Marcia’s primary focus is now on “developing really strong systems”³⁶ to help carry them to the next level. She is also on the alert for ways to evolve the enterprise to serve customer needs while making sure the social mission remains paramount. In that regard, Marcia and her board see a number of opportunities, each of which requires time and research. These include opening satellite offices in the lower mainland and having a national presence in Canada. They are also contemplating ways to create a full-cycle experience for their workers, which in this case would involve buying and renovating (using ESS workers) transitional housing for their workers to live in.

Six years after launching, ESS has grown exponentially in terms of revenue and social impact. In 2014 from January through November, they employed 694 people who collectively earned almost \$2,641,000 in wages and benefits. During the same period, over 400 of their workers transitioned to full time employment. While this kind of growth presents many new challenges, the knowledge ESS has gained leaves them well equipped to continue in their successful journey.

³⁵ From interviews with Marcia Nozick October to December 2014.

³⁶ From interviews with Marcia Nozick October to December 2014.



CASE STUDY



Embers Staffing
Solutions

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The Centre for Social Innovation & Impact Investing (Sauder S3i) is focused on leveraging business tools to advance social innovation and impact investing, through research, incubation, and application. Sauder S3i defines social innovation as a new approach, which fosters initiatives that contribute to solving existing social, cultural, economic, political, and environmental challenges. This encompasses concepts such as social entrepreneurship, social finance, and strategic corporate social responsibility. What it does not involve is simply throwing money at a problem. Rather, Sauder S3i aims to build institutions designed to create value rather than dependency.

Our goal is to build intellectual and human capacity by linking knowledge with action through invention, acceleration, and investment to further the field of social innovation and impact investing. We are just as passionate about student development and action oriented research, as we are about creating useful resources, plans and capacity for our partner communities and organizations.

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