

# REDF

Investing In Employment and Hope

## Impact to Last:

Lessons from the Front Lines  
of Social Enterprise



A REDF  
Case Study  
Initiative



## EXECUTIVE SUMMARY

AUTHORS  
Ben Thornley  
Jacquelyn Anderson  
Lauren Dixon



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## INTRODUCTION

Dear Colleague:

*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 from around the country 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 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 confirms social enterprises work—they get people employed, raise incomes and stability, 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**

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<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.

## THE POTENTIAL OF SOCIAL ENTERPRISE

Social enterprises—mission-driven businesses that break down barriers to employment—represent a cost-effective investment. 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 eight 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 who were 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 facing their employees. 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, adaptability, and innovation, and include 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.



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<sup>2</sup>Ibid.

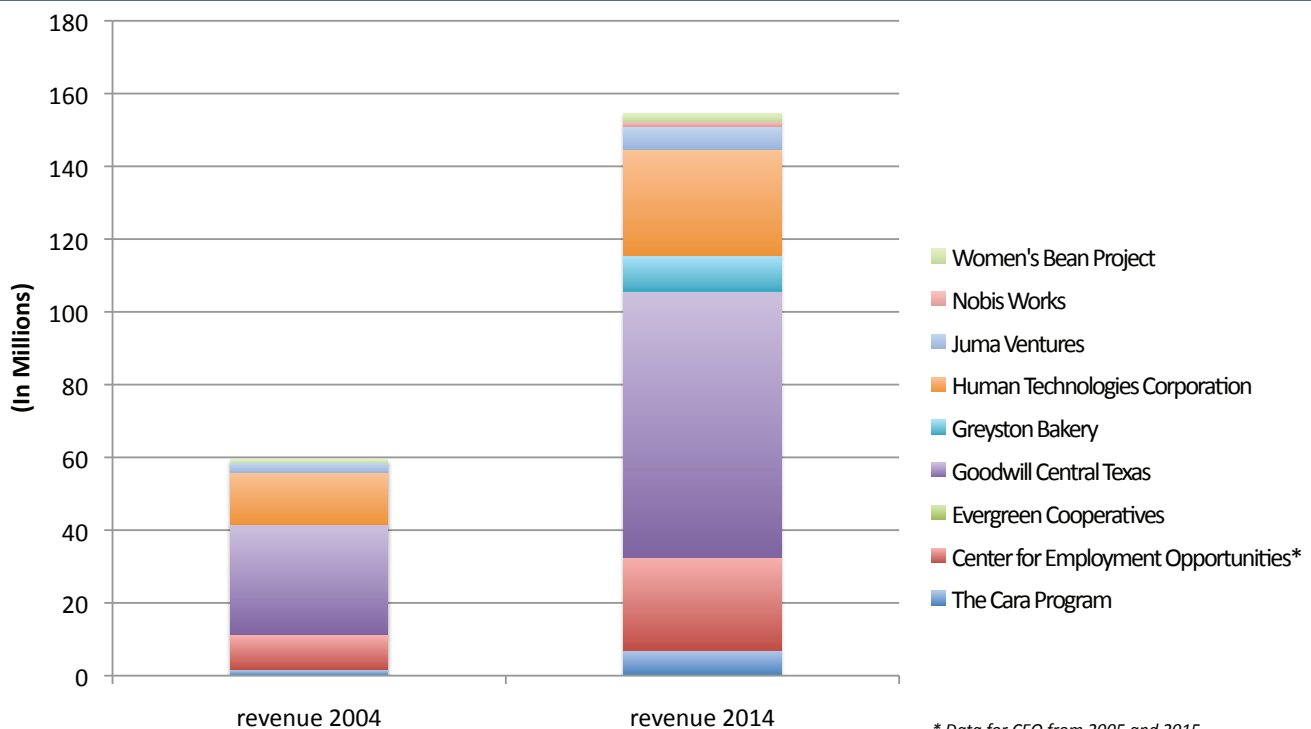
## THE TEN SOCIAL ENTERPRISES

Bank of America Support Services Division (Newark, DE)	HT-Human Technologies Corporation (Utica, NY)
Center for Employment Opportunities (New York, NY)	Juma Ventures (San Francisco, CA)
Evergreen Cooperatives (Cleveland, OH)	Nobis Works (Marietta, GA)
Goodwill Central Texas (Austin, TX)	The Cara Program (Chicago, IL)
Greyston Bakery (Yonkers, NY)	Women's Bean Project (Denver, CO)

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

### 10-year revenue growth of the profiled social enterprises



Note: Bank of America Support Services Division is excluded from this chart. Discrete revenue data is unavailable.



## DEFINING SCALE FOR SOCIAL ENTERPRISE

To scale impact in social enterprise is to accelerate growth in both the *number and quality* of employment opportunities available to people facing barriers to work so that they can achieve their self-sufficiency goals. Social enterprises operating “at scale” have created a **meaningful number of jobs** in a community, achieved the **financial sustainability** necessary to 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 impact at scale is more of a process than a destination—a successful social enterprise has the ability to grow and increase its impact at any stage. The strategies social enterprises use to achieve this growth fall into three broad categories:

- **Expanding Program Operations.** Program expansion can mean creating new lines of business that provide more jobs or make the enterprise itself sustainable over time, or strengthening work supports that enable more people to transition successfully out of the social enterprise into mainstream employment. **Goodwill Central Texas** increased its annual revenues 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. **Bank of America Support Services Division** has expanded to three locations nationally and employs over 300 people with disabilities through the provision of high-quality warehousing, fulfillment, printing, and other back office services.
- **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 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 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 its local circumstances. **Evergreen Cooperatives’** efforts to create worker-owned social enterprises as a strategy for reducing poverty and building wealth in disinvested neighborhoods have 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.



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## CORE DRIVERS OF SUCCESS

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.



## ANCHORS

ANCHORS are large private and public sector customers that purchase goods and services from social enterprises, or hire the people that are being trained and prepared for mainstream employment. Anchors help social enterprises gain a market foothold, develop products, build operational infrastructure for growth, and identify what kind of job preparation is needed, along with “next step” job opportunities.

Anchor customers also benefit from their relationships with social enterprises. For private corporations, partnering with social enterprises demonstrates their commitment to and investment in local communities and mission-driven businesses, which their customers increasingly expect and value. Social enterprises offer a way to improve conditions in and relationships with low-income communities where some Anchor customers are located. And social enterprises often provide unique products and services that make them attractive vendors. For public sector agencies, social enterprises provide needed services while simultaneously addressing other costly social problems, such as unemployment and recidivism.

In 1988, **Greyston Bakery** founder Roshie Bernie Glassman was introduced to Ben Cohen of Ben & Jerry’s Ice Cream, who placed an order of brownies initially intended to create ice cream sandwiches. When the first shipment arrived, the brownies were stuck together and unusable for this purpose. Ben & Jerry’s improvised, broke Greyston’s product into smaller pieces within an ice cream base, and created the best seller Chocolate Fudge Brownie. Greyston continued to provide Ben & Jerry’s with brownies, and having this Anchor customer enabled the enterprise 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 business together. When Ben & Jerry’s was later acquired by Unilever, the relationship with the Greyston brand continued, which Unilever highlights as a model for its other business holdings.



AUDACITY is an expansive, creative approach to leadership, pushing an organization toward new commercial relationships, path-breaking business models, and bold long-term goals. Like the businesses featured in *Built to Last* that benefited from setting “Big Hairy Audacious Goals,” social enterprises stand to gain from putting a bold stake in the ground.<sup>3</sup> For social enterprises, Audacity manifests itself in solution-driven goal setting focused on closely-related business and social outcomes, in fearless partnering with much larger public and private sector buyers, and in unconventional thinking in the development of market-based solutions to intractable social problems.

At **Goodwill Central Texas (GCT)**, longtime CEO Jerry Davis asked a simple question: was it possible to completely solve the 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? A deep process of reflection, aided by the results of an evaluation of GCT’s work by researchers at the University of Texas, resulted in a goal of creating 100,000 jobs over 10 years, both directly and through partners. That 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 toward their high school diplomas; and a more active role in policy advocacy.



The success of these social enterprises is due to strong, forward-thinking leadership; ambitious goals; a distinctive, mission-driven identity; and the ability to raise unrestricted revenue to facilitate growth.

<sup>3</sup> Collins, James C. and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies* (2004) (New York, N.Y., Harper Business, 2004).



## EVIDENCE

Among the most successful approaches practiced by the 10 featured social enterprises is the use of Evidence to drive performance. Its features are exceptional performance measurement that informs and may lead to changes in management practices, transparent reporting of financial and social indicators and, in some cases, rigorous evaluations of impact.

In 2004, the **Center for Employment Opportunities (CEO)** participated in a randomized control trial (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. Being able to prove that CEO delivers a high-impact, cost-effective solution increased the demand for its services and attracted financial resources that fueled CEO’s national growth.



## GROWTH CAPITAL

Growth Capital is enterprise-level funding or investment that builds the capacity for planning and business expansion. Distinctive types of support are calibrated to different phases of growth.

At an earlier stage of development, Growth Capital tends to come from the balance sheet, longtime supporters, family, a founder, or small local foundations and donors. When the enterprise is larger and expanding quickly, national foundations are among a new group of Growth Capital providers, often in the form of multi-year, unrestricted grants. Growth Capital at later stages of development can be self-generated through revenue reserves, accessed through traditional providers of financial services or, more recently, provided by impact or social investors such as Pay for Success initiatives. Most funding of start-up and growth-stage social enterprise comes from private sources like REDF, not the government, although a few government programs have provided funding, particularly to Community Development Corporations (CDCs) that have created businesses. In general, the capital market for social enterprise is not well-organized or particularly transparent.



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 TCP 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 Growth Capital he provided gave TCP the foundation it needed to grow into the rigorous life skills training and transitional jobs program it is today.

**Nobis Works** received a number of grants from local foundations in the Atlanta area to seed the creation of a \$250,000 "new venture fund" in-house. The fund was created in 1995 but has since been replenished and remains an important source of Growth Capital for Nobis Works to this day.



## IDENTITY

Identity is the combination of brand, culture, and operational practices that make a social enterprise distinctive. 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 cultural practice of gathering together as a community to share stories. No matter its form, this core driver allows social enterprises to stand out in the marketplace, enabling them to grow.

**Women's Bean Project (WBP)** CEO Tamra Ryan incorporated her experience from the marketing industry, with some bias toward the influence of branding in an organization. WBP's work on Identity included launching a new logo (a sprouting bean representing growth, prosperity and change). This elevated brand helped the organization expand into a wide range of product areas and ultimately secure the world's biggest retailer, Walmart, as a client. As part of Walmart.com's Empowering Women Together, WBP has enjoyed tremendous exposure in the press and was featured as Walmart's North American model in an Oxford University case study about the initiative.

**Bank of America** created a distinctive cultural and operational identity for its Support Services Division (SSD) after acquiring MBNA in 2005. Executives in SSD were challenged to reimagine their approach and opted to treat SSD like any other line of business rather than a charitable program. The focus on equal pay for equal, high-quality deliverables has empowered employees and impressed SSD's internal customers.





## EMERGING PRACTICES

While these five drivers of growth were common across the social enterprises studied and instrumental in their scaled growth, an additional three emerging pathways show promise and should be nurtured as ongoing priorities for the field.

### 1) SOCIAL AND POLICY INNOVATION

Government is turning to enterprising, cost-effective models for addressing seemingly intractable social problems like homelessness and recidivism. In New York, California, and Oklahoma, local and state government agencies are procuring the services of **CEO** to perform indoor and outdoor maintenance. By putting ex-offenders to work, they are striving to reduce the incidence of re-offending and the costs and consequences of incarceration. In Los Angeles, the Workforce Investment Board (WIB) successfully competed for a U.S. Department of Labor Workforce Innovation Fund grant, partnering with several local social enterprises to provide job training for people who have been homeless or incarcerated.

### 2) COLLECTIVE ACTION

Social enterprise is often a place-based strategy; deep, local collaborations are indispensable to attracting funding, customers, attention, and community support. **Evergreen Cooperatives** and its worker-owned businesses were conceived by the Cleveland Foundation as part of the larger Great University Circle Initiative, a collaboration with institutions including Case Western Reserve University, University Hospitals, and the Cleveland Clinic to create jobs and build equitable neighborhoods. Similarly, the Los Angeles WIB project is a partnership of 30 enterprises and community-based organizations.

### 3) INTERMEDIARY ENGAGEMENT

Intermediaries that provide capital, data, knowledge, networks, and business advice, including REDF, have been working to grow the social enterprise sector for over two decades. A surge in interest from new organizations and programs designed explicitly to grow the field of social enterprise—including mission-driven business accelerators, social enterprise advocacy organizations, academic centers, and dedicated trade groups like the Social Enterprise Alliance – promises to further scale the sector. Reworx—a social enterprise created by **Nobis Works** that recycles, refurbishes, and resells electronic waste—is part of a new Impact Recyclers network created by REDF to expand markets and share best practices.

## THE ROAD AHEAD: BREAKING THROUGH

The 10 featured case studies 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 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, Roshi Bernie Glassman, was introduced to Ben Cohen of Ben & Jerry's Ice Cream, 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 CEO's 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 those 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 goals, leaders and managers need experience and coaching in running double bottom line businesses in their respective industries.
- **Generating more private sector interest.** There are many examples of mutually beneficial partnerships between corporations of all sizes and social enterprises. These examples should be prominently highlighted at every turn so that companies see the market value of doing more.
- **Influencing public policy.** Policies will have a major impact on the field—especially those that incentivize results-oriented solutions, spur investments in the growth of and procurement from social enterprises from them, deliver supports for employee job retention and advancement, and make work pay (through, for example, the Earned Income Tax Credit and addressing the “benefits cliff” in many public subsidy programs).
- **Facilitating collective action.** Funders and intermediaries should encourage collaboration by brokering and incentivizing community and cross-sector partnerships.
- **Building the evidence base for social enterprise.** Proving the impact of social enterprise is 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 initiatives.

With the right breakthrough supports, social enterprises and their peers represent a unique opportunity to create impact at scale that truly lasts.





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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## 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 designs, and geographic scopes. 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 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.



... transitional  
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## ABOUT REDF

REDF creates jobs and employment opportunities for people facing the greatest barriers to work.

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).

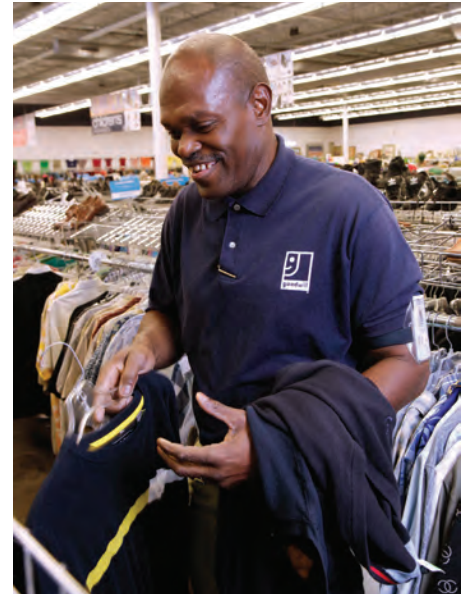
**To learn more about REDF's work, please visit [REDF.org](http://REDF.org) and [REDFworkshop.org](http://REDFworkshop.org), a unique website platform developed by REDF to empower the growth of social enterprise, build the field, and foster collaboration and learning.**

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start with a job.







SF OFFICE: 221 Main Street, Suite 1550 San Francisco, CA 94105 | (415) 561-6677  
LA OFFICE: 1055 West 7th Street, Suite 1920 Los Angeles, CA 90017 | (213) 623-2112  
[www.redf.org](http://www.redf.org) • [info@redf.org](mailto:info@redf.org)

