



Strategic Management of Women's Social Enterprise

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*A*mong the signs of the growing maturity of the social enterprise sector are the questions people are asking of it. Not long ago, these questions were confined to the greater issues of definition and justification: What is social enterprise? What is it for?

More recently, people have begun to ask exacting questions about method. How does a training business (a café or ice cream shop, for example) give customers good service while allowing inexperienced workers to learn (and make mistakes)? How does it plot a growth strategy that will serve the interests of both the paying public and employee/clients? As a social enterprise in a low-wage industry, how does it encourage long attachments when there is little room to financially reward employees for their loyalty?

In short: what exactly makes the management of social enterprises *special*? About two years ago, the Ms. Foundation for Women sponsored a study to look specifically at the management of mid-sized women's social purpose businesses (SPBs)¹ in the U.S. Ms. Foundation wondered: "What management practices do effective women's SPBs have in common?" And, "Are there aspects of their management that we would call *gendered*?" Three ventures were examined:

- Appalachian By Design's (ABD) flexible manufacturing network of rural women produces luxury knitted baby garments and "made-to-order" knitted women's suits. For-profit microentrepreneurs sell their garments to the nonprofit ABD for finishing and marketing.
- El Puente Community Development Corporation, an SPB incubator, has created five businesses in El Paso, Texas. All are managed by older (40-60 year old) Latina workers displaced from that city's garment manufacturing industry as a consequence of the North American Free Trade Agreement.

- Childspace Management Group (CMG), a worker-owned company, operates three childcare centers in inner-city Philadelphia. It is one of the larger providers for low-income children in the city and among the few centers serving low-income families accredited by the National Association for the Education of Young Children (thereby attaining the nationally recognized standard of quality care).

Each SPB met three simple measures of effectiveness. It had grown to a mid-sized organization (40-50 staff). It had some longevity (one was 16 years old, one was nine, and the youngest was five). Finally, it had received recognition for its work from regional or national organizations.

This was an exploratory study, designed to help determine the scope of subsequent, more definitive research into the three ventures. Ms. Foundation will publish the full studies in autumn 2005. Here we present some conclusions based on the initial research.

(above) Workers at Diseños Mayapan cut material and (inset) sew a scrub or uniform. Photos: El Puente CDC.

Flexibility in the Workplace

All three businesses structured work to accommodate women's multiple responsibilities as employees, care-givers, and community members. Although each business provided flexibility uncommon among traditional, low-wage companies, each did so in a different manner. There was no "one-size-fits-all" solution. Instead, a careful matching between the business' needs and the employee needs was essential to finding a flexibility that could be sustained.

This – probably our most "gendered" finding – is in keeping with research conducted on such corporations as Xerox, Corning, and Tandem.³ It indicates that flexible work structures, which serve companies by increasing productivity and reducing employee burn-out, are desirable to *all* employees, male and female. Given the on-going unequal distribution of caring responsibilities, however, such flexibility is indispensable to the effectiveness of social enterprises serving low-income women.

For example, ABD serves a rugged, rural area about the size of Manitoba and one of the poorest regions in the U.S. The roads in this area are often impassible during inclement weather and there are few formal facilities for childcare or elder care.

The flexibility that matters to ABD's knitters is having their work as home-based as possible. Thus, ABD has organized its processes to limit the amount of travel knitters must do. Training is done one-on-one in a knitter's home or the home of a nearby master knitter. The finishing center staff will mail yarns and other supplies and knitters often deliver their finished products by postal or UPS service. ABD has even helped over half of the knitters acquire computers so that patterns can be e-mailed and directly transferred into state-of-the art knitting machines.

This flexibility is quite different from that which Childspace provides. A hallmark of good-quality childcare is consistency in the teacher-child relationship. Therefore, Childspace ensures a stable, quality childcare arrangement for

staff by providing a childcare benefit for a 20% co-pay. (Lower quality childcare centres tend to run at high child/staff ratios with a lot of turnover in kids and teachers. A staff member's child can be added to the mix without affecting costs. High quality centres like those of Childspace, by contrast, have low child/staff ratios and low turnover. The value of each available "slot," intrinsically and financially, is higher. Thus, staff childcare at Childspace is a substantial benefit.) Childspace also provides staggered schedules but discourages frequent changes in schedules.

Access to Management

Our second finding was that all three SPBs provided workers true access to the top levels of decision-making through ownership, board seats, and aggressive management development programs. This was, most likely, an expression of founders' commitment to women's empowerment.

In such key areas as growth strategy & work structure, traditional business practices must be reshaped in order to be of practical value to the social enterprise sector. Mature women's social enterprises – with their dual obligation to creating decent, empowering jobs, & family-friendly work cultures – are at the forefront of this process.

Nevertheless, it brought profound benefits to managers. Workers felt valued and respected, which helped managers in their effort to create quality jobs while remaining a viable business in a low-wage industry.

At El Puente, for example, most workers have 10-20 years' experience as sewers in jean factories. The repetitiveness of this work and rigidity of the factory environment cannot be overstressed. It was common for line sewers to specialize in a single seam – the inner pant leg, or attaching the waist, for example. Quotas were high; schedules left little flexibility to deal with personal needs; there was little

room for advancement. Workers were not even allowed to speak while sewing.

When asked to reflect on what made a good quality job, El Puente workers talked about the importance of challenge. To quote two women:

"This organization [is about] moving, learning, growing.... Every time we change to a different job, it's a different experience.... I was the first one to import merchandise! We learned that by ourselves."

"[What I like about my job] is to be able to learn to cook better, to train other people and to further myself as a manager."

Moreover, this access gave workers multiple perspectives on their compensation. Though all spoke in interviews about the difficulties they had in making ends meet on their salaries, many also tempered their remarks by explaining why the business was unable to pay more. Workers understood the constraints under which the businesses operated

and this understanding generated both patience and loyalty.

For example, Childspace's ownership structure meant that workers comprised the board where budgets were set and annual pay raises decided. Wearing "multiple hats" in this way gives staff a new perspective. In the words of two teachers:

"You actually see how much money [the company] gets and where it goes. A lot of people think they pay a lot for childcare. ... But [they don't see the whole picture.]"

"I understand why the pay is low. It's not that they're not trying [to raise the pay], it's just not there."



Improving Job Quality

This patience and loyalty was also fostered by a third attribute of these businesses: a driving force in the growth strategy of all three was to improve job quality. For these SPBs competing in “women’s sectors,” one of the greatest management challenges was to balance the desire to create decent jobs with the need to remain viable in a low-wage industry. It appears that these mature SPBs were constantly scanning their environment for ways to improve the jobs they offered. If and when such an opportunity emerged they pursued it aggressively, despite the significant risk it might involve.

The most straightforward example of this point comes from ABD. In search of a niche that would allow it to compensate part-time knitters at a living-wage rate, ABD has shifted its position in the knitwear industry from sub-contractor to wholesaler and, finally, to retailer of its own, high-end designs.

ABD opened its doors in 1994 as a sub-contractor making knitted sweaters for Esprit Corporation. The great advantage of subcontracting was that it required little up-front investment. The wholesaler or retailer covered the cost of developing and marketing designs. The disadvantage was that the prevailing rates of payment to subcontractors left ABD little room to increase knitters’ piece rate.

Moreover, the clothing industry was (and is) notoriously volatile. After six successful years, Esprit canceled the whole line. ABD was deeply shaken – Esprit accounted for 70% of its sales. Were new subcontracts the solution? Loom knitting is labour-intensive and subcontracts have

low margins. Increases in contract sales would not translate into increases in knitter’s average hourly earnings. The number of jobs could grow, but the quality of the jobs would not. Continuing as a subcontractor, ABD was convinced, would stunt the social side of its business goals. It seized the opportunity and made the investments necessary to move into wholesale.

The shift brought advantages. By contracting with top designers and commissioning reports on international trends influencing the American market, ABD was able to move “ahead of market,” develop product lines for up-coming seasons and trends, and diversify its product offerings. This enabled ABD to provide a steadier flow of work to its knitters, who could also become involved in the process of developing new designs. Several of their designs were put into production. Finally, greater diversity in terms of product complexity allowed ABD to begin rewarding more experienced knitters with more complex and therefore more remunerative work.

The latter step in ABD’s development illustrates the fine line a social purpose business walks when crafting a business strategy. Consistent with its role as a social purpose business, ABD has sought to build a career ladder for knitters. To reward their growing skill, it paid workers a premium for taking on more complex patterns. Moreover, it was vital for ABD to keep experienced knitters in its network; they were key to meeting production goals. Therefore, even though ABD was operating at a loss, it raised the piece rate for more complex patterns.

Operating at a loss through periods of strategic shift is often required. But, because SPBs have fewer investment sources than traditional businesses, this decision carries significant potential to undermine the SPB. Recognizing this, ABD was attentive to whether its losses would resolve in a short time or were indicative of deeper issues.

Within two years, given the scale at which it was likely to operate, ABD concluded that the margins in wholesale were still too low to cover the true costs (the true marketing costs, mostly) of being a wholesale knitting vendor and meet its social goals.

This was not true of retail, however. Through the relationships that ABD forged with high-end designers during its experiment with wholesaling, President Diane Browning discovered a retail strategy that would allow ABD to cover its finishing and marketing costs *and* still increase its piece rate to knitters to the equivalent of US\$12-16 per hour – a livable wage rate for mid-Appalachia.

The strategy was to create a line of made-to-order luxury women’s suits sold through “trunk shows” at resorts. (“Made-to-order” means hemming to correct length and allowing the customer to choose buttons and other finish details.) Retailing one’s own products captures the highest profit margins and, in this niche, individual knitted jackets were selling for more than \$500 and skirts for around \$200 – sufficient profit for ABD to meet its multiple goals. Moreover, potential competitors were few.

ABD invested heavily in preparing to launch this new line in October 2001, a date that turned out to be three weeks after the destruction of the World Trade Center in New York. The subsequent market downturn was coupled with a tightening in both philanthropic and investment capital, which has made the ensuing four years difficult. ABD was forced to contract its staff and knitter network by half. It has survived, but social investment capital has continued to be scarce.

In spring 2005, therefore, ABD brokered a new marketing arrangement with the retail management of a luxury Appalachian resort, the Greenbrier. The women’s line has been re-branded “The Greenbrier Collection” and is being sold through the

Greenbrier's exclusive dress shop, which is bringing the line increased visibility and cachet. Concurrently, ABD is incubating The Greenbrier Sweater Company, which will produce and market both the baby and women's lines. This new for-profit will be better positioned to attract traditional investment for growing the business. Once The Greenbrier Sweater Company is up and running, the ABD nonprofit will be re-deployed to focus on policies and programs around women's retirement assets.

A very different example of how improving job quality drives a SPB's growth strategy can be seen in a recent strategic decision by El Puente CDC. El Puente is committed to providing former garment workers with access to and training for management positions in its businesses.

El Puente's first four businesses – a childcare centre, a restaurant, a craft import store, and a property management business – were unlikely to grow beyond mid-size. Its fifth initiative was different: it would manufacture hospital scrubs to fit immigrant hospital staff in a region with thousands of Latina hospital workers. "Diseños Mayapan" had the potential to grow into a million-dollar business with a substantial number of employees. This potential and the management team that El Puente had assembled for the purpose

garnered El Puente grand prize in the prestigious National Business Plan Competition for Nonprofit Organizations held by the Yale School of Management and the Goldman Sachs Foundation (2003).

Shortly after winning the prize, however, El Puente was faced with a difficult strategic decision. Publicity surrounding the Business Plan Competition could expose to competitors Diseños Mayapan's market niche, so it was important to launch the business with all speed. Unfortunately, the lead manager was unable to take the helm of the project at that moment. A traditional business would likely have followed consultants' advice to hire an experienced manager who could grow the business quickly and protect the niche. But as a social purpose business El Puente felt that its commitment to growing internal managers took precedence over market considerations. It opted to hire a less experienced manager and keep the business small until she had consolidated her skills.

Investing in Broader Social Change

These have all been examples of how SPBs have bent the traditional idea of "market strategy" to grow a business in

Tri-National Women & Social Enterprise Network

The most successful women's economic development initiatives (both microenterprise networks and SPBs) are intensely local. Yet this very key to their success – their localness – also limits the breadth of their impact.

With the aim of growing their economic impact, women from nearly 30 organizations in Canada, the U.S., and Mexico convened in Montreal in 2004. All were experienced in social enterprise and saw it as a key strategy for lifting low-income women out of poverty while providing them with the tools to influence their own destiny and public policy.

All, of course, were also aware that the forces affecting the work available to women with little formal education are increasingly of an international nature. Such agreements as NAFTA are altering the economic landscape.

The participants concluded that it was important to be affiliated at multiple levels. Thus, following Canada's lead, women in the U.S. and Mexico each agreed to initiate a national membership group to promote women's social enterprise and bring a women's lens to economic development policy. They also agreed to convene as an international group about every 18 months under the umbrella of the Tri-National Women and Social Enterprise Network.

This international network is committed to advancing women's social enterprise models and building alliances that strengthen the credibility of this approach to women's economic empowerment. The Network will also collaborate on national and international policy that promotes progressive social change.

For further information, write info@wseweb.org. ■



(page opposite, from left) Childspace worker and children; childcare workers organized by Childspace take part in a Worthy Wage celebration. Photos: Ms. Foundation for Women. (this page) A knitter for Appalachian By Design (ABD); (inset) sample of the Appalachian Baby Design line of knitwear. Photos: ABD.

ways that further its social mission. This next is a market strategy that is unique to SPBs: investing in broader social change.

The organizing and training arm of the Childspace family is Childspace CDI. It organizes both workers *and* employers to advocate public policies that bring more resources into childcare. It has had a number of recent successes in this regard.

Prior to 1999, wages of Pennsylvania childcare workers relative to other workers in the state ranked the lowest in the country.³ In that year, Childspace CDI and other groups organized a successful drive

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to raise reimbursement rates by 14.2%. Childspace CDI then organized employers to advocate for increasing the income eligibility for subsidized care from 185% to 235% of the federal poverty rate. This allowed more families to access subsidies.

Since 2001, Childspace CDI has focussed on improving the administration of the state subsidy programs. Recently, the state agreed to switch from monthly to biennial verification of parental income. The more frequent verification had meant that state payments were frequently more than six months in arrears, which severely affected the financial stability of centres serving children of the poor. "Since profit margins are low in a typical childcare program's budget," Executive Director Yvonne Thompson Friend explained, "programs were being forced to release staff when payment dollars were slow."

These organizing successes have directly benefited CMG by increasing both the amount the state pays for the care of low-income children and the number of families eligible for this subsidy.

What is less obvious is this: combining a training and advocacy nonprofit with the centres' management company helps maintain the interest and commitment of senior staff in a field where there is little room to reward workers financially.

Several senior staff split their positions between the centres and the nonprofit in order to ensure that advocacy is being done by front-line managers. (There are similar programs to involve workers directly in advocacy.) Shared staffing also allows the centres to spread the managerial workload more broadly. In most

centres, directors are asked to handle billing, receivables, and the other financial aspects of the business while managing staff, providing training, and interacting with parents – a recipe for "burn-out".⁴ At Childspace, because some directors split their jobs between the nonprofit and the centres, CMG can afford a "technical director" who handles all the financial aspects of operating the centres.

In short, Childspace's advocacy work allows the centres to redistribute the responsibilities of management in a way that rationalizes the director's job *and* frees directors to become involved in advocacy – without a loss in pay.

In sum, these studies suggest that the management of effective women's social enterprises is both special and gendered. Firstly, these businesses structure work to accommodate women's multiple roles as employees, care givers, and community members. Secondly, they are committed to women's economic empowerment and express this by providing front-line workers true access to the top levels of

decision-making. This helps workers to understand the constraints the company operates under and encourages their participation in efforts to change the sector in which the SPB operates. Finally, a driving force in the strategic management of effective SPBs is improving the quality of the jobs they offer.

The social enterprise sector is growing rapidly in both cachet and in numbers of businesses. With this has grown its eagerness to tap the knowledge of the traditional business sector. But what is transferable from traditional business, and how? As this research shows, in such key areas as growth strategy and work structure, where mission is a dominant lens, traditional business practices must be reshaped in order to be of practical value. Mature women's social enterprises – with their dual obligation to creating decent, empowering jobs and family-friendly work cultures – are at the forefront of this process of bending and transforming.

References

¹We use the term "social enterprise" to refer to the full range of businesses that blend economic with social goals, regardless of size or complexity. "Social Purpose Businesses" we apply to social enterprises with more than five staff and with a formal management structure.

²See, for example, Rapoport, Bailyn, Fletcher, and Pruitt, *Beyond Work-Family Balance: Advancing Gender Equity and Workplace Performance* (San Francisco, Ca.: Jossey-Bass, 2001).

³Annie E. Casey Foundation, *Kids Count Data Book*, 1999.

⁴Denise Dowell, "Replication Stories," Childspace CDI replication archives, 1996.



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