CASE STUDY

YOUTH INDUSTRY

THE ROBERTS ENTERPRISE DEVELOPMENT FUND

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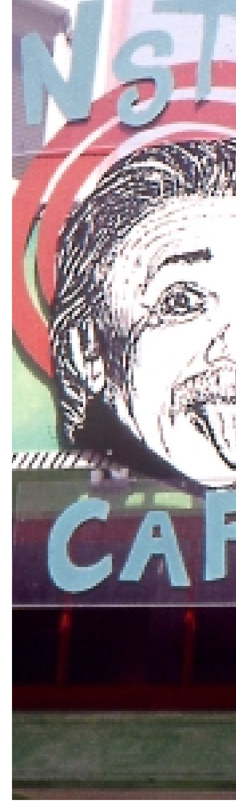
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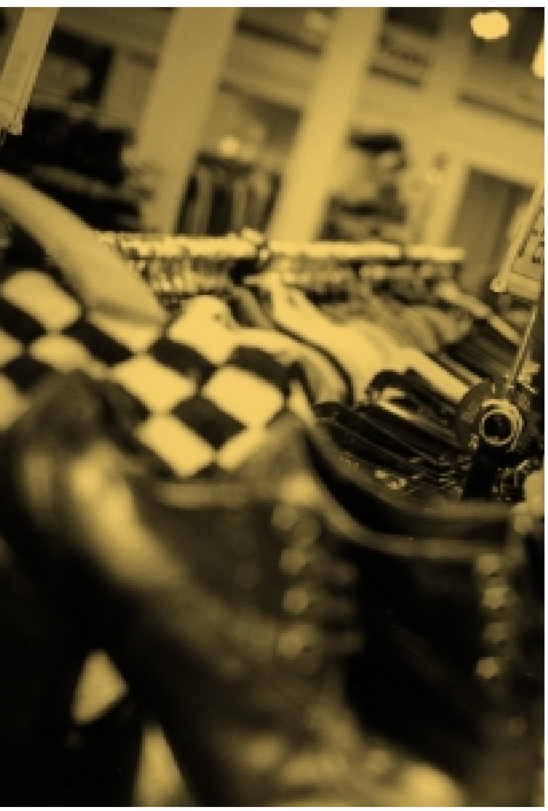
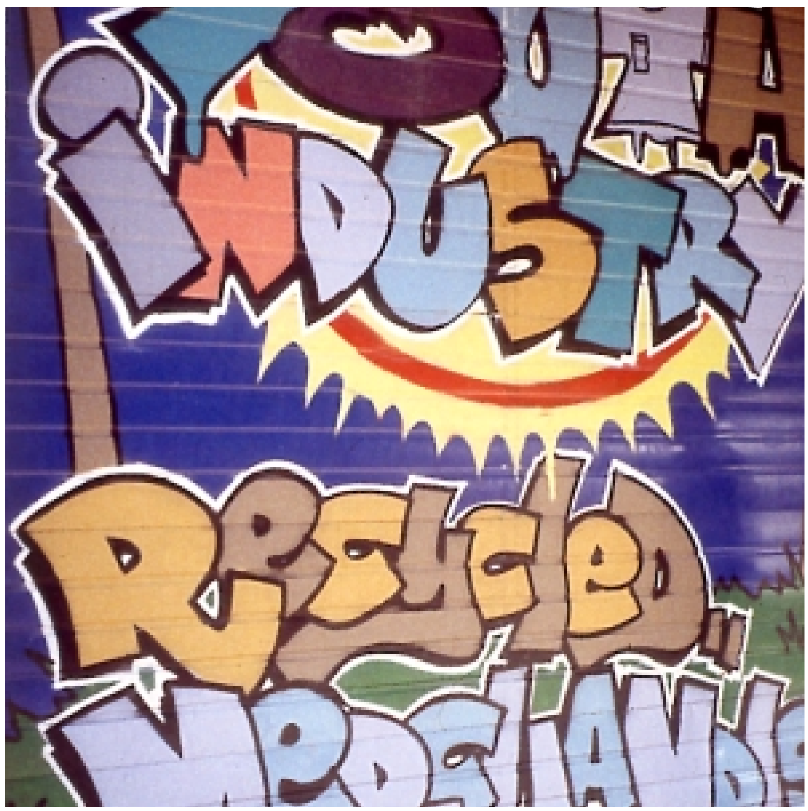
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From Opening Doors to Closing Shop: A Case Study of Youth Industry's Impact on Homeless Youth and the Organization's Decision to Close

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with the support of
THE ROBERTS ENTERPRISE DEVELOPMENT FUND

JUNE 2002

WE WOULD LIKE TO ACKNOWLEDGE THE FOLLOWING PEOPLE WHO WERE INTERVIEWED FOR THIS CASE STUDY

Cynthia Gair
Dean Greer
Randy Newcomb
Melin Peterson
Ann Quirk
Jake Sinclair
Laura Strzelec
Michele Tatos
Melinda Tuan

Iridescent marbles spell out "YOUTH INDUSTRY," words stamped into the concrete outside a well-worn warehouse in San Francisco's Mission District. Youth Industry's former Executive Director points it out as one of the last remnants of the organization that occupied the building until February 2001. At the time it closed, Youth Industry (YI) was nine years old, operated five businesses, had a staff of 35, and trained an average of 100 homeless youth per year. It was an organization that many homeless youth in San Francisco called home.

The case study that follows is about Youth Industry, its origins and development, and ultimately how and why it closed its doors. While YI was a unique organization, the purpose in writing this case study is to highlight what they were "doing right" as well as to explore the factors that led to the closing of the organization, and to identify lessons that can be learned from YI's life cycle as an organization. Nine people were interviewed in preparation for this case study: the organization's Founder, Executive Director, Director of Employee Relations, Associate Director, and one Youth Service Worker, as well as the Executive Directors of Golden Gate Community, Inc. (GGCI) and Community Vocational Enterprises, Inc. (CVE), the leaders of the two organizations that took over Youth Industry's businesses after YI closed, and the Managing Director and Enterprise Development Director of The Roberts Enterprise Development Fund (REDF).

In the end, this case study raises a profound question. Is the story of Youth Industry about the life cycle of an organization that was born of a charismatic leader's inspiration and cut short by the lack of an organizational infrastructure that would support it after he moved on?

Or is this the story of an organization that was trying to do too much, using a strategy that was particularly difficult given the population they were trying to serve?

ONE FALSE START

Youth Industry's story begins with one person's life story, Jake Sinclair. With his sister, Jake started an organization that was a precursor to YI in what he describes as "an attempt to heal personal wounds." As a result of their own painful childhood, Jake and his sister have a deep identification with homeless youth and youth who have been physically and emotionally abused. Since becoming a Christian in his early twenties, Jake has dedicated his life to "making a difference." He speaks freely of his hero, Mother Theresa, and her work "serving the poorest of the poor." Jake is a medical doctor and also runs a company that provides pediatricians for emergency room, after-hours and intensive care to hospitals throughout the Bay Area. In this capacity, he is literally saving children's lives.

In the same spirit, in 1992, Jake and his sister opened their home to homeless youth as a "holistic space for them to heal." This warehouse on 22nd Street and South Van Ness in San Francisco's Mission District was the headquarters for their newly formed nonprofit organization, Healing Kidz, Inc. This name was used only on the legal documents and between Jake and his sister; youth knew the space as Ground Zero*.

Reflecting back on this early manifestation of his dream, Jake describes Healing Kidz as "a lot of heart but not much planning." In the first year, Healing Kidz was funded almost entirely by Jake's donation of $100,000 from his medical business. It was a personal mission and offering. There were couches, a pantry with free food, a photography darkroom, pottery wheels, a rock-climbing wall, bike repair workshops, and a silk-screening business. Lots of activities were available, but, according to Jake, youth were using the space to hang out rather than heal. There was no structure to the organization. Jake describes, "In the original incarnation of the organization, kids would come after having done speed, prostitution, they would come in and crash. There was no accountability.... We had good intentions, but we were ineffectual and wasteful." Because Jake and his sister were living as well as working within this chaotic environment, it became too overwhelming for them.

A VISION COMING INTO FOCUS

During that first year, Jake and his sister spent a lot of time listening to what the youth needed, what they were not getting from other programs, and considering what they might have to offer. When Jake's sister decided to leave San Francisco, Jake realized that "this couldn't be done — the soup kitchen, art, rock-climbing, silk-screening, hang out

*After September 11, 2001 this was renamed and is now called The Warehouse.

and crash pad thing." Jake determined that what he could do was provide homeless youth with jobs and job training. According to Jake, "I have a talent for making businesses work. It's just something I'm naturally good at." Jake drew upon his entrepreneurial talents to build businesses that would employ homeless youth. In 1993 and 1994, Healing Kidz began operating two start-up business ventures, Pedal Revolution, a bicycle repair shop, and Zerolith Productions, a silk-screening and print shop.

Just as his vision for an organization that employed homeless youth was developing, Jake's sister met the Executive Director of The Roberts Foundation's Homeless Economic Development Fund (HEDF), a fund established to support the work of social entrepreneurs and explore the potential of nonprofit enterprise creation. HEDF gave Healing Kidz Inc. a grant to develop a business plan that would identify business ventures that had the potential to cover program operating costs while providing a supportive work environment for youth. According to Jake, receiving funding and technical assistance from HEDF "fit the natural evolution of what we were becoming." In 1995, Healing Kidz received a grant of $20,000 from HEDF to start a third business, CompWall Metalwork Shop, a short-lived welding and metal works business that built and installed Jake's patented indoor, transparent, two-sided rock-climbing walls. At the same time, Jake started a second nonprofit named Youth Industry (YI), with the understanding that it would eventually merge with Healing Kidz. YI's first enterprise was Recycled Merchandise, a program to solicit donated goods for thrift stores; youth employed in this program did not need prior work experience or job skills to succeed, which made it a good entry-point to the job market for homeless youth.

BUILDING THE ORGANIZATION

In 1996, the two organizations merged into one nonprofit under the name "Youth Industry." The organization was operating four businesses: Zerolith Printing, CompWall, Pedal Revolution, and Recycled Merchandise, and was in the middle of launching a fifth, Nu2U, a retail store selling used clothing. The businesses employed 20 youth, who were called "interns" and worked in the enterprises as employees for a period of up to six months. They started earning money on the first day of their internship. The youth earned minimum wage to start and received $.25 raises every month up to $7.50 per hour. All of their training happened on-the-job. The youth liked the fact that they were able to try out several different jobs and businesses and learn a range of skills during their internship. In addition, three days a week, youth could participate in YI's Artists Mentorship Program (AMP) and receive training from volunteers in activities as diverse as ceramics, painting, photography, and music. By the time they graduated from YI and were ready to move on to other employment, some of the youth were also taking academic classes or had already earned their GED.

Although the organization was becoming more formal, to a great extent, the organizational culture was driven by the youth themselves. Laura Strzelec, who served as the Executive Director of YI from 1998 through 2001, described it in this way, "YI is shaped by youth. That's thanks to Jake. He was aware of their reality. He had the attitude: we can do things any way we like." That meant doing things in a way that worked best for the youth they served. Another staff person, whose professional responsibilities were largely administrative, recalled how everyone's first priority was the youth, "We didn't think of the youth in our office distracting us from our work, rather, we were worried about our daily work distracting us from the youth."

YOUTH INDUSTRY'S ENTERPRISE EMPLOYEES WERE A HIGH-RISK POPULATION. AT TIME OF HIRE,

- 81% of YI interns were "at risk of homelessness" or homeless.
- 76% had used illegal substances in the prior six months.
- 68% had mental health issues.
- 45% of those over the age of 18 had not graduated from high school and did not have a GED.
- 41% had a previous criminal conviction.

Data from "The Social Impact of Employment: Youth Industry Employee Survey" (August 2000).

Throughout YI's lifespan as an organization, the youth the organization employed were between the ages of 14 and 22. Many of them had left home before the age of 18 and had lived in a number of different places including foster homes, juvenile hall, and on the streets[1]. Some of the youth had been living in Golden Gate Park and other rough pockets of San Francisco for a number of years before they worked up the courage to seek out YI. In addition to living on the streets, many of YI's youth faced other significant destabilizing factors in their lives including substance abuse, mental health issues, deficient educational backgrounds, and criminal records. They were youth without strong support systems, but they were survivors. One staff member described them as "amazingly self-reliant. They were not working the system, they wanted to get out of the system."

[1] Based on interviews with 37 YI interns, 84% had left home before the age of 18. These youth had lived in an average of four different types of places before they turned 18.

As an example of how much youth needs shaped what Youth Industry offered them, one staff member recalled, "When customers were afraid of the youth because they smelled bad, we put in a shower. When they needed food, we opened up a kitchen. It wasn't about what was convenient for the staff or what we wanted to provide, it was about what they needed." The entire space at YI was a space that was comfortable for the youth. The warehouse and office space were full of funky pieces of furniture and walls that had been "thrown up in a hurry because someone needed privacy." When YI staff realized that some of the youth were still sleeping outdoors in Golden Gate Park, they gave them alarm clocks to help them show up for work on time. When someone noticed that the youth were coming to work hungry, the staff took turns volunteering to come in and serve breakfast. These youth had taken a big step in coming to YI, but there was a lot they needed to learn before they moved from a YI internship into jobs in the community. According to Laura, "We were trying to be the bridge between their culture and the culture of the work world."

In addition, many of the policies at the organization were shaped by the youth. For example, staff understood how desperate the youth were for the money they were earning. As a result, YI had a very lenient policy around payroll advances. As Laura described it, "We bent over backwards to do what it took. It wasn't like youth ruled the organization. But we were true to our motto, 'youth are first here,' [and] we filtered decisions through that lens. So we gave wage advances to youth, advances on the money they had earned." The Director of Employee Relations explained he would give a youth the pay advance s/he needed and then use it as an opportunity to talk with her/him about money management.

A LEADERSHIP CRISIS

In 1995, his third year of running the organization as a volunteer part-time Executive Director, Jake prepared to hire someone to take over the organization's leadership. He found a candidate who shared his Christian faith and who he thought could run the organization.

Soon after the new Executive Director started, Jake noticed that things were not going well. Instead of building on the strong organizational culture that was there, the Executive Director did not seem willing to work as hard as other staff members or as Jake thought was necessary. Without going into much detail, Jake recalled, "He was a mess organizationally and in running the businesses." After three short months, Jake recommended to the Board of Directors that he be fired. Getting the board of eleven members to agree to move forward with this decision was challenging and took longer than Jake felt that it should. When they did fire the Executive Director, however, the former employee successfully sued them, charging the board with fraud. In the course of this transition period, all but three of YI's staff and nearly all of the board members left the organization.

Jake describes the experience of hiring his first successor as "sprinting a mile and, just as you think you are about to finish, being told you need to run another one." Jake was out of energy, but he felt there was nothing for him to do but to take back the responsibility, resume as YI's Executive Director, and reconstruct the organization once again.

REBUILDING AND STAFFING THE ORGANIZATION

The departure of Jake's first replacement provided Youth Industry with an opportunity to recreate its staff and refine its hiring practices. As Jake describes, "We reinvented ourselves with people who were qualified. We had a clearer vision, a new attitude." Given the unique work culture, one of the biggest challenges for YI was hiring people with "the right fit." They developed a system of having one-day tryouts in the businesses for staff. According to the Director of Employee Relations, "It was very important to see how the candidates fit in. Youth can tell when someone is afraid of them or is judging them. We prioritized hiring staff with whom they felt comfortable." In describing the process he went through to get his first job at YI, driving the truck for Recycled Merchandise, the Director of Employee Relations recalled that Jake had tried to talk him out of taking the job. "He told me that he was hard to work for and that the job was going to be really difficult. Later when things were hard, I couldn't say that I hadn't been warned." This staff person stayed with YI until the organization closed.

Youth Industry's staff shared a common passion for working with homeless youth, some because of the strong Christian faith that they brought to their jobs and others because of their personal backgrounds and experiences. According to one staff member, "We didn't see it as a job. Down to the last person, people spent time at YI outside of work. There was no massive exodus at 5 pm or at 6 pm, for that matter." The staff took on a number of responsibilities, many of which fell outside of the scope of their job descriptions. As another person describes it, "There was so much work to do, the way it worked, you jumped around the organization. You had a flexible job description, taking on what needed to be done and then proving yourself. If a youth needed a ride to the DMV, we were creative about how we'd respond. Being so small, we did whatever it took to pull off whatever needed to happen. We were very adaptable people. Those were the people that worked out, those who were adaptable."

One of the candidates who had applied for the Executive Director position in 1995, but had not been hired, was Laura. She was drawn to Youth Industry because of her interest in working with people who had a similar sense of their place and mission in the world. She explained, "What drew me to YI was that Jake is a Christian, he had started the organization out of his faith." Like Jake, she has a Christian hero to whom she looks for inspiration.

"One of my heroes is Dorothy Day, she started the Catholic Worker Movement. I want my life to reflect the Catholic Worker Movement's combination of love for God and the poor, deep faith, and service. Jake had started Youth Industry out of this type of passion. It appealed to me."

In 1996, Jake hired Laura, not as Executive Director, but as the Business Manager for Nu2U. More cautious this time, Jake hired her into this position to test her abilities. His biggest concern was that she did not have a small business background and might not have the skills to manage Youth Industry's businesses. Laura gladly accepted the challenge and found that she really enjoyed and excelled at the work. After six months, she had proven herself in this role, and Jake approached her about taking over as Executive Director. She initially turned him down to continue in her role managing the store and Recycled Merchandise. Ultimately, Jake went back to Laura again. This time, she agreed to become the Executive Director and took over the leadership of the organization in 1998. Laura provided the perfect balance for Jake. In describing the dynamic between them, Laura says, "His strengths are as a pioneer. I'm not a pioneer. I brought shape and structure to the organization."

REFINING THE BUSINESS STRATEGY

Despite the challenges the organization faced, Youth Industry was refining its business strategy. The organization closed down several of its first businesses, Zerolith Printing and CompWall – businesses that, according to Jake, were "cool ideas, but didn't build youth's transferable skills." The organization shifted its focus to retail because that was one sector where youth could easily get jobs upon graduating from YI. In addition, YI looked for businesses where it could sell donated goods for a profit. According to Jake, "That was our advantage over our competitors, we could get it for free."

Even with its larger number of businesses, there were more youth coming to Youth Industry than there were jobs to accommodate them. This is what YI described as the "bottleneck" or the "logjam" problem. YI wanted to do more to help all of the youth who came through its doors. As one answer to this problem, Jake began thinking about starting a restaurant. From Jake's perspective it was an obvious next step, "Where are the jobs for youth? In retail and in food service. We already had retail stores." He thought a restaurant would provide another outlet for the youth and an opportunity for them to get training in another sector where they would be able to find jobs upon completing YI's program.

Since the initial grants that Youth Industry had received from HEDF to help with planning for its business strategies, YI had remained in contact with the funder. In 1996, HEDF evolved into The Roberts Enterprise Development Fund (REDF), shifting its focus entirely to a portfolio of nonprofit organizations that operate social purpose enterprises as a strategy to move people out of homelessness and poverty. REDF began investing in and providing technical assistance to a portfolio of ten organizations that operate social purpose enterprises; YI was one of these organizations.

When Jake consulted REDF about starting a restaurant, REDF was concerned because restaurants are notoriously hard to run and have a high failure rate. As Jake recalls, "the (former) Executive Director of REDF advised us not to start a restaurant, but we talked him into it." Likewise, according to REDF staff, Jake "wore us down" – they had the sense that even if they hadn't provided the funding needed to start the new venture, Jake would have self-financed it as he had done the other businesses. Ultimately, REDF decided to support the new business venture. In 1998, Youth Industry opened Einstein's Café, employing homeless youth in a restaurant in San Francisco's Inner Sunset.

A HEALTHY TENSION

Youth Industry was a resilient and vibrant organization, but it faced some significant challenges in its pursuit of two sometimes conflicting goals: operating profitable businesses and providing short-term jobs and job training to homeless youth. Laura's favorite metaphor for how YI functioned is that of making salad dressing, mixing oil and vinegar. She relished the challenge, attributing the strength and dynamic quality of YI to the "healthy tension" between the social and financial goals of the organization. But, like oil and vinegar that separate when not constantly mixed, the model for the organization was a difficult one to sustain, requiring a constant infusion of energy to shake things up and keep them in balance.

What worked about employing homeless youth, according to Laura, is that "there is dignity in work. The youth worked and we paid them. They needed us and we needed them." The problem was that YI was relying on youth who were unreliable. As one person who managed several of the businesses at different points in time described, "They don't show up. Sometimes they steal. They don't know basic job skills." YI was, by definition, trying to employ the unemployable. The youth were sometimes just passing through, only staying for a few weeks or months, and then leaving town to continue their travels. It is difficult enough to start-up and operate small businesses without taking on the additional challenge of employees who demand so much support, flexibility, and forgiveness.

In order to support the youth so that they could be more successful in their jobs and to develop more reliable employees, Youth Industry created a unique case management system, employing Youth Service Workers (YSWs) who acted as the youths' advocate and connected them with the services and resources they needed. YSWs assisted when problems arose at a YI business. If a manager was upset about something a youth had done, s/he would first speak with the YSW who would help mediate the situation. Likewise, when youth had a complaint about their co-workers or supervisors, they would first talk to their YSW. Initially, YSWs worked in one of the businesses four hours per week and more if the businesses needed the extra staffing support. Years later, the YSWs worked alongside the youth in a business four hours per month; they found it was a good opportunity to observe the youth on the job and understand first hand what was going on in the businesses. At YI, necessity often resulted in innovations that worked well for the population YI served.

Although the businesses and the jobs were at the center of what YI offered youth, the staff acknowledged that they were really a means to an end; the businesses were the vehicle for YI to make a difference in the lives of homeless youth. By design, youth worked as interns in the businesses for a short period of time, averaging six months. After that, the youth were expected to graduate and move on to other employment. In this way, YI could continue to offer opportunities to additional homeless youth. As a result of this programmatic design, however, not only did the businesses need to train their employees in basic work skills, but once their employees were trained, they would leave and be replaced by novices. This placed a constant pressure on Youth Industry's businesses and Business Managers. From the perspective of REDF's Enterprise Development Director, "Not only was YI employing an incredibly difficult population, but YI's 6-month training program was directly in conflict with what you need to run a business. Clearly it's hard to run a business when your employees are turning over all the time."

Despite the unique obstacles faced by these businesses, Youth Industry operated them much like any other small, privately-owned businesses, with a focus on profit. When it closed, YI was about 85% self-sufficient, which is fairly unique among the agencies running social purpose enterprises that are part of the REDF Portfolio. YI did not do a lot of fundraising to subsidize its program and businesses. Some staff saw this as a weakness, believing that YI could have paid staff members and youth employees more, and that more funding would have reduced the constant pressure to emphasize profit so that they could focus more on the needs of their youth. Others disagree, emphasizing that running "real businesses" was what made YI so effective. YI needed the youth as much as the youth needed YI; this created the foundation for a strong relationship. Further, because YI did not rely on restricted funding, there were few outside funders to please. According to the Managing Director of REDF, "In terms of fundraising, YI definitely did not get all of the money that was out there that could have supported their work. They weren't taking advantage of that, but they were effective regardless." Ironically, it seems that YI's relatively small reliance on outside funding enabled the organization to accomplish as much as it did in the short term but ultimately made it difficult to survive in the long term.

CHALLENGES FROM OUTSIDE YOUTH INDUSTRY

At the same time, YI was facing new challenges from its environment. During San Francisco's dot.com explosion of the late 1990s, the cost of living in San Francisco rose significantly. This meant that employment in YI businesses was less able to help them stabilize their lives. At the beginning of their employment, youth earned the minimum wage in YI businesses. YI paid youth wages that they thought were appropriate for the types of jobs the youth were performing and what the businesses could afford. Further, YI wanted youth to have an incentive to graduate, "We wanted youth to leave and get jobs that paid them better. It should be part of their motivation to leave." But as the cost of apartments increased dramatically and the number of vacancies decreased, the youth had few opportunities to find more stable housing situations. As a result, a number of YI's interns remained homeless or in unstable housing throughout their internship. One YSW worker noted that the youth sometimes continued to subsidize their income by selling drugs, panhandling, and prostitution, because their paychecks were not enough to support them. The youth needed jobs, but because they were unable to afford or find a place to live, even when working full time, YI was only able to have limited success in helping these homeless youth stabilize their lives.

BASED ON FOLLOW-UP INTERVIEWS WHICH TOOK PLACE ABOUT SIX MONTHS AFTER INTERNS STARTED WORKING IN A YI BUSINESS, 58% REMAINED "AT RISK OF HOMELESSNESS" OR "HOMELESS" AND 42% WERE LIVING IN A STABLE SITUATION. WHILE THIS IS AN IMPROVEMENT OVER THE 81% WHO WERE IN UNSTABLE HOUSING AT TIME OF HIRE, A MAJORITY OF YI INTERNS WERE STILL IN UNSTABLE HOUSING SITUATIONS AT TIME OF FOLLOW-UP.

Data from "The Social Impact of Employment: Youth Industry Employee Survey" (August 2000).

The rising cost of living in San Francisco was a problem not just for the interns that Youth Industry employed, but also for the staff of the organization. It was difficult for YI to attract and retain staff that had the skills, attitude, and enthusiasm the organization demanded. Finding staff to run the businesses proved to be particularly complicated.

Where could YI find staff with business savvy, a desire to work with homeless youth, and a willingness to work for a lower salary than they could make elsewhere? Jake and Laura struggled with trying to hire and retain the "right people." As they soon learned, all the successful entrepreneurs were busy running their own enterprises. For the most part, the people who applied for positions managing YI's businesses lacked experience or had failed at their own business ventures. This was an ongoing challenge for the YI staff members who stretched themselves to manage the businesses during times when YI was not able to hire people for these positions.

FACING A CRISIS

In addition to ongoing challenges, in 1999, Youth Industry was facing a very real crisis with Einstein's Café. Youth Industry and REDF staff expected that it would be difficult to run Einstein's Café and make it a profitable enterprise, but it was even more tricky than projected. The restaurant was losing a lot of money; according to Jake, "It was losing about $7,000 a month. We told REDF; and we thought we'd have to close it." Ultimately, REDF and YI agreed that YI should continue to operate the business for another four months. If the restaurant was still losing money at that point, they would close it down.

As in other moments when Youth Industry faced a crisis, Jake was instrumental in resolving it. "For 53 straight days I worked in the restaurant. It had been losing money. I turned it around." Jake reassessed the menu offerings, the way customers were served, the entire restaurant experience. Volunteers from Jake's church helped out. They raised the quality of the food and the customer service. Ultimately, one of the changes YI made was to reduce the ratio of homeless youth to adult employees, because the youth were not able to deliver the level of customer service that was vital to the success of the business. After two months of hard work, Einstein's was on strong enough footing that Jake was able to pull himself out of the daily work of the restaurant. YI hired as manager a friend of Jake's who proved to be very capable in running the business.

Reflecting on this experience now, Jake admits that maybe REDF was right; maybe it was too hard to run a restaurant staffed by homeless youth, and YI should have started a different type of venture. In 1999, YI opened another enterprise, Nu2U2, a retail store a few blocks away from Nu2U. This store was bigger and enabled YI to employ even more youth. Even in the midst of the crisis with Einstein's Café, YI continued to grow.

BOARD CHALLENGES

By 1999, the number of businesses, staff, and youth being served had grown dramatically and the organization had become more established. The one thing about the organization that had contracted over time was the Board of Directors. The first board that Jake and his sister recruited for Healing Kidz was made up of 11 members; it was comprised of lawyers and bankers, as Jake describes it, "the types of professionals that nonprofits always seek for their Board of Directors." When Healing Kidz merged with Youth Industry, Jake used this as an opportunity to build a new board; this time he recruited nine members with the business talent and skills that the organization needed to guide its enterprising strategy. After going through the process of deciding to fire the Executive Director and then dealing with all the consequences of that decision, however, like other aspects of the organization at that time, the board needed to be rebuilt because most of its members left their positions. The third incarnation of the board was smaller, comprised of a core group of four people including Jake, one of Jake's good friends, Jake's brother-in-law, and the Executive Director of a sister organization (Golden Gate Community, Inc.).

According to Jake, he had tried to recruit more people to the board, working with REDF and its Partners-for-Profit[2] program. A number of people got involved with the governance of the organization for a brief period of time, but YI could not retain them. From Jake's perspective, it was not for a lack of trying that the board remained small and somewhat informal. As a result, when yet another significant leadership problem surfaced, the board did not have the capacity that it needed to preserve the organization.

ANOTHER LEADERSHIP CHALLENGE

After leading the organization for several years, Laura was becoming weary. In early 2000, nearly a year before the organization closed, Laura started talking to Jake about succession planning. She knew that, for personal reasons, she was preparing to leave Youth Industry. Based on how difficult it was for them to find the right staff at every level of the organization, she recognized it was important to start a search for her replacement as soon as possible.

Laura's main concern was that her decision to leave the organization would create further instability in the lives of the youth that they served and in the lives of the staff who continued to give so much of themselves, their passion, and energy to the organization. As a result, Jake and Laura decided that they would not make a public announcement about Laura's intention to leave the organization. The board started an informal search for a successor. REDF lent a hand by helping YI define and advertise a fellowship position for someone who could spend a year shadowing Laura and ultimately be groomed as her successor.

The next Executive Director of Youth Industry would have to be a unique person. First, from Jake and Laura's perspectives, it was important that this person understood and

[2] REDF created Partners-for-Profit to address portfolio enterprises' need for direct access to business leaders. A focused group of Bay Area business leaders, the Partners provide advice and guidance to REDF Portfolio enterprises and assist in connecting enterprise managers to their professional networks in a variety of industries.

appreciated YI's unique grassroots culture, at the heart of which was a deep concern and respect for the youth they served and a willingness to make personal sacrifices on their behalf. Secondly, they needed someone with business expertise. It was important to hire someone who had good business sensibility, and ideally someone with a successful track record. Finally, they needed to hire someone who would provide the kind of synergy and balance to Jake's visionary leadership style that Laura did. They wanted to find someone who could provide structure and stability to the organization, as well as someone who shared Jake's faith and sense of purpose because this had been a critical factor in why Jake and Laura worked so well together.

Time passed and no ideal candidate presented her/himself. In late 2000, it became clear to Laura that, despite her dedication to the organization, she was ready to leave her position. When she told Jake she was resigning, she did not foresee that this would ultimately mean the organization would close. She expected that the organization would do a formal, more aggressive search for a successor.

At this point, however, Jake had also run out of his seemingly boundless energy reserves. At a critical board meeting in December 2000, Laura announced she would be leaving the organization. Initially, the other board members were ready to start a search for her replacement. But Jake expressed his concerns about their willingness to do the work that was required to identify, hire, and train the new leader. Jake still felt the wounds from his first experience hiring and ultimately firing the only other Executive Director Youth Industry had employed. He was reluctant to take up a formal search. Jake recommended that instead of hiring a replacement for Laura, Youth Industry should consider other options, including closing everything down, selling the businesses as for-profit entities, and/or giving the businesses to other nonprofit organizations to operate.

The scenario that made the most sense to the board was to give the businesses to another like-minded nonprofit organization. YI had a sense of stewardship for the businesses into which a lot of money and effort had been invested; by giving them to another nonprofit organization to operate, YI would ensure the monetary and social value of its assets would be preserved. Youth Industry consulted the Managing Director of REDF for input. While not a decision-maker in the process, REDF wanted to help Youth Industry make this transition and was also interested in having the social purpose enterprises preserved. As someone intimately involved with the organization and with other social purpose enterprises, REDF's Managing Director was able to recommend other nonprofits that might be able to take over the businesses.

LAYING THE GROUNDWORK TO GIVE THE BUSINESSES AWAY

Golden Gate Community, Inc. (GGCI) was an obvious choice for several reasons. GGCI was founded in 1981 by a group of individuals, churches, and organizations that were concerned about the growing homeless population in the Haight-Ashbury district of San Francisco. GGCI supports formerly homeless youth and families by providing emotional support, substance abuse treatment, housing, and employment opportunities. Also a member of the REDF Portfolio, GGCI had been walking a parallel path for a number of years, so much so that the Executive Director of GGCI was on YI's board of directors.[3] In addition, Golden Gate Community, Inc. is a Christian, faith-based organization and members of GGCI's staff share Jake and Laura's values and motivation for working with homeless and other disadvantaged people. There were already connections between GGCI's and YI's businesses. Some of YI's graduates had moved on to more permanent employment in GGCI's businesses; when YI closed Zerolith Printing, it gave its equipment to Ashbury Images, GGCI's silkscreening business. Further, when YI's first Executive Director was fired, there was a brief discussion about merging the two organizations. Although the merger did not move forward at that time, there was an ongoing affinity between the organizations and the populations they served.

Golden Gate Community, Inc. was also in the middle of a strategic planning process, identifying what its next business venture would be. For several years, GGCI had been operating two businesses, and had recently closed one of them. GGCI was interested in exploring what it would mean for them to take over Youth Industry's businesses.

Jake's main concern in giving all of YI's businesses to Golden Gate Community, Inc. was that he was not sure the organization would have the capacity to take them all on at one time. He understood firsthand how difficult it was to run the businesses and he wanted "to make sure the businesses didn't tank and tank GGCI in the process." GGCI's Executive Director also had significant reservations, particularly about taking over Youth Industry's thrift stores, Nu2U and Nu2U2, because "they are complicated operations, and we didn't have anyone on staff with the skills to manage that type of business." Further, the thrift stores had been losing money, $90,000 in the last year, and YI had been having management problems and persistent staff vacancies. After several conversations it became clear to everyone involved in these discussions that it would be difficult for GGCI to take over all of YI's businesses.

Jake and Laura were back to considering other possibilities. But, for Jake, things were moving too slowly. He threatened to shut everything down. At this point, REDF's

[3] Due to conflict of interest, GGCI's Executive Director removed himself from all board discussions about the fate of YI's businesses.

Managing Director suggested that Jake and Laura talk with another organization in the REDF Portfolio. The most important issue for YI at this point was to find an organization that was interested in taking over the thrift stores, had the capacity to operate them, and that could make the decision to do so quickly. REDF's Managing Director suggested they talk with Community Vocational Enterprises, Inc. (CVE).

Since 1986, CVE has provided employment training, placement and support services to individuals with psychiatric disabilities and to other disenfranchised populations living in San Francisco. When Jake and Laura approached CVE's President/CEO and Executive Director, CVE was operating janitorial, clerical, driver/messenger and food services businesses. Like GGCI, CVE was in the process of searching for a new business to run in order to offer more employment opportunities to its adult clients, and to begin to offer employment to its youth clients. After one meeting with Jake, Laura and REDF's Managing Director, CVE's management jumped at the opportunity to take over several of Youth Industry's businesses. They saw this as an opportunity to create more employment opportunities for the clients CVE serves without having to go through the resource-intensive process of building new businesses from the ground up.

Ultimately, the businesses were split between the two organizations. Jake and Laura decided to give Pedal Revolution and Einstein's Café to GGCI. In need of administrative space, GGCI would also take over the warehouse that Youth Industry had occupied, continuing to offer services and drop-in space for the homeless youth who had come to YI. CVE would take over Recycled Merchandise and the two retail thrift stores, Nu2U and Nu2U2. Key staff at CVE received training in the business' retail strategy from YI. The most difficult thing about this period of time for both GGCI and CVE was planning to take over the businesses while honoring YI's request that they not inform YI or their organizations' staff of the impending changes.

THE FINAL CHAPTER

Throughout the few weeks during which these conversations were happening, YI's staff were not aware of the discussions taking place and decisions being made. From Jake's perspective, it was important that the staff not be informed until just before the transfer of the businesses and programs to GGCI and CVE. According to Jake, "That's the way it is in business....When you lay people off you announce it in a meeting and then you walk them to their desks and escort them out the door." He believed that any hesitation or lack of clarity about what was happening could drag down the morale of the staff GGCI and CVE hoped to retain after the transfer took place and would therefore be detrimental to the businesses.

This process was in direct contrast, however, to how decisions had always been made at Youth Industry. One of the things that staff loved about the organization was that their opinions mattered and they had input into many of the policy decisions made at the organization. Laura describes her leadership style as "very inclusive and collaborative." Initially, Laura felt they should inform the staff about the changes that were taking place so that it would not be such a shock to them. Ultimately, however, she was convinced that it would be unfair to reveal anything until it was clear what was going to happen. She understood, "People get scared. The momentum of the businesses could have been lost." She thought it would have been false to give staff the impression that their input could change the course of events. At a meeting in January 2001, staff members were informed that YI would be closing its doors and that CVE and GGCI would be taking over the businesses and programs. Within days, everything changed. Immediately, CVE began operating the thrift stores and Recycled Merchandise. GGCI laid the foundation for taking over the offices, Pedal Revolution, and Einstein's Café.

YI's interns learned about what was happening in a series of meetings at the businesses. In these conversations, it was clear that the youth felt like they were being abandoned by the organization. One young woman, who had left San Francisco temporarily, called a YSW from out of town. She told her how upset she was, saying YI was "supposed to be there to come back to." Another youth told staff, "I was planning on coming here four years ago, and finally I made it. You are an attainable goal." He worried about other youth, still on the streets, who had not made it to YI yet. In closing down, the staff repeatedly heard how much the youth still needed them. The staff members of other San Francisco-based organizations that serve homeless youth were also upset about what was happening at Youth Industry. One of YI's staff said that she didn't realize how much their work had been appreciated until then.

CVE moved quickly to take over Nu2U, Nu2U2, and Recycled Merchandise to make sure the businesses did not suffer in the transition process. CVE serves a very different population than YI, but they committed to providing employment to YI's youth through the duration of their internships. Somewhat surprisingly, given the change in management, relatively few youth left the businesses during this time. As positions open up, CVE clients have been hired. Therefore, during the transition period, some of YI's interns continue working alongside CVE's adult clients. Ultimately, everyone working in the businesses will be CVE target population employees. According to CVE's Business Managers, there has been remarkably little tension between the two very different groups of employees. The one area of contention has been in the type of music played in the production area where employees prepare clothing for the sales floor: the youth favor hip hop whereas CVE's clients prefer 1960s soft rock.

GGCI asked for a slower, six-month transition period for taking over Einstein's Café, Pedal Revolution, and the Ground Zero warehouse. In the end, because YI was not prepared to continue to operate for that length of time, the process was shortened to three months. This time lapse allowed momentum to gather among several of YI's staff, who put together a proposal to preserve a scaled-back version of YI, consisting of Ground Zero and Pedal Revolution. Their main concern was that if they did not preserve YI itself, the youth who had come to depend on them would not be offered an opportunity to seek employment and rebuild their lives. Further, some staff were concerned that GGCI's faith values would make youth who needed services but who did not share their Christian faith feel unwelcome in the businesses. This group of YI staff built a contingency into their proposal that, if Pedal Revolution floundered beyond a certain point, they would give it GGCI to manage. They made a presentation to Jake and REDF's Managing Director. REDF's Managing Director was not a decision-maker during the process, but she agreed with Jake's assessment; from a business and a social impact standpoint, it would make more sense to give the businesses and warehouse to an established nonprofit organization rather than allow them to operate under a new and untried group. Ultimately, the original decision held. Pedal Revolution's business manager resigned. GGCI took over stewardship of Pedal Revolution, Einstein's Café, and the warehouse on 22nd and South Van Ness.

LOOKING BACK — LOOKING FORWARD

Reflecting on it now, Youth Industry staff members interviewed for this case study are glad to see that the businesses have been preserved and other nonprofit organizations are benefiting from the work YI did to build them. As Laura describes it, "We tried to ensure that both the services to people in need and the businesses themselves would continue into the future." By giving the businesses to GGCI and CVE, YI was able to make this happen.

When Jake thinks about closing Youth Industry down, he thinks that they achieved the best possible outcome. But he feels pangs of extreme sadness and remorse, about "abandoning homeless youth." He is pessimistic about anyone taking up where YI left off; from his perspective, "No one else will hire the kids in their raw state, stinky and pierced. That was what made YI unique. We're done; no one else will hire these kids. No one will take it up after us. Unless someone says, okay, I'm going to try this for five years. They would have to be kind of stupid, naive. That's the quandary; we were trying to help those who no one else would help. And you can't last forever."

Several staff mentioned their concern that no matter what happened, they would have lost Youth Industry. In the words of one person, "We would have lost the organization, lost it like we are losing it now, or lose it like some other organizations have lost it, by becoming bureaucratic, and youth don't see you as home anymore. In ten years we could have looked back and said, YI isn't like it used to be."

But some of Youth Industry's staff have not given up hope that they can resurrect or rebuild the organization. They want to continue working with homeless youth and offer them employment opportunities. They have held very open discussions about their interest in this. One staff member who is not part of this group expressed his hope that "they take this energy, their passion and fury at the closing of the organization, to see the void that is left and work to fill it."

CONCLUSION

Youth Industry was born of one person's compelling vision and developed with the tireless commitment and compassion of staff members who were willing to do whatever was needed to keep the organization moving forward. But, when it was necessary to breathe new life into the organization and bring in new leadership at both the staff and board level, those whose support was required to shepherd the organization through this transition had run out of energy.

Even if the leadership of the organization had the stamina and had been able to find someone to fill Laura's shoes, it might have been impossible to preserve YI over the long-term. While all social purpose enterprises struggle with balancing their social mission and profitability, YI was focused on making this work within the most challenging framework. YI aimed to be completely self-sufficient, relying on little beyond the income from its businesses to sustain the supportive services that YI offered its youth employees. The enterprises were the means by which YI helped this very difficult-to-reach population, and it proved challenging to run profitable businesses while employing "the unemployable." There were clear benefits to utilizing this strategy; youth who were not interested in "receiving services" were interested in getting a job. Based on information gathered as part of an ongoing assessment of the social impact of employment, it is clear that youth employees made tremendous strides in the key areas where the organization hoped to make a difference – improving youths' ability to get and keep a job, become more financially self-sufficient, and obtain a stable home. Even as YI made a long-term impact on the youth it employed, the organization was short-lived. From Jake's perspective, this is because what YI was trying to do was "not just challenging, it was impossible." He wonders whether operating social purpose enterprises is a sensible, sustainable strategy to use in working with homeless youth.

It is likely that YI would have needed to make changes to its design, even if new leadership had been found. Employing a more mixed population of youth (including some that were not as severely in need) and lengthening the internship period from six months to a year would have provided a more stable employee base for the businesses. Seeking more support from foundations so that the organization was not so dependent on profits from its businesses and hiring additional staff so that they had more realistic job responsibilities could have made the organization more manageable without undermining what made it unique. We will never know, however, whether YI could have developed in such a way that it could continue to make a significant impact on homeless youth and thrive as an organization over the long-term.

In the end, this case study is at least two different stories in one. It is both the emblematic story of a nonprofit that reached a critical point in its lifecycle and was unable to withstand a leadership transition; and it is the story of a unique group of people who were trying to do something that was very difficult, if not impossible, to do, and who did it for as long and as well as they could. Where the plotlines intersect is in this paradox: what made YI so effective in the short-term, ultimately, curtailed the life of the organization.

LESSONS LEARNED

There was an end to the seemingly endless energy and tireless vision of YI's founder and committed staff. First and foremost, what made YI so unique was the visionary leader who founded the organization out of personal passion and commitment to working with homeless youth. Jake put his own resources and energy into the organization and was the central force driving and shaping the organization even after he hired Laura to take over as Executive Director. When he was no longer able to sustain the organization, he strongly influenced the decision to close it down. There wasn't anyone else, on the board or in the organization who could counter his influence. According to Laura, "I have unending respect for Jake. He's a genius in many respects. But the organization could only go as far as his energy could go."

Beyond Jake, Youth Industry was sustained by a number of unique people who put their faith, passion, and time into the organization. Laura and others gave selflessly to the organization, growing into new responsibilities as the organization required. As a result, when they left their jobs, they were hard to replace. Hiring staff became a constant strain on the organization as it struggled to find those who had the right mix of skills and sentiment to carry the organization forward.

Youth Industry's focus on self-sufficiency meant that it was unwilling to broaden its base of support even if this might have saved the organization. Youth Industry was focused on running "real businesses" and using its revenue to support its program activities. The organization did not seek a lot of outside funding to sustain its work. This meant that the organization could be more flexible, and did not spend much time and resources on fundraising. They didn't have any government contracts and no major funders beyond Jake and REDF to support them. The downside of this was that there was no cushion, no margin of error for the organization and businesses. This ultimately put a lot of pressure on the leadership and management of the businesses and, ultimately, was a difficult situation to sustain.

Having an informal governing structure meant the organization had more flexibility and could be more innovative, but it also meant that there was less structure and support to rely upon when the organization faced serious challenges. YI was a dynamic organization that was constantly taking on new challenges. It was able to move quickly. Part of this was because the organization did not have to adhere to a formal board process. Jake was the one leader at YI who needed to buy into decisions and who had the power to influence where the organization went. The downside of this, again, was sustainability; there was no formal structure or board that could step in when Jake's energy faltered or when the organization needed to make a transition to new staff leadership. The amount of time and effort demanded from the rest of the board had always been minimal. As one staff person described it, "The board wasn't signed up to take on a lot of responsibility." Thus, in a moment of crisis it is understandable that no one was ready to step forward and shoulder the responsibility that Jake had been bearing until that point.

In its effort to serve as many homeless youth as possible in as many ways as possible, Youth Industry, finally, became unable to serve anyone at all. YI had grown rapidly without an expanded infrastructure to support it. At the point that it closed, YI was operating two retail stores, a bike repair and sales shop, a full-service restaurant, and a business collecting used clothing and household goods. According to the Executive Director Laura Strzelec, "we had five businesses that youth could choose from. We were really stretching ourselves. If we were most interested in being profitable we would have opened five of the same type of business. But we wanted to have businesses where youth could try out the different places where they could likely get jobs.... We didn't do things logically, we did what the youth needed." If YI had grown more slowly, operated several of the same type of businesses, or was satisfied to serve fewer homeless youth, the staff of the organization may have been less overextended and ultimately the organization may have been more manageable. The people and the organization were fueled by incredible passion and commitment; they blazed brightly while they lasted but ultimately burned themselves out.

BASED ON FOLLOW-UP INTERVIEWS CONDUCTED APPROXIMATELY TWO YEARS AFTER YOUTH WERE HIRED AT A YOUTH INDUSTRY ENTERPRISE:

- 72% of youth were employed at the time of their follow-up interview. On average, these youth were earning $9.69 per hour.
- On average, youth earned approximately four times as much income per month at follow-up than they did prior to hire ($1,146 compared to $282).*
- 45% of youth were living in a stable home, 48% were at risk of homelessness and 7% were homeless at the time of follow-up.

*Note: This average includes youth who had no income from work.

Data from "What a Difference a Job Makes" BTW Consultants (October 2001).

EPILOGUE 1 (JUNE 30, 2001)

Youth Industry's decision to close made a major impact not only on the people who worked at the organization and the enterprises, but also on the two organizations that took over where YI left off. What follows are stories illustrating the process these organizations, Community Vocational Enterprises, Inc. and Golden Gate Community, Inc. went through in determining whether to take over the businesses and how they integrated them into their organizations.

COMMUNITY VOCATIONAL ENTERPRISES, INC.

When REDF approached Community Vocational Enterprises, Inc. about the opportunity to take over several of Youth Industry's businesses, CVE was in the middle of a leadership transition. The organization's Executive Director was moving into a new position as President/CEO and another staff person was stepping up as Executive Director. The President/CEO and Executive Director were given very little time to make a decision. They had a weekend to think it over.

It was a fairly straightforward decision for CVE. The organization had been planning to start a new business. This was an unexpected boon; a chance to take over already established businesses. Further, the retail stores fit with CVE's profile of ideal businesses to start. Their clients would be able to progress through a number of different jobs within the businesses, from hanging clothes to working the cash register, and they would learn highly transferable skills. Taking over the businesses would instantly double the number of clients CVE could employ in their businesses. CVE was also interested in having a business for its youth clients, and Nu2U offered the perfect opportunity for this. The other factor that made this a relatively easy decision for CVE was their high level of trust in REDF. The Executive Director noted, "REDF has been so supportive. We knew that if they approached us about this, having worked closely with YI over the years, this was a solid opportunity for us." CVE recognized that they would encounter challenges, but they immediately decided to say yes to Youth Industry's offer. As to why they did not feel the need to do more extensive due diligence prior to taking over the businesses, the Executive Director explained, "We knew there would be issues and problems as there are with any new start-ups. We had already established a relationship with the YI leaders and had great respect for them and their organization and were willing to take what we felt was a calculated risk."

Not only did CVE make the decision quickly, they also moved quickly in laying the groundwork for taking over the businesses. They were able to do so for several reasons. First, CVE's board is flexible and willing to move quickly. Although the board was initially a little nervous about the idea, they were already prepared for CVE to start a new business; within this context, they could see that this was an attractive option for the organization to pursue. Secondly, CVE had the internal capacity to move quickly. They had a business manager and a Farber Fellow[5] who were ready for the challenge and had the ability to handle the difficult task of learning how to operate new businesses and integrate them into CVE's operations. In some ways the fact that CVE was in the middle of a leadership transition made things difficult, as the new Executive Director explained, "I dropped everything. I was at meetings at YI everyday. I had just taken over as Executive Director and every day I was in meetings about this." From another perspective, the timing worked well for CVE because they had the strongest leadership team they had ever had. With a high level of capacity within their senior management, they felt they could ensure that CVE would continue to operate successfully while taking on these new businesses.

According to CVE's Executive Director, the biggest challenges have been assimilating businesses developed within a very a different organizational culture into CVE's culture and shifting the target group who is employed in the business. During the transition process, CVE was asked whether it could continue to employ the same population that YI was employing. CVE's Executive Director explained that CVE has very restrictive funding and only serves people who are part of San Francisco's mental health care system. Although a number of the youth who were employed by YI have mental health diagnoses, few, if any, are

[5] The Farber Fellows Program provides full-year fellowships for recently graduated MBAs and individuals with appropriate business experience to utilize their management skills within a social mission-driven enterprise. The Farber Fellows Program is jointly sponsored by The Roberts Enterprise Development Fund (REDF) and the Phalarope Foundation.

part of the mental health system. As a result, there is little overlap between the population that CVE serves and the homeless youth that came to YI. CVE is staying mission-focused, recognizing that this is painful and hard for YI staff and former interns to understand.

CVE was also concerned that they would face staffing shortages during the transition. Although some staff have left the businesses, it seems less a result of the change in management than the fact that they were ready to move on. The businesses are facing a number of staff vacancies, but from the Executive Director's perspective, this means they are dealing with "a short-term difficulty for long-term gain."

GOLDEN GATE COMMUNITY, INC.

In the winter of 2000-01, GGCI was in the middle of a planning process to identify its next enterprise. GGCI had just closed down one of its two businesses. The remaining business, Ashbury Images, was offering long-term employment for a small group of people. It was important for GGCI to start a new enterprise in order to be able to offer more employment opportunities and increase the number of "ways in which a client could begin to access the resources we have." Staff had recently made a presentation to the board to pitch a new idea for a business that would provide marketing support to companies. The board rejected the idea as too speculative and too much of a reach for the organization. Staff had started to research other opportunities. The Executive Director and the board "wanted to see [GGCI's] scale increase."

At this critical moment, Jake and Laura approached the Executive Director about taking over YI's operations. While the Executive Director was excited by this possibility, he soon recognized that it would be too difficult for GGCI to integrate all of the new elements YI was offering into what he describes as a "small operation." Most importantly, they didn't have the staff expertise and capacity to manage the acquisition and the new businesses. The person who could have played this role was going on maternity leave.

When Community Vocational Enterprises expressed its interest in acquiring Nu2U, Nu2U2, and Recycled Merchandise, the conversation between YI and GGCI shifted. The possibility for GGCI to take over a limited portion of YI — Einstein's Café, Pedal Revolution, and Ground Zero — seemed more feasible and appealing.

For GGCI, timing was the biggest challenge they faced in taking over Youth Industry's businesses and programs. As the Executive Director recalls, "They were serious about making the transition within 35 days. We wanted six months...to do due diligence, to follow a deliberate process. The tension between the two organizations was about timing." As he perceived it, YI was anxious to close once they had made the decision to do so, whereas GGCI wanted to approach the transition process slowly and deliberately. GGCI has a formal board structure that required them to do extensive due diligence to determine if the projections for the businesses seemed accurate before they agreed to the acquisition.

GGCI also approached the acquisition differently than CVE did because of the overlap between YI and GGCI's mission and target population. As the Executive Director of GGCI describes, "We saw it as a merger of cultures and minds. We didn't say, 'We're coming in!' We said, let's take the best of both organizations and see what comes of that." GGCI saw this as an opportunity to engage in an organizational change process. Reflecting on the benefits of proceeding with this acquisition, the Executive Director explains, "It helped us integrate programs better and offered us space. We were so stuck for space. It gave us the inspiration to develop programming in a location we didn't have and that we needed." With the businesses, GGCI could double the number of people it employed. With the warehouse and office space, GGCI could offer more resources to a broader client base. GGCI is borrowing from the best of YI's employment policies and modifying its own. Some of YI's employee benefits were better. As a result, GGCI's existing staff are benefiting from the acquisition as these new benefits are extended to everyone.

Like CVE, GGCI faced some challenges with staff turnover when they acquired the businesses and programs. But from GGCI's Executive Director's perspective this made sense: "Just as YI had run its course, a lot of these folks had run their course as well. In their honest moments, they might have been ready for a change as well. This gave them the additional push to make a change."

GGCI has made modifications to the employment model that YI established. They eliminated the six-month internship period, extending it to a 12- to 18-month period. While GGCI will continue to hire homeless youth, they are offering employment to a broader group of young people. "We're opening up the pool of young people that can be hired so that it's not only homeless youth. We're hiring youth who are at risk, formerly homeless youth, those in recovery." One former Youth Industry staff member who opted to join GGCI's staff characterizes the change in this way: "The difference is that YI said, come to the door and we'll give you a job. GGCI says first you need to be sober, be housed, and then we'll focus on a job. Everything about YI catered to homeless youth. GGCI works with a broader population. Not everyone is homeless, not everyone is a youth." GGCI Executive Director's goal is to "make the doorway [into GGCI's programs] as wide as possible."

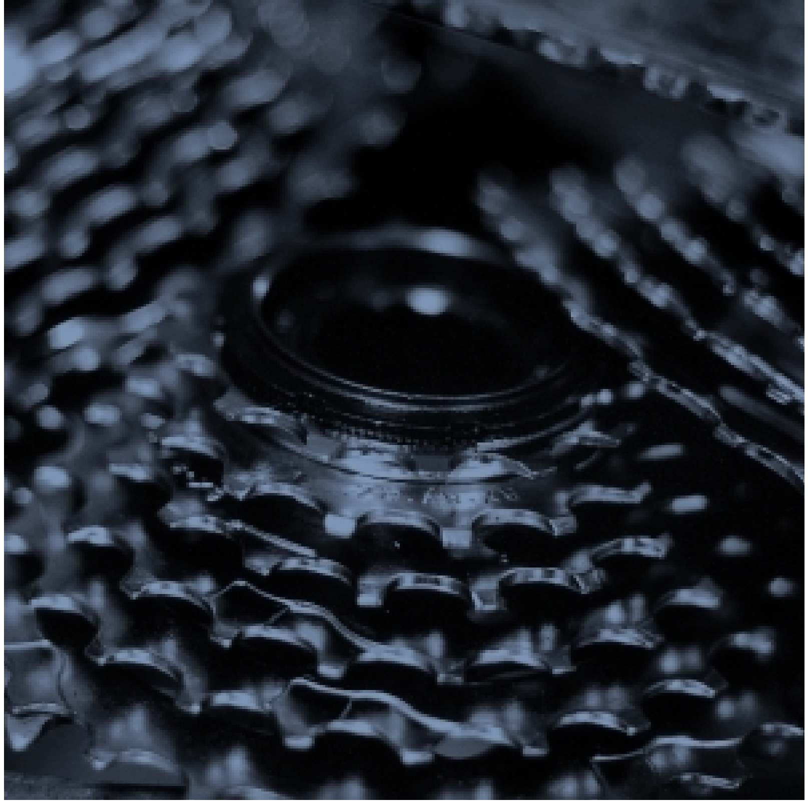
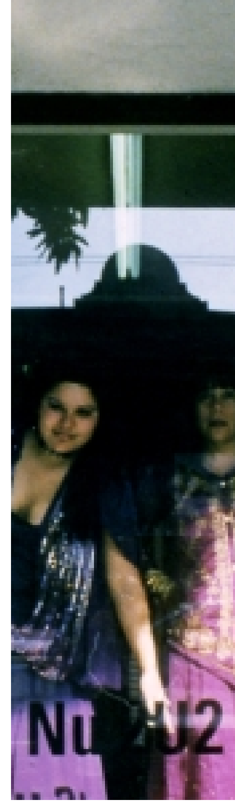
Reflecting on what could have made the transition process smoother, GGCI's Executive Director points to two things he would do differently if faced with the same opportunity again. First, he would designate an internal point person for the transition. This is something that Community Vocational Enterprises did and it served them well. GGCI did not identify anyone at the start of the process to oversee the entire transition, and, as a result, the responsibilities were diffuse. The Executive Director was responsible for much of what had to happen to execute the changes; he found this challenging to manage in addition to his ongoing responsibilities. Second, he would put more emphasis on building trust and collegiality with Youth Industry's former staff. He thinks GGCI may have put too much focus on doing a financial assessment of the transition and too little emphasis on ensuring that the people who would be affected by the transition were comfortable with how things were being handled.

GGCI, like CVE, greatly appreciates the gifts they received from YI. Expressing his admiration for YI's leadership, GGCI's Executive Director stated, "They could have taken the businesses and dissolved their assets. Instead they saw themselves as stewards. Their organizational entity had run its course. They said, 'Someone else ought to have the opportunity.'"

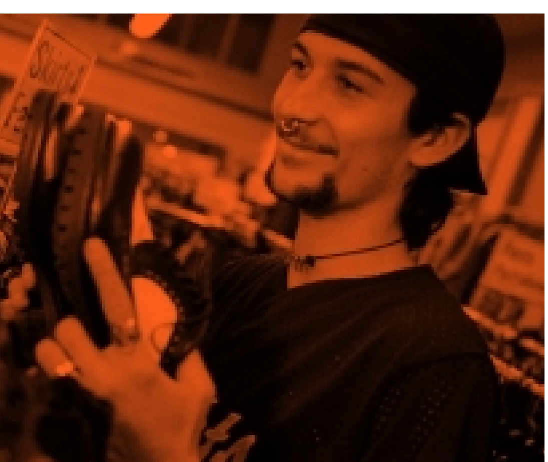
As a result, although YI has closed its doors, the businesses are continuing to offer employment opportunities to those outside of the mainstream. The businesses continue to grow and develop, employing those who might not otherwise be able to get the jobs and job training they want and need. As of June 30, 2001, CVE was employing 23 and GGCI was employing seven of their clients in former YI businesses. Without the gift that these organizations received from Youth Industry, CVE and GGCI would not be able to provide these 30 individuals with the job training and experience that could make a significant difference in their lives.

EPILOGUE 2 (MAY 15, 2002)

CVE, after a full year and a half of operating the three enterprises, decided to close them down because there was ultimately not a good fit between their client population and the high paced environment of the retail thrift stores and Recycled Merchandise. This lack of fit resulted in greater than expected losses across all three enterprises and CVE decided to pursue having another organization run one or all of the enterprises. When Goodwill Industries of San Francisco, San Mateo & Marin, Inc. expressed interest in taking over Nu2U2, CVE granted the enterprise to them and, finding no other interested parties, closed Nu2U and Recycled Merchandise in May 2002. The employees of the three enterprises were all absorbed by CVE's other enterprises as well as through Goodwill Industries' acquisition of Nu2U2.





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