

The Roberts Enterprise Development Fund



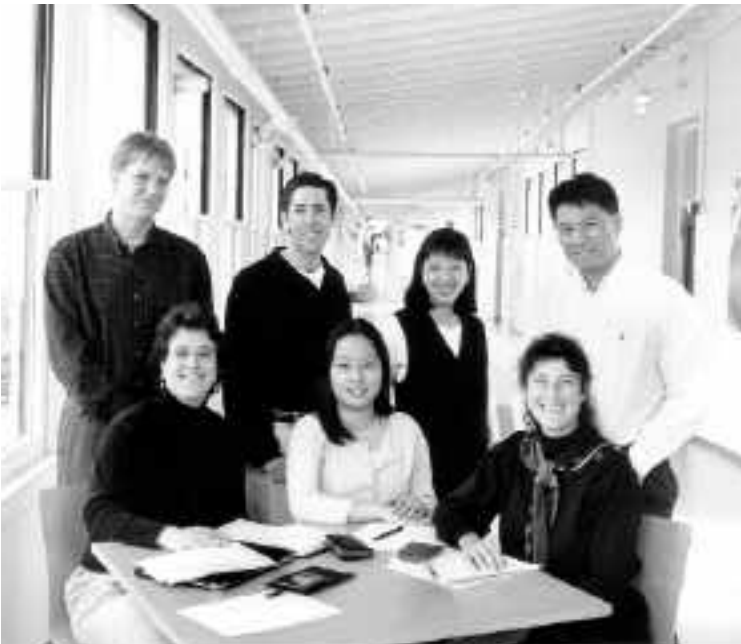
Team REDF resembles one of those television detective dramas in which a small band of hardworking souls who probably wouldn't be caught dead with each other off the clock are united in their passion to bring hope and justice to the poor and disenfranchised. The team's leader is a post-modern Mannix or Rockford, a visionary maverick bachelor dude who spends most of his time on the road or on the Internet, making connections and developing big ideas. Charming and unflappable as Mr. Steed, their deputy is as comfortable at the

Harvard Club as she is in a homeless shelter. She is the anchor, engine and interpreter for all those big ideas.

Their comrade, a former hippie who got her business chops running her own small company and working for corporations, seems to divine as much from people's stories as she does from their spread sheets. Like The Pretender, she relies on empathy as much as intellect as she travels from site to site helping people solve their problems. As the "go-to" person for business advice, she is the bridge between the foundation and the portfolio. There is also a sweet

and photogenic German shepherd-Husky dog that is nearly as tall as the deputy. A team made in heaven or on a Hollywood sound stage. They might be called The Odd Squad.

Roberts Enterprise Development Fund executive director Jed Emerson, associate director Melinda Tuan and Keystone Community Ventures business advisor Cynthia Gair, bring a unique blend of skills, insights and talents to their work with the eight nonprofit organizations in the portfolio. Emerson, whose name is synonymous with REDF, established the various partner-



ships; these days much of his energy goes into writing and speaking about what they have learned while applying venture capital strategies to a socially conscious mission. He is the national face of REDF, but Tuan is the one who makes his best ideas reality.

“I’m like the cowboy/rabble rouser out there stirring stuff up and Melinda is the one who says, ‘What he really means is...,’” Emerson said in a fair imitation of Tuan’s measured, slightly amused tone. “The members of the portfolio know the degree to which Melinda is the one who makes this all come together. She is the organizational glue.”

Gair, who works for Keystone Community Ventures, a small nonprofit that offers business assistance and flexible loans to nonprofits that create jobs for poor people,

operates in a unique zone between REDF and the enterprises. When a portfolio business is struggling, REDF may send Gair to work with the group on a number of issues, including accounting, marketing, sales and management. If things are going well, a manager might call Gair for advice on expanding or diversifying the enterprise.

Temperamentally, the three are like a puka shell, a paper clip and a pea in a pod. One of the founders of the women’s folk and roots music label, Olivia Records, Gair, 49, is tickled by the Marilyn Manson tapes Emerson presses on her. In deference to Tuan, whose Christianity is central in her life, Emerson, 40, is a recovering blasphemer. And although Tuan, 30, is not a dog person – “I grew up with rabbits and fish” – she has learned to share an office with Emerson’s sidekick Pearl.

“It’s the most incongruous relationship,” Gair said laughing. “George (Roberts) and Jed. Jed and Mel. Mel and me. If you’d told me, you’ll be working this closely with these people and you’ll enjoy it, I’d have said, ‘You’re nuts.’ But it works.”

Gair thinks the team succeeds because, style differences aside, they share many core values: honesty, loyalty, hard work and a commitment to redressing social inequities. “We all have strong opinions but we also all have strong ethics,” she said. “We tend to agree on what is right and what is wrong.”

Once known as the Homeless Economic Development Fund, the foundation began a decade ago as George Roberts’ experiment in applying market forces to moving people out of poverty. The traditional charitable model – sending checks to good causes – didn’t engage the leveraged buyout mogul.

“George was interested in a free enterprise approach to social problems like homelessness,” Emerson said. “What could we do about homelessness that was not traditional welfare relief? He’s intrigued by the intellectual riddle – how do you use business to move people out of poverty? He’s using us to explore that question.”

Emerson had just left his post as director of Larkin Street Youth Center, a San Francisco program for homeless and runaway youth, when Roberts’ friend Lyman Casey, director of Pacific Foundation Services, tapped him to develop the fledgling foundation in 1989.

Embittered by his own experiences as a social worker and a frequent supplicant at foundation tables, Emerson decided to give it a shot. Initially, he didn't believe Roberts' idea – “putting a cynical, punk recovering social worker guy with no experience as a grant maker” in charge of developing social purpose enterprises with homeless service nonprofits – could work. But Emerson is a contrary sort: his first assignment — interviewing 125 “experts” who generally agreed it couldn't be done — seemed to convince him it would.

“It's a subversive act – taking capitalist operating systems and using them to deal with the shortcomings of the market system,” he said.

A self-described “punk philanthropist”, Emerson is so identified with that raw, chaotic underbelly music that his email moniker is “live4punk.” In the ideology that he has been developing over the past 10 years, he sees social entrepreneurship as the nonprofit world equivalent of punk: a subversive, creative and organic response to social deprivation that can't be manufactured in a recording studio or a foundation boardroom.

Like the purest expressions of punk, said Emerson, successful social purpose enterprises must rise up from communities and not be imposed from above. Like his favorite punk bands, Fugazi and Husker Du, many of the businesses in the portfolio have deeply personal, handmade origins. Youth Industry was born in a warehouse; Ashbury Images sprouted in a basement.

“I love that whole do-it-yourself thing,” he said. “You don't need the aristocracy to validate what you are doing.”

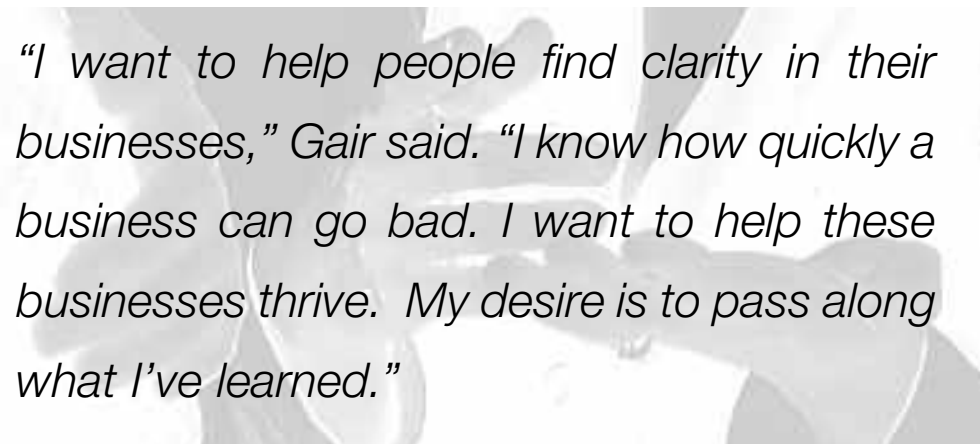
But in many quarters of the foundation world, REDF has been criticized for being *too* hands on.

“A lot of traditional funders feel we're way too engaged,” he said. “What we do has been viewed as suspect and questionable. Most funders thought social purpose enterprise was not only a bad idea, but that our foundation's approach was ill-conceived, immoral and wrong.”

In many ways, REDF is atypical. Unlike most foundations, Emerson doesn't have to report to a board; Roberts gives him discretionary authority. The money the foundation puts into groups is considered an investment, not a grant. These investments tend to be larger than most grants – on average \$150,000 per year – and are part of a long term funding relationship. The REDF team usually has much more engaged relationships with the members of the portfolio, meeting with them at least once a month, instead of the biannual check-ins at most foundations.

Rather than submitting a grant proposal, a group has to present a business plan to REDF. Few foundations support the nuts and bolts of nonprofit business development. REDF has invested in marketing studies, feasibility studies, accounting systems, fax machines, trucks, T-shirts, business managers.

In return, groups are expected to show a social return on the investment as well as make adequate progress toward profitability. They need to be able to account for how they've spent REDF's money. One of the most important lessons the foundation has learned is that it can take a social purpose enterprise from five to seven years to move into the



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black. To help members of the portfolio achieve their goals the foundation keeps a close eye on their operations. Each group holds monthly Venture Committee meetings with REDF to track their progress and discuss strategies for improvement. Gair spends much of her time visiting the businesses to help staff and managers troubleshoot and set up good business practices.

Another key associate, Fay Twersky, a

partner in BTW – Informing Change, has spent the past two years working with Dayspring Technologies to develop a system to track the social benefits of the enterprises. Twersky is working with the groups in the portfolio to determine a means to measure

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how people’s lives are changed through their employment in the social purpose enterprises.

“What Fay does is crucial to what we do,” Tuan said. “She’s helping us measure the results of what we’re doing with the enterprises – and why we’re even doing it. Running social purpose enterprises is expensive and it’s high risk and in many ways, it’s untried.”

REDF is as much a laboratory as it is a funding agent. Twersky’s research is critical to the foundation’s assessment of its own processes, as well as those of the portfolio participants.

“Fay is helping the enterprises build their capacity to measure their own outcomes – which is our goal,” Tuan said. “She’s also helping us look at our effort to see if there is a significant social return on our investment.”

While most program officers spread their grants to many organizations, over the past five years, REDF has pared its portfolio from 30 groups to eight. By investing more money and technical support in a few groups, REDF hopes to give them the best possible shot at one day achieving independence from the foundation’s support.

Emerson describes most other founda-

tions’ work as “classical philanthropy”: instead of writing their own songs, nonprofits find out which numbers in the foundation songbook are in vogue – teen pregnancy, literacy, art therapy – and play what the program officers want to hear. Until recently, most of the foundation world has found his perspective hard to follow, let alone swallow.

But in post-welfare reform America, the independent sector is sniffing about in search of more effective forms of grant making. The high tech industry has spawned a wealthy young tribe of philanthropists who are intrigued by the idea of using social service agencies as launching pads for nonprofit social purpose enterprises. And foundations are as subject to cycles in fashion as the rest of American culture: social purpose enterprises, which last surfaced about 15 years ago, many under the sponsorship of Community Development Corporations, are “in” again. After 10 years out in the cold, REDF is on the verge of being hot.

A book the group published in 1996, *New Social Entrepreneurs: The Success Challenge and Lessons of Non-Profit Enterprise Creation*, outlining their experiences developing businesses to employ people considered unemployable, has become the foundation world equivalent of a Terry McMillan novel. More than 7,000 copies are in circulation and a digital version is available on the group’s web site. In the past year, Emerson has made dozens of speeches before foundation groups, nonprofit associations and business schools describing a new way of thinking about how to use money in a nonprofit setting.

And he can point to a powerful number as proof of the strategy’s viability: in 1998, of the 23 businesses in the portfolio, 74 percent were profitable or reducing their losses according to plan.

“We didn’t set out to be part of a national movement,” Emerson said. “We were just testing some ideas and this other stuff kind of happened around us.”

He believes the foundation has been as much a crucible for ideas as it has an incubator for social purpose enterprises. Its role in transfusing nonprofits with people with solid business skills – like Carrie Portis at Rubicon, Kriss Deiglmeier at Juma Ventures or Birdie Reznicek at Golden Gate Community, Inc. – has been just as important as creating valid

job training for the hardcore unemployable.

Although he is gratified that REDF's work is being recognized, Emerson, who has been called "the bad boy of the foundation world" isn't comfortable with the notion that he might be on the verge of trading in that role for that of golden boy.

"I'm not trying to build an empire or convince everybody of my own righteousness," he said. "Our role isn't so much holding the vision and leading the parade as it is helping people learn and providing platforms that allow local practitioners to go deeper in their own knowledge and expertise."

Cynthia Gair

In working with the enterprises, business advisor Cynthia Gair finds the empathy she has for small businesspeople is as important as the other elements in her MBA tool kit. "Listening and watching," she said. "That's a lot of what I do."

She has experienced the gamut of attitudes and exposures to business. As the child of Americans working in Brazil, she developed a lifelong preoccupation with poverty and economic inequity. In her college years she was a hippie and a Marxist, a political activist in the anti-war and women's rights movements.

While living in Washington, D.C. in the 1970's, Gair's "anti-business" attitude began to change when she and a group of women friends founded Olivia Records, an independent label. "We had this idea that if women could form a business that would support them, their energy wouldn't be robbed by 'the man.'"

She smiles a little at the dated language, but the idea – that an economically marginalized group could use business to gain autonomy – informs the work she does today.

When she left the record company, Gair and a friend started Women in Distribution, a book wholesaler for independent publishers. Although the business grew, it was in an industry with low margins and it never broke even. It was a depressing experience for Gair but she came out of it determined to learn how business worked and maybe, someday, apply that knowledge to helping other small businesspeople succeed. She got an MBA and spent several years working for corporations

and a small venture capital firm and teaching economic development.

"I want to help people find clarity in their businesses," Gair said. "I know how quickly a business can go bad. I want to help these businesses thrive. My desire is to pass along what I've learned."

Working within the portfolio, her assignment could entail something small and technical, like running a quick spread sheet analysis to see what daily sales should be at Youth Industry's latest thrift shop, Nu2U2. Or it could be a process involving more time and interpersonal skill, like helping an older manager learn to work with a much younger new boss.

"I am a coach, a mentor, an advisor, a teacher, a hound, a nag," she said. "I'm various ones of those at various times."



Melinda Tuan

It is Melinda Tuan who points out the size differences. "Jed is a big guy. Pearl is a big dog. I'm 5'1 3/4"

Emerson does have a foot of height and 10 years on Tuan but he makes it clear how lit-

tle this matters. “She’s very tough. She can bird dog people – myself included – like nobody’s business.”

Tuan doesn’t come off as tough – at least not in any obvious manner. She doesn’t yell. She doesn’t curse. She doesn’t swagger. And no, she doesn’t carry a big stick.

She traces her strength to her Christian faith. “I believe Jesus calls us to care for the poor,” she said. “I feel God has given me a lot of gifts – a stable family, a good education, a great job, a safe home. I’m drawn to what it means to care for people who’ve been left behind.”

Growing up in Hawaii where her father was a physics professor, Tuan started volunteering with a church group in programs serving homeless families. She continued to volunteer while a student at Harvard. She was struck by the inefficiency of so many of the programs.

“I saw so many nonprofits that were being run badly,” she said. “They were taking down their programs because they didn’t have the money or the skills.”

At REDF Tuan has an opportunity to bring the foundation’s money and her MBA skills and corporate and nonprofit enterprise experience to agencies looking for a more effective way to guide poor people to self-sufficiency. Her favorite part of her work is help-

ing members of the enterprises make their dreams come true – whether that means guiding someone to his dream job or shepherding a dream project to fruition.

Not too long ago, she attended the opening of Youth Industry’s second thrift store, Nu2U2. While working on the project, she’d witnessed Laura McLatchy’s ascension from retail division head to executive director. She found money for business intern Joanna Messing to spend a year opening the store. She saw a former street kid who’d worked at a Golden Gate Community Inc. business get a staff job as an assistant manager at Nu2U2.

“We all just felt like crying,” she said. “I was so happy REDF could help. Laura and Joanna were so thrilled with the new store. It was so beautiful. This is the way it should happen.”

As the “wheels” or “glue” at REDF, she plays a similar role with Emerson. “He is a visionary,” she said. “I’m not a vision person but I can make that vision happen.”

When he decided he wanted to establish a program that would send MBA students and graduates to intern as technical assistants to the enterprises, Tuan took the lead in establishing the Farber Interns and Farber Fellows programs. When he came up with the idea of bringing together a group of mainstream business people to network with the enterprises, he turned to her.

“I know it sounds hokey, but it’s my privilege to care for people, to match their skills with their passions,” Tuan said. “That’s my job.”

Jed Emerson

Bright with zeal and dark with anger, Emerson is a classic enigma-charisma jelly-roll. He sees no division between who he is and what he does: the lights are on and he is open for business 19 hours a day, six days a week. At best, this means he brings an unusually high level of commitment to advancing the work and ideas of the foundation and its portfolio. But the dominant elements of his persona – the raucous, brash, wisecracking punk – are so large that they sometimes obscure the substance behind the stance.

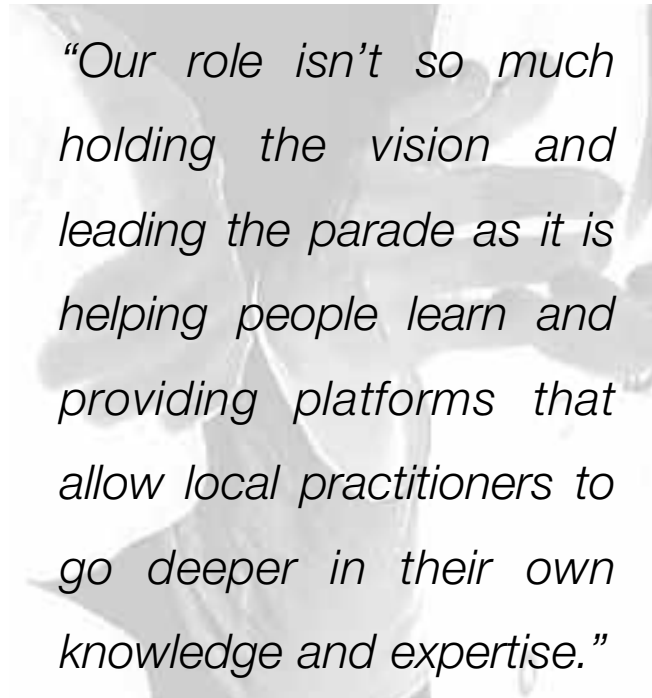
“If I’m in fight mode, I might come off like, ‘If you don’t get what I do, f—you and you’re wrong.’ In the flair of the hyperbole of the stand-up number, it sometimes comes off as disdainful or dismissive of others – more so than I intend.”



Aware that people don't always "get" him, he often inserts a reflexive refrain into his torrent of talk: "DoyouknowwhatImean?"

Emerson is known, locally and nationally, for being a loudly critical member of groups and institutions – the foundation world, the social work field, the left — that tend to claim the side of the angels.

"In the early years, I was extremely angry," he said. "I think I'm still angry. I was



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feeling betrayed by the nonprofit community and betrayed by all these people who talk about the social agenda. At the end of the day, I think most of them were more concerned about their careers than social change."

From a distance, this can look like arrogance and spite. Up close, it looks more like heartbreak. Although more than a decade has passed since his own days as a social worker, he still doesn't seem to have recovered from his experience running Larkin Street.

When Emerson was recruited from New York City to be executive director of Larkin Street Youth Center, he was only 26. He inherited a program that was losing money and on the verge of imploding with political infighting. In his four-year tenure, the nonprofit weathered more disasters than most agencies see in a generation.

Within his first six months on the job, he

stabilized the group's funding. Then, a staff member fell asleep with a cigarette and died in the fire that consumed the youth shelter. They managed to rebuild, but in the meantime, Emerson went through three program directors before finding Diane Flannery, now CEO of Juma Ventures. One of his major donors and the city's former chief administrative officer were both indicted for patronizing a brothel with underage girls – many of whom were receiving counseling from Larkin Street. Worst of all, his favorite street kid committed suicide.

But the stuff that made the evening news was only part of it. There was the endless work of fighting for city and foundation grants or arguing with county social workers over services for the youth in his program.

"Political connections seemed to matter more than good programming," he said. "And I was fighting with these DSS workers who'd say, 'That kid has had a shot and if he's still on the street, it's his own damn fault.' I'd always been pro-union. I'd always been pro-social worker. I'd always assumed we were the good guys doing God's work.

"I guess I was becoming more real about the way the world works. I'm idealistic or stupid or naïve enough that I didn't get hip early on. I believed the rhetoric much longer than I should have."

Emerson's idealism is both nature and nurture. He is the son and grandson of Presbyterian ministers. His mother is a social worker. He grew up revering Martin Luther King Jr., John and Robert Kennedy and the Kent State Four. Smart and articulate, with boyish blond good looks, he could easily have become an Establishment insider. Even so, from very early on, he chose the side of the underdog. In many people with similar backgrounds, the desire to help the less fortunate is laden with a guilty awareness of noblesse oblige. But Emerson's sense of social mission seems driven by anger at injustice. Just once, while telling of the first time he really recognized what poverty means does he ever seem guilty about his own relative privilege.

When he was in seventh grade, he was part of a Westchester County, New York church

youth group that commuted into Spanish Harlem to tutor kids in a program run by the East Side Parish. For several weeks the young day-trippers from Cheever country had been showing up to help youngsters from nearby tenements with their homework. Emerson, who was 12 or 13, had been working with twin girls about three years his junior. One day, when the twins didn't show up, Emerson and a friend left the parish and wandered over to the housing project to find them.

"The elevator didn't work. There was this incredible stench in the stairwell and a guy was passed out in the hallway. It was stunning."

Eventually, they found the girls' apartment and their father let them in. "The walls were cinderblocks and the bed was a mattress on the floor with no box spring. They didn't have curtains – just fabric tacked up over the windows."

The girls' father showed Emerson their test booklets so that he could see they were doing well. "They were incredibly poor and incredibly grateful," he said. "It made me feel like such a little schmuck. I hadn't really thought about how significant what we were doing was in those kids' lives – or what kind of hope those girls represented for the rest of their family."

Through REDF, Emerson thinks he has found a more useful set of tools for fulfilling his sense of mission. In trying to understand social venture capitalism and make it work, he's committed an extraordinary amount of time and energy. Punctual as the taxman, he doesn't need a watch or an alarm – he's internalized the clock.

"Most of my days move from meeting to meeting or project, so once I wake up, the day just unwinds on its own," he said. "I don't really have to think about time because my time is so structured."

Waking between 3:30 and 4 six mornings a week, he sits up in bed and begins writing articles or emailing colleagues around the country. Many members of the portfolio are grateful that the Internet has replaced the telephone as his favorite early morning means of communication.

After a quick walk with Pearl, he is in the office or at meetings off-site from 6 or 7 a.m. until 4 p.m., when he and Pearl leave for another walk. Dinner, television news, a few beers, some more work and off to bed at 11 p.m.

He uses the language of marriage –

"mutual commitment," "long term relationship" – to describe connections within the portfolio. When he says "significant others", it isn't clear whether he's talking about spouses or the people he works with.

"I don't feel like I don't have a life because I work so much," he said. "This *is* my life. This is what I'm called to do."

Because Emerson is so emotionally invested in the work and because of REDF's high profile in what Roberts calls the "yard" of social entrepreneurship, he is terrified that the lessons they have spent a decade learning will be ignored or misapplied by enthusiastic neophytes. If a new crop of social purpose enterprises blooms and withers, he worries that a lot of the blame will land on REDF's doorstep.

"This is what scares me the most: I see where the field is right now. I see people running around launching stuff and selling things and they're in the market and they are saying, 'We know what we're doing. We're venture philanthropists or social entrepreneurs or whatever.' And I'm listening and I don't hear enough self-doubt in what people are trying to sell. That's terrifying. I've been doing this a long time and have spent a lot of George's money learning how and I still have serious questions and learn things every day. I'm here to tell you: Bringing this puppy to market is tough!"

If it hasn't been clear, Emerson would like people to know that he really is having the time of his life. How many times does a rank amateur get handed a few million dollars to turn a crazy dream into an improbable reality? How often does any dreamer get to travel the globe and realize a lot of other people share the same vision? How often is anyone lucky enough to find simpatico comrades on the road to realizing that dream?

"The process of growth and change is a challenge. It's phenomenal to be part of this whole thing and when you add in the national and international aspects, it's like, wow!"

"We can change the world—And I know cuz I see it every day in the work of our practitioners and REDF and others around the world!" Emerson sat back and grinned. "It's like that Jesus Jones song... 'Right here, right now, there is no other place I'd rather be. Right here, right now, watching the world wake up from history!' I mean, is this a blast or what?!"