



Power Comes from Below

... **not** from an outside force!

PART OF A SERIES ABOUT ENTREPRENEURIAL SUCCESS

BY JERR BOSCHEE

“Most nonprofits still look to the power structure above them for support—but institutional forces push you toward serving their interests.”

—Richard Oulahan

“**T**hey used to come in at Christmas, give us a check, offer to help. “Now they were losing their jobs, laid off when the plants began to close, telling us ‘we don’t have any work, we don’t have any education, we’re losing our houses, our cars, our whole world is crumbling; can you guys *do* something?’”

From that heartbreaking beginning in the early 1980s, Richard Oulahan and his colleagues at Esperanza Unida have helped spark a renaissance in Milwaukee’s Latino community—and they’ve done it by remembering three simple rules:

- Dead-end training leads to dead-end jobs.
- Power comes from below.
- Mistakes are part of the game.

During the past 19 years, the people at Esperanza have started a dozen training schools that double as businesses. Some have been closed or sold to community residents. Today the organization offers training in six fields: auto repair and sales, child care, welding and metal fabrication, commercial printing and graphic arts, construction, and customer

service. Esperanza also operates the only Spanish-language bookstore in Milwaukee, a coffee shop, a legal-resource center, an office building with an international flair, and a variety of on-site student support programs.

Esperanza has trained more than 2,000 people since 1984, and more than 70% have been placed in family-supporting jobs. Each training cycle lasts for 12 weeks, and the 42nd class graduated last year. Earned revenue for the businesses associated with the six training schools during FY00 was \$1,648,542, with a net profit of 2.5%, including fully allocated overhead and management expenses. All told, earned revenue from the training school ventures and the other businesses totaled \$2,564,188, with a net profit of 9.1%.

Why Welfare-to-Work Doesn’t Work

Oulahan is scathing in his criticism of the welfare-to-work programs that proliferate today in Wisconsin and elsewhere. “They’re a total fraud,” he says, and for proof he points to studies conducted recently by the state of

Wisconsin. “Seventy percent of the people who’ve been taken off welfare in Milwaukee are still living in poverty,” he says, “and it’s causing incredible problems—two or three families living in a single apartment, people crowding into shelters, lining up at food pantries, committing crimes.

“People have *not* been lifted out of poverty—but the powers that be still have the whole country fooled.”

The problem, he says, is that the goal has been to get people off welfare, not into jobs where they can sustain themselves and their families. And one of Esperanza’s core values is that it won’t train people for “any job that doesn’t have a career ladder. We don’t have any illusions that if you just start working, everything will be okay.”

When Wisconsin Gov. Tommy Thompson’s administration invented the first welfare reform programs in the mid-1990s, the initial emphasis included training for skilled professions, and Esperanza received a \$500,000 grant to train welders and mechanics. But the state almost immediately shifted its emphasis to getting people off welfare. According to Oulahan, that meant “making them take



low-skilled jobs. We refused to do that, so we lost our contract.”

The whole experience has left Oulahan frustrated with “our economic and political system. It doesn’t want to face the reality about wealth distribution and what we need to do to correct it. What we’ve got is broken. It doesn’t work. But the government keeps coming up with remedies that are dysfunctional.”

Which is why he and his colleagues rejected the idea of offering low-skilled training in the first place.

Origins

Esperanza Unida (Spanish for “hope united”) came into existence in 1971 and spent the next 10 years helping residents in Milwaukee’s Latino community qualify for unemployment checks and workers’ compensation. But once massive layoffs and industrial plant closings began in the early 1980s, says Oulahan, “we started looking around to see if there was a vehicle that could help these people get into the economic mainstream.

“We couldn’t find one, except at the technical college, and there were five things that made it impossible for the people in our community to go there:

- It cost money.
- They needed to have a high school degree.
- It wasn’t located in our community.
- The classes were all in English.
- It was usually a two-year program.

All those things mitigated against any of our people getting re-trained and into a job with a living wage.”

At the same time, the people at Esperanza realized it would cost about \$5,500 to train a single person to perform a skilled trade, and Oulahan says “nobody wanted to provide the funding. So, if we were going to do it, we had to figure out a way to pay for it. And that’s when we realized you could generate revenue at the same time you were doing training.”

An abandoned auto dealership served as the site for the first training

program, and Esperanza used a federal grant to buy a tow-truck, a forklift, and some other tools. The first 30 trainees were a group of dislocated workers from an Allis Chalmers plant. “We hired an auto mechanic from the union to train them,” says Oulahan, “and we started working on customers’ cars. It was minor stuff at first, simple things like oil changes.

“Really, that was the beginning. We just basically had to do it ourselves, not wait for somebody else to do it for us.”

During FY00, the auto repair and sales shop earned \$513,535 in revenue, with a net profit of \$130,628 (25.4%).

Power from Below

Oulahan is quick to emphasize he’s a follower, not a leader. “Everything we do,” he says, “is driven by the people in our community.” Nonprofits from all over the country come to Esperanza for guidance, but Oulahan says most of them “don’t believe power comes from below. They still look to the power structure above them for support. But institutional forces push you toward serving *their* interests. I know that’s a pretty general concept, but it’s an important one to us. Fifty percent of our employees were students here at one time and half of our board members are long-time community residents.”

Oulahan says “the biggest problem in the inner city today is that it needs an economic infrastructure that’s controlled by the community itself, not by an outside force. And that’s what we’re all about.” When he talks about “infrastructure” he means buildings, equipment, tools, and people with expertise who won’t go away. “If you hire a lot of technical assistance and consultants,” he says, “they’re here and then they’re gone.”

Creating community-controlled infrastructure has been the heart and soul of Esperanza’s business strategy since the first training school opened in 1984. “Back then,” he says, “our institutions were being run by people who said they wanted to help us create wealth. But they came in, remodeled buildings, made a lot of money—and left with all the profits.

“It’s taken a lot of patience,” he admits, “because it doesn’t happen overnight. There are dark years when nobody really sees what’s happening. And it costs a lot.” How much? Oulahan just smiles: “Whatever you’ve got and a whole lot more. Whatever you can beg, borrow, and steal.” But over time the fruits become obvious. During the 1990s, for example, Esperanza was able to develop a \$5 million commercial building because it had the necessary infrastructure in place. Oulahan just laughs. “When we first started in 1984,” he says, “we couldn’t even borrow five thousand dollars to fix our windows!”

A Willingness to Take Risks

Of the six training school businesses being operated by Esperanza today, two are profitable, three are slightly under water, and one is struggling. Over the past 10 years, four others have come and gone, including an auto body shop, an auto parts dealership, a restaurant, and an asbestos abatement company.

Oulahan doesn’t consider that a bad track record. “You have to take risks,” he says. “Our community, our organization, and our board feel we don’t have a lot of choice. If we’re losing resources every day and people are being destroyed by our economic system, what do we have to lose if we go out on a limb and try to make something work? You can’t be crazy. You’ve got to be careful. But the idea that you have to have all your resources on board before you start something isn’t going to work.

“There’s nothing wrong with making mistakes. We’ve made a lot of them—but we look at them as a natural part of development and growth. Nothing gets done unless you make them! You try one thing and if it doesn’t work you try something else. Maybe we’ve stuck with a few things longer than we should have—but if the alternative is waiting until all the ducks are in line, it will never happen. Any time you create something, there are always pieces on the ground around it when it’s finished. So we’re not afraid of mistakes.



We just figure that something's always lost when you create something new."

Sometimes, taking a risk means saying no to a big pot of money. At one point in the late 1980s, Esperanza had the opportunity to convert to for-profit status and qualify for \$500,000 in financing from the state department of economic development. But Oulahan says "we realized that wasn't the right way to go. We didn't have much revenue back then, and it would have been nice to receive a big chunk of money, but we felt it would hurt us in the long run. We're not in business to make a profit. We're in business to get people into the economic mainstream. We would have had to start paying back loans and paying taxes and competing as a business. But we're not *really* a business—we're a community training program that generates revenue to support the training. We've lost money some years—but our social purpose has never changed. The idea isn't to make the busi-

nesses profitable—it's to make them as self-sustaining as possible. We measure our success by how many people are getting into jobs."

The Portfolio Grows

All of Esperanza's training businesses are intended to address the five challenges faced by those first community residents when the layoffs began: The programs are short-term, they're free, they're located in the community, the courses are bi-lingual, and you don't need a high school diploma to enroll (although many of the people who come to Esperanza decide to attend classes in the organization's learning center to obtain a G.E.D. at the same time they're enrolled in one of the training schools). Here's a brief rundown of these programs:

1987 (construction): Esperanza received a grant of \$70,000 from the city of Milwaukee to rehab a house, then

started doing commercial work, and eventually set up a training program in the field of construction. The business earned \$299,288 during FY00, with expenses of \$336,029.

1989 (welding and metal fabrication): "We did some research and discovered that Wisconsin had a huge need for welders," says Oulahan. During the past 12 years, Esperanza has trained more than 400 people, a third of them women, and placed 75% of them in permanent jobs—and the way the business started is testimony to Oulahan's belief that you can't wait until all the resources are in place. "A large waste management company was looking for somebody to make dumpsters for them," he remembers. "They gave us a letter of intent promising to purchase \$80,000 worth from us and we used it to get a community development block grant of \$200,000 from the city. And then the company bought its own manufacturing shop and never did buy a dumpster from us! But that was fine, because it caused us to diversify and look for other customers. We used the \$200,000 to build a shop, purchase equipment, and hire instructors." During FY00, the welding and metal fabrication business earned \$272,924 and had expenses of \$310,667.

1990 (childcare): "We started getting a lot of pressure from the women in our community," recalls Oulahan. "They said we didn't have enough programs for *them*." So he scrounged a \$20,000 grant from the Helen Bader Foundation, located a vacant building, and created a childcare training center called Esperanza del Futuro Child Care. Today it's the second-most profitable business operated by Esperanza (only the auto repair shop does better): It earned \$398,550 during FY00, with a net profit of \$72,358 (18.2%).

1996 (customer-service training): When government officials and others started jumping on the welfare reform bandwagon, Oulahan and the people in Milwaukee's Latino community "realized we needed to create still more training programs for women—and we discovered there were a lot of decent paying jobs out there, with good benefits,

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for people who could do customer service. And the fact that many of the women in our community were bilingual turned out to be a real asset.” Esperanza approached some of the companies that were looking for workers, and Ameritech gave it a \$70,000 grant to start the program. The customer-service training business earned \$74,329 during FY00 and had expenses of \$89,821.

1996 (commercial printing and graphic arts): “We’re always looking around to see what types of jobs are needed in the community,” says Oulahan, “and we discovered that not many people of color were getting into the printing industry. Those who did usually wound up working in a bindery or in some other low-wage job with no chance for advancement. At the same time, we were running an auto body shop and training school, but it took six months to train people and we could only train five at a time. We decided that just wasn’t enough, so we closed it down—even though it was profitable—and started a printing school instead.” Esperanza received a \$250,000 federal grant to hire instructors and buy a state-of-the-art press. Its commercial printing and graphic arts business is still struggling to find its footing. During FY00 it earned \$89,916 but had total expenses of \$161,550.

The “Failures”

Even though it was profitable, the auto body shop “failed” because it didn’t meet Esperanza’s social-purpose objectives. The other three businesses that are no longer part of the Esperanza portfolio went away for a variety of reasons.

“We tried to do an auto parts business by pulling parts off donated vehicles,” says Oulahan, “but we learned stockpiling parts isn’t cost-effective—you need to have a big lot and only pull parts when you’re selling them. We just couldn’t handle that.”

The restaurant business “drained a lot of capital,” says Oulahan, and also failed to meet its social objectives: “We weren’t able to train people for skilled jobs,” he says, “so we shut it down.” But he hastens to point out, “We rent the

space now to a local guy who’s made the restaurant a great success.”

The asbestos abatement business started when Esperanza decided to buy and rehab an abandoned commercial building. The building had lain vacant for years because potential buyers were scared off by the projected cost of asbestos removal—more than \$300,000. Esperanza found a better way. “We created a training program,” says Oulahan, “and moved the asbestos out as part of the training. It cost us only \$15,000—and then we sold the business to the guy who was running it for us.”

Critical Success Factors

In addition to **drawing power and direction from below, providing training only in skilled professions, concentrating on infrastructure development, and being willing to take risks**, Oulahan emphasizes six other factors that have been critical to Esperanza’s success.

Make a long-term commitment. “You’ve got to make the commitment and say, ‘This is what we’re gonna do and we’re not gonna back off,’” says Oulahan. “You have to be willing to say this is a lifetime commitment. Really. You can’t back out once you start. You have to be in it for the long haul and believe you’re gonna make it work.”

Use ingenuity. “Sometimes you have to use a nutcracker to open a refrigerator,” laughs Oulahan. “It works most of the time if you persist! You can’t be stuck on saying, ‘Here’s the way it *must* be done.’”

Go it alone. “Coalitions are good,” says Oulahan, “but part of the reason we’ve succeeded is because we knew we had to do this by ourselves. A lot of institutions offer assistance, but they only go so far.” However, Oulahan also emphasizes the importance of being flexible when others want to help: “You can’t be rigid or ideological,” he says. “You don’t want to sell your soul, obviously, but you can’t be so pure that you can’t work with somebody—unless it becomes obvious that it goes against the interests of the

community, as it did with the welfare-to-work programs.”

But ask for help. Going it alone may be the prime directive, but Oulahan also points out that “each of our businesses has an advisory committee we can go to with problems or ideas and to help us keep in touch with the industry.” For example, advisors for the auto repair and sales program come from both the auto mechanics union and auto dealerships.

Trust the staff. “One thing we could have done more of in the beginning was to involve more of our staff members in our decision-making,” says Oulahan. “It seemed like there was such an urgency to get things done, but now we have the luxury of weekly departmental meetings and it’s really incredible how staff members are able to pull together, deal with problems and get past things.”

Do what you believe in, and the money will follow. “We’ve never had enough cash,” says Oulahan, “but it’s like starting a fire. You put on some twigs, then you keep putting on more and more, and you get it burning.” ■

Jerr Boschee (jerr@orbis.net), long recognized as one of the founders of the social enterprise movement worldwide, has spent the past 20 years as an advisor to social entrepreneurs in the U.S. and abroad. He has delivered seminars or conducted workshops in 41 states and nine foreign countries and is executive director of The Institute for Social Entrepreneurs (www.socialent), which provides education, training, and other services for social entrepreneurs.

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