



## Looking for Customers Rather than Handouts

*Can you earn money while giving ex-cons and former addicts a chance at a new life? See how one nonprofit entrepreneur did it.*

BY JERR BOSCHEE

**W**hen Kevin McDonald started Triangle Residential Options for Substance Abusers (TROSA) in North Carolina in 1994, he had \$18,000 with which to feed, clothe, and rehabilitate 15 ex-cons and former addicts. “I had to figure out *some* way to make money in order to keep the program going,” he says. “So we started our first business—peelin’ potatoes!”

That was the beginning. But potatoes alone weren’t going to be enough. McDonald had spent 12 years at Delancey Street Foundation in San Francisco, the nation’s leading rehab and job training program for ex-cons, recovering drug addicts, and former prostitutes, and he’d spent part of the time running Delancey’s moving business.

That experience prompted him to take three steps during the first few months of TROSA’s existence that led to the creation of a company that generated less than \$50,000 in its first year but has grown into a \$3.1 million business today. It’s the sixth largest moving company in the Research Triangle Park area and last year carried out approximately 6,800 moves. It’s licensed in 48 states.

McDonald’s first step was to send his ex-cons and former addicts to North American Van Lines. “We wanted to start

a temp business in the moving industry,” he says. “There was a tight labor market down here and the big companies were desperate for workers, so we got our guys trained on North American’s dime—and then started sending them temporary laborers.”

His second step was to explore the idea of starting a moving company of his own. “Trouble was, all the existing movers in the area had to vote on you! It would have taken forever!” So McDonald found an attorney who turned up an existing mover who’d gone bankrupt and wanted to sell his license. TROSA bought it for \$10,000 (profits from the temporary labor business helped provide the necessary capital)—and bypassed the approval process.

His third step was to buy a used truck from Ryder. “Bought it, painted it—and made sure it had an automatic transmission, because a lot of the guys didn’t know how to drive a stick.”

From that point on, McDonald grew the company “one truck at a time.” The business started in late 1994 and today employs as many as 150 people during the prime moving season.

More than 300 men and women currently take part in TROSA’s two-year residential program for drug addicts and alco-

holics. The residents participate in a comprehensive therapeutic program (see “The TROSA Model” on page 14) and during their stay work in one or more of the many businesses McDonald and his colleagues have launched during the past nine years. They receive free room, board, and medical care, plus a modest living allowance, but are not paid salaries. In keeping with TROSA’s philosophy of self-help and individual empowerment, residents are responsible for all aspects of the businesses, including scheduling work, planning jobs, making estimates, supervising crews, and allocating resources.

Each of the businesses serves double duty as a vocational training school. In addition to the temporary labor force and the moving company, they include a vehicle repair shop, construction company, lawn service, brick masonry, catering service, picture framing company, residential and commercial painting, and its first retail business, a Christmas tree and wreath sales business started in 2000.

### **“I DON’T WANT YOUR MONEY”**

Residential moves were the bread and butter for the moving company during the early years, but it has gradually



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attracted corporate business as well and is poised for further expansion. McDonald built the business primarily through personal selling and word of mouth. "We didn't have a very big staff," he says, "just me and two others, and we didn't have much money for advertising. We were just trying to survive as a program. So, I decided to start hitting the pavement and gave a lot of speeches. Went out to the Junior League, the Kiwanis Club, that sort of thing, and I found out they were tired of people asking them for a handout. So I told them, 'I don't want your money. I want your business. Call us up, let me give you an estimate, use our services.'"

He says the obstacles have been enormous. "Starting from scratch—no capital, no staff, no facility, sort of basic, man!" TROSA received an abandoned school building as a donation, but the building didn't have heat or running water and had to be lit with kerosene lamps. There weren't any written procedures or policies for running a rehab center, much less a moving company. "But nothin' surprises me any more," says McDonald. "I've been doin' this sort of thing for more than 20 years, and I was a street urchin before that. I just know that if you believe in something hard enough and work hard enough at it, it's gonna happen. You just don't quit no matter how hard it looks. You just keep goin'..."

McDonald credits much of the moving company's success to its vice president of business operations, Mike Keene, a former heroin addict who arrived at TROSA in 1997 after gaining six years of moving experience at Delancey Street. "Mike is the moving company," says McDonald. "He oversees the moves, trains our people, helps them with their recovery, and puts in 18 hours a day doing

it." McDonald says Keene's past experience with drugs and his knowledge of how difficult it is for people going through recovery are what make him such a success with his employees. "It helps him relate to the residents and their difficulties," he says, "and the encouragement and discipline he provides help employees learn to deal with their past and work a job so they don't return to the streets."

Today the challenge is managing growth. "We still have 100% turnover in our employees every two years," he says, "and up until the late nineties we only had three paid staff members." He started hiring experienced professionals and now has a full-time staff of 38, 17 of whom have criminal records.

## AUDITIONING FOR JOBS

The temp business also continues to thrive. "The employers love it," says Keith Artin, TROSA's chief operating officer. "They get drug-free workers with a great work ethic. And in an area with a 1.5% unemployment rate, they're desperate to find entry level workers. We're the only ones who can pull together 100 people in an evening to help move an office building on a day's notice.

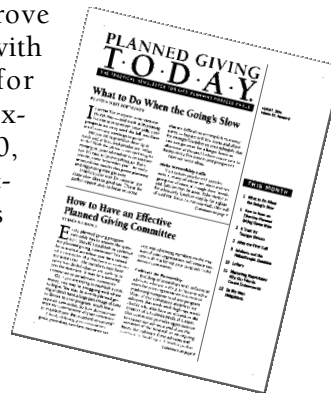
"Plus," he says, "our guys are *auditioning* for a job that will be waiting for them when they finish their time at TROSA." The corporations "have a chance to look at our guys for 'x' months,

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## THE TROSA MODEL

Founded in 1994, Triangle Residential Options for Substance Abusers (TROSA) is now the largest therapeutic community for substance abusers in the state of North Carolina. More than 300 residents participate in a highly structured self-help program that lasts for two years. Most are between the ages of 31 and 50, and many come to TROSA as an alternative to incarceration. Ninety percent have a criminal record, more than 70% are African American, and 80% are male. Forty-five percent haven't yet completed high school or acquired a General Equivalency Diploma (GED).

Residents receive vocational training, take a variety of educational courses, work on their interpersonal skills, and learn how to re-enter the community. By the end of 2003, nearly 400 people had completed the two-year program and joined the full-time work force; in 2003, the average hourly wage for a recent graduate exceeded \$10.

Educational courses for residents without a high school diploma include literacy and GED classes taught by the Durham Literacy Council. Residents also participate in computer classes and can take college classes at night. Daily motivational and educational seminars are part of the routine, and there are several special interest and vocational classes, including creative writing, commercial driving, brick masonry, and basic auto mechanics. TROSA residents are also encouraged to volunteer and participate in community activities, and many of them play on TROSA's basketball and softball teams and sing in a choir that performs at festivals and weddings.

During their final three months in the program, residents begin participating in personal finance, job readiness, and relapse prevention classes and receive help in their search for permanent employment either within TROSA (staff-in-training) or with an outside company. Graduates of the program receive a car (donated to TROSA and rehabbed by TROSA mechanics) and can live at minimal cost for at least a year in one of the organization's 30 after-care residences (more than 100 are currently doing so). All graduates also have the option of attending bi-monthly support groups.

and a lot of them have been able to land good jobs, with benefits. If they'd just gone through the front door putting in a piece of paper, it would have wound up in the round file."

What comes next? McDonald believes the moving company alone "can get to \$3 to \$5 million over the next five or ten years, maybe quicker." He's also hoping to create a variety of housing units on a 13-acre "campus" that will serve as a home for most current residents plus some graduates and staff. And he's hired a development director (90% of all TROSA expenses are covered by profits from the businesses, but there's still a gap to fill). "I can't even believe people give you money," he laughs. "Twenty years ago I just *took it!*"

## CRITICAL SUCCESS FACTORS

In addition to *looking for a business relationship rather than a handout*, McDonald identifies eight other factors that have been critical to the success of TROSA Moving:

**Create a learning environment.** "First of all," he says, "your crews have to be trained. Training, training, training. Everybody is always teaching somebody else. One person teaches the next person." This learning atmosphere is especially important because the company experiences constant turnover. TROSA holds training classes for movers every Sunday. All crews that go on moves have crew bosses who are continually training new members on their teams.

**Know the importance of image.** "Our employees have to act in a professional manner," says McDonald. "When you're dealing with recovering addicts, the first thing you must do is make sure they're not using drugs. You can't be *la-dee-dah* about it. The accountability has to be there. You've gotta have discipline, and appearance is really important. Our people are taught to dress, speak, and act professionally. Part of our goal is to change people's perceptions of addicts as street people. If somebody isn't performing, if they're disrespectful to a customer, we'll have to fire them." Artin says "it's a double-edged sword at best when potential customers know we're a drug rehab facility. Customers suddenly start to fear you—or, worse yet, they start looking at you as a non-profit rather than a business."

**Focus on customer relations.** "And we will never forget that our customers are the ones who keep us in business," adds McDonald. "They are *always* right. If we do something wrong, we respond immediately and take care of the problem. That's just *so* important. When customers appreciate what you've done, it's the best form of advertising you can get. It's like buying cars: You go back to somebody you're comfortable with." The company does very little paid advertising.

**Stress the work ethic.** McDonald believes his company's competitive edge is "our work ethic. One of the things we hear over and over again is how polite our employees are. We get the job done. We're not the cheapest in town, but we've built a big following from word of mouth." And, according to a recent survey, it turns out most customers have no idea the people doing the moving are former addicts and ex-cons.



## *“It’s like buying cars: You go back to somebody you’re comfortable with.”*

**Watch the seasons.** “Here in North Carolina,” says McDonald, “we *live* for certain months in the summer and hibernate like bears in the winter, so we’re always trying to cover ourselves with other businesses during the winter, just like most moving companies.”

**Hire dedicated sales people.** “Not having a dedicated sales person was the biggest mistake we made,” says McDonald. “Anybody who wants to do this should definitely hire a person with some experience in the field. It’s hard to break into the market. There are a lot of big corporations here in the Research Triangle Park, and we’ve made some inroads, but we’re still not in there the way we should be.” McDonald “put over 30,000 miles on my car the first year. I spoke to anyone who would listen to me about TROSA and what we do. The most important thing I needed to do was to establish our reputation in the community.” But that was when the program had only 35 residents. Today it has more than 300 (plus 100 graduates living in supportive housing as part of TROSA’s after-care program), and McDonald doesn’t have as much time to speak in the community.

**Grow carefully.** McDonald also believes “you have to be careful not to grow too fast. You can only be as big as the number of people in your program. We’ve got more than 300 now. But we still have to watch which jobs to bid on and always be honest with ourselves rather than building up a reputation for biting off more than we can chew.” He says the company has grown so quickly that “the infrastructure hasn’t been able to keep up, so I had to slow down. Now we are hiring more people and building and improving our program and business. For survival. And now that we have some professional staff on board we’re starting to move to another level. But you have to be willing to pay for it. It’s a real learning process as

we bring in professional staff to integrate with us. If this were a government agency, the state would have 150 people working in a place like this! But we don’t need anywhere near that many. We just have to build up a permanent staff of middle managers, an institutional memory.”

**Be resilient.** Only 33% of the men and women who enter TROSA’s residential program finish the entire two years (although McDonald points out that only 35% of the freshmen who enter the University of North Carolina ever graduate). Not every resident is ready for the long-term, two-year commitment. “You just have to roll with the ones who quit,” he says. “You have to remember that no one person is too important and just go find somebody to replace him. The biggest thing is that you have to *believe* in the people you’re wantin’ to help. They can feel it, they can feel that you believe in them, and they’ll work hard to change.”

### **FINAL WORDS OF ADVICE**

McDonald admits it would have been nice to have more capital, “but I never went to school and I didn’t know what I needed. A bunch of MBAs from around here came in and told me I shouldn’t have been able to do it—but I didn’t know that! I followed my gut and used my experience to do it and it works. We’re doing it and will be here for a long time.”

What keeps McDonald, Keene, Artin, and the other TROSA people going are a set of core values. “We will never forget what we’re about,” says McDonald. “We’re training men and women in order to give them a work ethic so they can go on with their lives, get jobs in the community, and overcome their addictions. Many people talk about a double bottom line—balancing your program and your business. Well, it all comes down to the people. We’re not gonna sacrifice that, ever.” ■

### **Resources**

Boschee, Jerr, “Focus on Your Customers as Well as Your Clients,” *Nonprofit World*, Vol. 22, No. 2.

Boschee, Jerr, “Keep or Kill? Score Your Programs,” *Nonprofit World*, Vol. 21, No. 5

Boschee, Jerr, *Social Entrepreneurship Videotape*.

Brinckerhoff, Peter, “How to Write Your Business Plan,” *Nonprofit World*, Vol. 17, No. 2.

These resources are available through the Society’s Resource Center, [www.snpo.org](http://www.snpo.org).

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### **More about Social Enterprise**

For more about social enterprise, see *The Social Enterprise Sourcebook* by Jerr Boschee. The Sourcebook contains stories about 14 nonprofits that have successfully started business ventures, along with fact-sheets about each organization and brief profiles of the entrepreneurs. Copies of the book are available for download at no charge from Mr. Boschee’s Web site ([www.socialent.org](http://www.socialent.org)), and bound volumes can be ordered from him or from Amazon.com.