

# The Sweet Side of the Brownie Business: How the Greyston Bakery is Transforming the Way For-Profit Companies Effect Social Change

Josh Oppenheimer 23 October 2012

## Introduction

It's a hot summer day in Philadelphia, and you need something quick to cool down. With sweat drops forming around your temples, you step into the Ben & Jerry's on 40th Street by the University of Pennsylvania and order your favorite ice cream—Chocolate Fudge Brownie. As the server scoops the ice cream from its sub-zero freezer and places it on a sugar cone, your mouth begins to water. You remember the many childhood summers when your parents would take you out for ice cream after a long day and, if you were good, they may even have let you get a topping.

You grab a stack of napkins and head to the closest bench to enjoy your treat, with a variety of thoughts, such as "I gotta finish this before it melts," "I can't believe I just

spent that much for ice cream," and "It's gonna take me 2 hours to burn off all these calories," running through your head. What you are in all likelihood not thinking about, however, is where the products that went into the ice cream came from.

Take a closer look, particularly at the brownie bites. Rich, succulent and with the perfect texture, each brownie bite tells a story. A story, as it turns out, of overcoming hardship on a path to a better life. A story that begins with a man on a mission to save lives. This is the story of Bernie Glassman and his Greyston Bakery.

## **Finding One's Path**

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Born to Jewish immigrants in Brooklyn, Bernard "Bernie" Glassman moved to California after college to become an aeronautical engineer. He soon realized, however, that engineering was not the path for him, and moved back to the East Coast to takeover a Buddhist sect in the Bronx. Bernie's newfound mission sought to combine social action with two tenets of Buddhism: The first was Mandala, a symbolic representation of the interconnectedness of all life. The second focused on the concept of one's path, or the idea that all healthy living systems evolve along a developmental path with distinct stages. Bernie saw that all humans were inherently connected, and felt an obligation to help those in need

transform their lives.

Under J. Barton Cunningham and Joe Lischeron's model of entrepreneurship, Bernie would be characterized as a "Psychological Characteristics" entrepreneur. According to Cunningham and Lischeron, the "Psychological Characteristics" entrepreneur has a sense of responsibility and duty to others and is willing to take risks to achieve his or her goals (Cunningham and Lischeron 1991, 46). Bernie only needed to look as far as New York's outer boroughs to find a population in dear need of second chances. In the 1980s, the Bronx had an unemployment rate of over 9 percent, with nearly a quarter of its residents living below the poverty line (Bureau of the Census 1983). In comparison, the national unemployment rate stood at about 6 percent and the poverty rate at about 11 percent (Iceland 2005). Bernie zeroed in on the most vulnerable—the homeless and the "unemployable." Many of these individuals were convicted felons, substance abusers, illiterate and/or welfare-dependent. Though there were nonprofits that operated via a normal workforce development program, these organizations placed clients in jobs that did not help them grow or gain the life skills needed to seek higher paid employment. Moreover, the government funded these programs, meaning that their main revenue streams could be shut off at any time.

Bernie believed that to transform the lives of those living in poverty, he needed to do more than simply feed them

through handouts. He needed to create a financially secure infrastructure, one that could provide them with the marketable skills to secure stable employment. In the context of the second Buddhist tenet that guided Bernie's actions, finding stable employment was their path out of poverty.

## **Birth of the Bakery**

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Rather than trying to place vulnerable individuals in companies willing to take the risk of hiring them, Bernie decided to open up his own shop, a bakery, on the bottom floor of the Greyston Mansion in the Bronx. The mission of the Greyston Bakery was to hire hard-to-employ individuals and give them the training necessary to find permanent jobs while baking quality desserts for high-end New York restaurants.

Still, Bernie was not satisfied. As noted, Greyston Bakery was not simply to be a place for the homeless to find short-term employment, but rather a company that sought to help its employees pave their own paths to self-sufficiency. Bernie believed that companies can and should operate to make a profit, but that they should use their financial profitability to provide social benefits to their employees. To expand his operation and hire more bakers, Bernie moved the Bakery, gutting an old spaghetti factory and turning the third floor into long-term

affordable housing units, the second into a daycare center and the first into a bakery.



The 23,000 sq. ft. state-of-the-art baking facility, conceived by renowned designer Maya Lin, sits on the banks of the Hudson River, churning out 20,000 pounds of brownies each day.

That move formed the foundation for how the Bakery functions today. Now operating in a 23,000 sq. ft. state-of-the-art commercial baking facility that produces over 20,000 pounds of brownies each day with \$8 million in annual revenue, the Bakery's social enterprise is two-fold: 1) run a financially profitable bakery so that 2) there are resources available to train individuals to lead self-sufficient lives. In the realm of social innovations, this is called operating on a double bottom line. Complementing the operation of Greyston Bakery is the Greyston

Foundation, which owns the Bakery and uses bakery profits to partially fund its more traditional workforce development program. The Foundation is the Bakery's sole shareholder.

To fulfill its dual mission, Greyston Bakery employs its bakery workers via an open hiring process and apprenticeship program. Individuals looking for employment simply put their names on a list, and are hired as positions open up on a first come, first served basis. There are no background checks and previous work experience is not necessary. Though the vast majority of individuals who sign up are recently out of prison or have little to no education, Greyston believes that all deserve a chance to prove themselves, an opportunity many companies refuse to provide because of the risks inherent in hiring convicted felons or those who lack education. When the Bakery is at capacity, those who sign up are still provided with information designed to help them on their path to self-sufficiency. As Mike Brady, President and CEO of the Bakery explains, "While we know they would like the job and we can't give that to them immediately, we also try to inform them of what we're doing at the [Greyston] Foundation and the services that are available to them."

Once hired, Greyston employees go through a one-year apprenticeship program before they are awarded permanent employment with accompanying benefits (health insurance, sick days, vacation days, etc). The apprenticeship program allows both Greyston and the

employee to determine whether working in a bakery is the right “path” for the individual. Apprentices are evaluated every two weeks, with a raise every three months. At the end of the program, apprentices are offered full-time employment, as well as awarded a training certificate. This way, even if they choose not to continue working at Greyston, graduates of the program can show future employers their resumes and accomplishments, rather than their rap sheets.



A baker mixes ingredients for the Bakery's famous Do-Goodie Brownies.

Even with these strengths, Greyston is currently working to improve upon this model. Though it refuses to fire employees so that new people can be hired, because of its open hiring policy, turnover is much higher at the Greyston Bakery than at the average business. About 75

percent of apprentices do not graduate from the program. This has resulted in decreased profits because new apprentices must be continuously trained. To combat this problem, Greyston plans to implement a screening process prior to enrollment in the apprenticeship program. According to Jonathan Greengrass, Vice President of the Greyston Foundation, this is to "give the individual a better sense of what the job entails, before he or she walks through the door." Should the apprenticeship program prove not to be the right path for the individual, he or she will be directed to the Greyston Foundation to go through its more traditional workforce development programs. Brady adds, "One of the things I would like to continue doing...is helping people understand where they could move from the Bakery."

To continue training and employing individuals, Greyston must consistently achieve an operating profit. It understands that to make a social impact on the world, it must work within the confines of the market. One of its guiding principles reads, "Achieving operating profit is the best route to long term survival of the organization, and the best inducement for others to follow the bakery's model. Furthermore, because they are subject to the discipline of market competition, bakery employees, unlike participants in many well-intentioned job training programs, develop skills that are genuinely valuable (The Greyston Bakery's Guiding Principles n.d.)." As a result, the Bakery is willing to automate its production when



fiscally appropriate, all in the name of operating a sustainable business. For instance, several years ago, Greyston stopped producing cakes and pies because they were no longer profitable. Consequently, some employees were let go. By focusing on its brownie production, however, Greyston has been able to expand and hire even more bakers.

## **Quantifying the Bakery's Social Impact**

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When asked if Greyston had any data tracking what happens to those who move on after going through the apprenticeship program and/or employment at the Bakery, the response was typical of any for-profit company: no, because it does not affect their bottom lines. Unlike traditional workforce development programs, the Bakery is not dependent on government grants or donations; it operates off of its own profits and only reports to itself.

One success story is that of Dion D., who came to Greyston with many barriers to employment. As he explains, "I had made choices in my life that weren't good for me, good for my family or good for my community. And those choices had very serious consequences." When he came to Greyston as an apprentice in 2009, Dion started making different choices. He says, "I chose to follow the rules and to learn from my supervisors, managers and coworkers. I chose to change my path in life to meet the

goals that I had set for myself while in prison—to get a job, open a bank account, make my family proud of me and start a family of my own. With the support of the training and management at Greyston Bakery, I can now be proud of the choices that I make every day." Dion is currently the lead operator for Research and Development at the Bakery.



Dion D. prepares baked goods for packaging.

Brendan M., who joined the Bakery as an apprentice in 2011, embodies another success story. Since becoming a full-time employee, Brendan has worked in almost every production department. Says Brendan, "My experience here has taught me how to look at the individual jobs

that I do as part of the big picture of our whole baking system. This has helped me look at my own life and the decisions that I am making every day. Having that kind of perspective makes me feel good about the path I am going down." In the belief that if he can "show people how the Greyston Bakery mission changes people's lives,

maybe they will also look at their own lives from a different perspective," Brendan has also started sharing his experience with groups that visit the Bakery.

Personal stories do highlight the impact Greyston has made on particular individuals, but what about its overall social return on investment (SROI)? An SROI is a ratio of the number of dollars invested to the dollar amount returned based on their social impact. Although the Bakery does not conduct its own SROI, the analysis boils down to quantifying the effect it has on those individuals who can now find stable employment, and who would not otherwise have been able to find such work. Since successful employees are no longer dependent on government services and are able to help their families while leading self-sufficient lives, the impact can be extrapolated to individuals' communities.

The analysis would be conducted as follows: First, the various stakeholders that make up the program would be laid out. They include the traditional/administrative employees, the mission-driven/hired employees, their families, the customers and the Greyston Foundation. Second, the input and activity that each stakeholder provides would be determined in monetary terms. The traditional employees direct bakery operations and employees to ensure a successful for-profit business, while the mission-driven employees go through the apprenticeship program and work on the bakery floor to produce brownies for customers, eventually leaving with

valuable skills. Finally, the Foundation provides administrative support and oversight to the Bakery.

Using these inputs, the outcomes for each stakeholder would be determined, accounting for deadweight and attribution. Deadweight is the possibility that an event would happen regardless of an organization's actions, while attribution quantifies how much of the outcome was caused by the contribution of other organizations/people. For traditional employees, the outcome is a profitable business with trained employees. The mission-driven employees gain job experience and self-sufficiency for themselves and their families. For the Foundation and the companies contracting with the Bakery, the outcome is a profitable business. In essence, the two main factors in determining Greyston's SROI are its profits and the number of individuals who successfully complete its program and find jobs. These are, not coincidentally, the two factors that determine its double bottom line.

Third, and finally, the model would be projected over a five-year period, assuming a constant flow of individuals going through the apprenticeship program and a constant investment by each stakeholder. Note that the impact is on both the individual and the community. Greyston employees can sustain themselves and their families, breaking the cycle of poverty in their family units.

According to Greengrass, "We create employees who are, theoretically, going off public assistance...and who are

starting to pay taxes. It's a double benefit."

The stabilizing effect of getting a job is extraordinary on not only the family, but on the community as well. As Greengrass points out, "There's an unparalleled benefit of the ability to raise a community out of poverty. You now have a working family member who is able to support the members of the community, which then trickles down to their children, who go to school and who have a regular education career and can raise themselves out of poverty. It stabilizes the community and creates wealth within the community, as well. Now, they have money in their pockets to spend at local stores, and the local stores do better. It's a huge multiplier effect."

Nevertheless, the Greyston Bakery would not have been able to scale and create such a large impact had it not been for the investment of one key partner, Ben & Jerry's. Since 1988, the ice cream giant has relied on Greyston to provide the brownie fillings for many of their best-selling flavors, both nationally and internationally. As Greengrass explains, "In order to be successful with our mission, we have to run a sustainable business, focusing on providing high-quality products at competitive prices." Ben & Jerry's, though they appreciate the social impact Greyston has on the Yonkers community, will not accept any botched brownie batches.

Except, of course, the first batch. As the story goes, Ben & Jerry's had originally contracted the Greyston Bakery to

make extra thin brownies for their ice cream sandwiches. When the batch made it to Vermont, however, Ben Cohen, the "Ben" of Ben & Jerry's, discovered that "[t]he brownies [were] all stuck together....[I]t was really hard to pull 'em apart and mostly we got little bits of brownies" (Leung 2009). According to Cohen, that is when he decided "Well, we'll try shoving them in chocolate ice cream and make chocolate fudge brownie ice cream. And that's how the flavor came into being" (Leung). Since then, however, Ben & Jerry's has demanded perfect brownie bites every time. Brady explains, "They've made it very clear to us that we must always bake top notch brownies. We're accountable to them as a business."

With this in mind, Brady has been able to grow Greyston's customer base. The company has an online shop with brownie baskets, cookbooks and "I Love Do Goodie" shirts for sale. Says Brady, "Though the online business is less than 10 percent of our overall revenue, it's a great way to get our messaging and brand distributed." In May, the Bakery partnered with Whole Foods, providing the supermarket with individually packaged "Do Goodie" brownies. Two percent of the "Do Goodie" brownie sales will go to the Whole Planet Foundation to fund poverty alleviation efforts worldwide. According to Brady, "One of the most impactful things we did is that we brought on a couple of additional pieces of new business, which allowed us to bring on a whole other shipment of employees. We've grown from 60 to 75 employees this

year."



Do-Goodie Brownies are sold in local Whole Foods markets, with 2 percent of sales going to fund poverty alleviation efforts worldwide.

The question then becomes, however, do customers who place large orders with the Bakery need to share Greyston's mission of providing a social impact?

Greengrass says no. The only way Greyston can scale up is if there are more orders to fill, and the only way to get more orders is to continue providing top-notch products at competitive prices, and the only way to ensure top-notch products at competitive prices is by having a businessperson with experience in the food industry run the Bakery, and to recruit this businessperson, Greyston "compensates, but not overly compensates" him or her.

As Greengrass explains, "Making a salary and doing good aren't mutually exclusive." In this sense, the operation is

not so different from any other for-profit business. The brownies are delicious; that's why people buy them.

To ensure ongoing success, innovation is key. "We don't sit on our success. We are continually trying to make our model better," says Greengrass. Like many other effective leaders, those at Greyston are focused on their mission, but are also willing to self-correct. According to David Bornstein, author of *How to Change the World*, "The entrepreneur's inclination to self-correct stems from the attachment to a goal rather than to a particular approach or plan" (Bornstein 2007, 238). The Bakery's goal is to help those in the community find their own path to self-sufficiency, and it is willing to experiment with various models to create the greatest impact.

In the coming months, Greyston will attempt to replicate its open hiring/apprenticeship for-profit model in a new industry. In addition to making a profit, the mission of this new social enterprise will be to attract traditionally unemployable women. Greengrass explains, "One of the exciting things we've identified in this new industry, and the reason why we don't want to talk about it too much, is that there is a low barrier to entry." What he could say, though, is that Greyston plans to raise \$350,000 via philanthropic and patient capital (investment with long-term returns). In keeping with how Greyston operates, the business will be managed by someone with experience in the new industry. It hopes to initially employ five to seven



individuals, then open five to six locations with a central depot within the next ten years. This will enable Greyston to hire a total of 60-70 employees. Unlike the Bakery, retail stores will not be located in impoverished neighborhoods. For the business to be sustainable, the stores must be in prime locations. Nevertheless, they will be near public transportation, so that employees can get to and from work.

## **Building a Better Market**

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In February, Greyston Bakery became New York's first Benefit Corporation. B-Corp certification, a new business classification that scores companies on a 200-point scale, is done on a state-by-state basis and allows companies to demonstrate higher standards of corporate purpose, accountability and transparency. It also permits businesses to make decisions based on social and environmental impact, rather than just profits. With a Composite B score of 108.2, Greyston is "a leading model for social enterprise building a coalition with employees, community [members] and shareholders" (B Lab 2011). We are "huge supporters of B-corporations[and are] proud to be the first B-Corp in New York State," says Greengrass. Brady adds, "Traditional corporations don't measure their success by the impact they have on their employees. We measure our success from our number of

employees" (Sledge 2012).

Greyston is also a member of the American Sustainable Business Council (ASBC), a lobbying group founded to provide support a sustainable economy as well as to counterbalance the traditional economic positions advocated by corporate lobbies. In June, Greyston and the ASBC met with top White House officials to encourage them to take an active role in creating "an enabling environment in which restorative, equitable and sustainable economic models can thrive" (Hollender 2012). By becoming a certified B-Corp and joining the ASBC, Greyston Bakery is working with other socially conscious enterprises to shift market thinking from profits to impact.

Companies looking to replicate Greyston's model, but who are afraid to take a risk with whatever profits they may have (if any), should seek start-up capital from social impact investors. For example, in conjunction with Starbucks, the Opportunity Finance Network (OFN) has developed a "Create Jobs for USA" campaign. The program provides "capital grants to select Community Development Financial Institutions (CDFIs)...[which] will provide loans to underserved community businesses. [The goal is to] to bring people and communities together to create and sustain jobs throughout America" (Create Jobs for USA n.d.).

The Gelato Fiasco, located in Brunswick, Maine is one of

the program's participants. Similar to Greyston, the Gelato Fiasco uses ingredients cultivated in the surrounding community. With a loan from OFN, it was able to expand its business and hire ten new employees. Josh Davis, the Fiasco's co-founder, recalls, "Without this loan, we couldn't have expanded our business and provide[d] jobs for more people in our community." Through their high profile campaign, OFN and Starbucks are helping to jumpstart the dialogue and discussion around impact investing. The hope is that this will lead to a global shift favoring businesses that operate with a double bottom line.

This shift may occur sooner than expected. According to a recent *Economist* article, "More than 70 percent of college students and 50 percent of workers are looking for jobs with social impact" (The Economist 2012). Doing good is in high demand. Nevertheless, the social sector still pays less than the traditional for-profit sector, forcing individuals to choose between pay and purpose.

At the end of the day, Greyston is about ensuring that individuals are on their right path to self-sufficiency. As a result, the Bakery supports various projects run by the Greyston Foundation. Profits from the Bakery enable it to take creative risks. For example, the Foundation started a café using Bakery income. The café ultimately proved unprofitable and was closed without impacting the Foundation at all. Says Greengrass, "I don't think a regular nonprofit would have had that flexibility to even try that."

The Foundation also runs five programs that do not rely on Bakery funds. These programs include over \$50 million in affordable housing projects, health and family services for those living with HIV/AIDS, a workforce development service that places individuals in six different industries, child and youth services and five community gardens.

Despite these separate programs, the Bakery and the Foundation could not operate independently of one another. "The Bakery is not a business," explains Greengrass. "It is a mission organization that happens to be a for-profit business. Our first and foremost mission at the Bakery is to provide an opportunity for people to have jobs. In order to make that sustainable and successful, it needs to be run as a for-profit business. But, it is not distinct in any way from the mission of the organization. Everything we do is related to getting people full-time employment, so that they can live self-sustaining lives. The Bakery is the critical lynch-pin for all of that, because we're actually able to give people jobs right here."

## **Is it Disruptive?**

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The Greyston Bakery in Yonkers, New York is changing the way for-profit businesses operate. Brady and Greengrass both see business as a major influence in the world today. Thus, making a social impact on the world must involve the for-profit sector.

The question, however, becomes whether Greyston's model is truly disruptive or simply sustaining. Does it change how the world operates, or does it simply fall into a separate category of business? I would argue that the Greyston model is disruptive. According to Clayton Christensen, disruptive innovations "use relatively simple, convenient, low-cost innovations to create growth and triumph over powerful incumbents (Christensen 2011 15)." Greyston targets those who are unskilled and unable to find a job, employs them and gives them the tools to break the cycle of poverty.

This innovation, when replicated and scaled, has the potential to change the way we view and combat poverty in America. Those struggling to find work would no longer be ostracized for receiving government handouts, but rather would be encouraged to re-enter the workforce by starting in the for-profit sector. The model provides hope that change is possible. Businesses should be willing to use this model, provided it does not affect their profit margins. So, the next time you grab some Ben & Jerry's ice cream with brownies from Greyston Bakery, you'll probably enjoy it more knowing that your sweet tooth is helping to change lives.

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