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## Work is Good: Branding the Employ+Ability Mission

*At 6:21 am on a cold, gray morning in Braintree, Massachusetts. Kim O'Connor turned down a small street lined with low industrial buildings and hurried toward one of them, the place where she worked on the packaging line. The sky was beginning to spit icy rain, but Kim's smile never flagged. A few minutes later, she walked up to Employ+Ability's door. At this early hour, it was still locked. She sat down on the stoop, patiently waiting for Pamm Feldman, Employ+Ability's HR director, to arrive and open up. Kim had walked over two miles, as she does every morning, always eager to start another day's work.*

*By 7:15 almost all of Employ+Ability's line employees had arrived. Many traveled to the Braintree T-stop, the furthest point on the Boston transit system's Red Line, where a company-sponsored shuttle bus met them for the short ride to their facility. Matthew Fitzgerald traveled from the Alewife stop at the other end of the Red Line—a journey of well over an hour. Thong Trinh, a petite Asian woman wearing bright woven fabrics from her home country, took two buses before getting on the T—a two-hour commute each way. Byron Faxon, a spry 70-year old, had been up since 4 am, preparing for the workday.*

Kim O'Connor, Matthew Fitzgerald, Thong Trinh, and Byron Faxon were among the 38 developmentally disabled adults working for Employ+Ability, a 27-year-old manufacturing company based in Braintree, Massachusetts. Along with 15 other adults in the front office, warehouse, quality assurance, purchasing, and operations, Employ+Ability's workers generated 90% of the company's revenues from manufacturing hot and cold packs and assembling first aid, ovulation, and pregnancy test kits. The remaining 10% came from philanthropic sources.

While on the surface, Employ+Ability resembled many other small medical products firms, what set the company apart had been its social mission. The company's CEO, Jim Middleton, was committed to paying its workforce a competitive wage that would enable them to live independent lives. "We're kind of the opposite of what people think about a business," he explained. "We are in business to make a sufficient profit to stay in business, but the reason we do that is to keep the number of employees that we have fully and productively employed." As a result, Employ+Ability, unlike other manufacturers, was not actively seeking ways to automate labor or reduce costs through

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Professor Lynda M. Applegate (HBS), Professor Monica Higgins (Harvard Graduate School of Education), and Susan Saltrick prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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outsourcing. “We’re looking for ways to employ people right here in the United States,” said Middleton. However, finding work for its employees had been easier said than done.

## Telling the Story

In late 2007, Middleton observed, “Right now overseas competition is tremendous. Our product really is a commodity. We can go on the web and find ice packs that sell for half of what it actually costs us to manufacture them here in the United States. We do everything that we can to provide a product at a price that’s competitive, but there’s a giant pressure for us.” (See **Exhibit 1** for U.S. market sales data for hot/cold packs.)

The company relied on its complex network of medical distributor customers. Most of these relationships were governed by marketplace dynamics, but occasionally there was a willingness on the customer’s part to pay a bit extra for a commodity product because of the nature of the workforce that supplied it. “If we can get to a CEO or a top marketing person or a community diversity person,” said Middleton, “they understand what we’re doing, and they’ll want it to happen.” While these top managers were often sympathetic to Employ+Ability’s goals and mission, in most medical supply firms bulk purchasing decisions were made by employees who were evaluated almost exclusively on their ability to manage costs.

In order to address these tensions, Middleton launched a branding campaign in 2007 around the slogan, “Work is Good.” “If we can compellingly tell the story at the buyer’s level,” Middleton noted, “the buyer then can work upwards while we’re trying to work other levels of the organization... By being able to tell the Work Is Good story, we’re able to have longer conversations with people. Our hope is that in some of the larger corporations, they’ll see a social component to what they’re buying.”

## Creating a Brand: “Work is Good”

The challenge of managing a company with a profit motive and a social mission was what led Middleton and his business development manager, Jim Kane, to seek ways to convey both sides of Employ+Ability’s story. Kane described what they wanted to convey:

On the business side, the story is that we are fully capable, and we produce quality products at a good price. It’s the same thing you would want to hear from any business you were thinking about doing work with. On the charity side, though, that didn’t tell our whole story. So if we went in to see a customer and we started out saying, ‘We work with people who have disabilities,’ we found that it might create a barrier. The buyer was afraid to take that risk. We did not want to rely on pity, which so many charitable organizations do. We think there’s a real positive story here, and that’s what we were trying to come up with—something that tells both sides of that story.

As Middleton and Kane considered branding possibilities, the two thought of the Boston-area company, Life is Good, which had built a simple T-shirt with an optimistic message into a wildly successful \$100-million-dollar brand. Middleton called the founders, two brothers Bert and John Jacobs, and arranged a meeting. In the course of the conversation, Middleton and Kane hit on the idea of adapting the brothers’ motto to fit their situation, and so the “Work is Good” brand was born. Characteristically, both Kane and Middleton claim the other one came up with the idea first. Middleton said that when Bert Jacobs was asked how he felt about Employ+Ability adapting his slogan, he told them it was a great idea, and to “go for it.”

Thanks to a board contact, the graphics firm that worked for the owner of a successful NFL franchise developed the “Work is Good” logo for free. (See **Exhibit 2** for short bios of the company board members and management. **Exhibit 3** provides the new Work is Good brand images.) Employ+Ability board member Lisa Lopez, vice president for corporate affairs at Haemonetics, Inc., a Braintree-based automated blood processing systems firm, commented on the new brand, “I love the fact that it’s very elegant in that it captures so much: Work is good for me, my work is good, working is good for everybody.” The simplicity of the message carried a lot of meaning, as Middleton noted:

The idea is that work structures your adult life. It gives you an identity, gives you a place in the world. It pays the bills, and it allows you to be with other people who are trying to achieve the same sorts of things. A lot of things about work that we don’t immediately think about are really valuable, and for our people they’re even more valuable. We wanted to tell the story of our nonprofit side, to enhance the dignity and to educate people about the benefits of work for our employees—of their enhanced independence, and what work adds to the quality of their lives, of interacting with people, and being part of something.

(See **Exhibit 4** for the Work is Good brand philosophy.)

## Expanding the Brand

To help spread their story, a board member supported the creation of a 10-minute video to capture Employ+Ability’s story. In the video, staff members described the company’s mission and family members expressed how meaningful the work was to their disabled brothers and sisters. As these siblings described, working at Employ+Ability brought them a newfound and cherished sense of independence and self-esteem and, in turn, reduced their own worries as caretakers. The real stars of the video were, of course, the workers themselves, who shared, simply and compellingly, what having a job meant to them: earning a paycheck and having money to spend, having a place to go in the daytime, having colleagues to talk to and socialize with, making a contribution to a larger effort. As employee Trevor MacLeod summarized, working at Employ+Ability was all about “a sense of accomplishment.”

Middleton and Kane used the video in their sales calls and in their philanthropic efforts. The company’s board members realized its value in their efforts to raise awareness and revenues for the company. “How can we take and expand the brand?” Pogoselski mused, “I think that therein lies the dedication of the board. We’re a pretty dedicated group. We’ll do anything to see if we can expand opportunities for [Employ+Ability’s workers], but the lack of business opportunities is the toughest challenge.”

Lopez felt the brand’s potential was vast. “I see [health care and pharmaceutical companies’] sustainability reports,” she observed, “and their interest in connecting with their employee workforce, and connecting with the world at large and the community. They’ve identified the value of linkages with organizations and with the sort of social venturing that Employ+Ability could represent.”

By making the story more visible and the social mission more tangible, Employ+Ability’s managers hoped they could leverage that goodwill into better margins. From his conversations with the Life is Good founders, Middleton learned that socially responsible products sell at a premium. “They had a lot of market data on social entrepreneurship,” he recalled, “and told us you can charge more—I think the number is actually 23% more—for your product versus a regular commodity product if people buy into your social mission.”

## Company History

Employ+Ability emerged as a separate company in 1981, from its roots in a sheltered workshop<sup>1</sup> in Quincy, Massachusetts. The founder, John White, the CEO of a medical device company, saw an opportunity for developmentally disabled adults to make instant and reusable hot and cold packs. Board member Lopez, who worked with White at the time, noted that Employ+Ability's founder "wanted to create a sustaining business model that did not depend upon government help, where employees would be paid a competitive wage, and there would be a real value-add for the customer." In doing so, White wanted to create an alternative to the usual sheltered workshop setting in which disabled workers were generally paid below-minimum wages and lived in group homes, limiting their independence.

Employ+Ability operated on a different model, according to Middleton, "We purposely say, 'This is work.'" Although the company interacted from time to time with advocates and caregivers, the company did not directly provide social services. Middleton believed his workers were different from those in a typical sheltered workshop: "I've been told by the sheltered workshop administrators that we have the all-stars, the people who really love to work. Our people start at 7:30 in the morning, and work until 4:00 in the afternoon. When they get home, they unpack, have their dinner, and then they start getting ready for the next day's work. It's that much of an important factor in their life."

In 2007, the company was on a stable, though not totally secure, footing. Revenues were \$3.84 million with sufficient reserves to meet payroll through 2009. (See **Exhibit 5** for Employ+Ability's P&L statement.) The company was hardly flush, though. "Most of the time," Middleton said, "we're lucky to break even." But just breaking even was quite an accomplishment considering that only a few years earlier Employ+Ability had almost folded.

## 2003: Crisis and Change

In 2003, one of the company's largest customers, a medical supply distributor, built a new facility to assemble the products it had formerly outsourced to Employ+Ability. Revenues declined from \$14.1 million to \$4.8 million in 2004, a year-to-year decline of 66% as a result of this lost business. Painfully, employee levels had to be reduced. While most cuts took place among managers, several workers were let go. HR manager Pamm Feldman recalled that laying off workers was "a very hard thing to do—something I never want to do again. Now, years later, I still get calls from some of them wanting to come back." (See **Exhibit 6** for recent company revenues and employment levels.)

At this time, John White, the founder, wanted to ensure a clear vision and sustainability for the future as he managed the governance process after serving for over 20 years as the first board president. Rich Meelia, CEO of Covidien, assumed the board presidency. In the midst of the transition, Meelia recalled, "We needed a new blueprint. Should we right-size the organization? Should we challenge our business model?" To address immediate concerns, the board hired a not-for-profit consultant who gave them a bleak assessment. The company had only 30 to 60 days to determine its future course if it wanted the option of folding "cleanly." The crisis focused the board on the task at hand. Only one board member recommended they close; the rest felt as Meelia did, "That we couldn't let this die."

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<sup>1</sup> "A workplace that provides a supportive environment where physically or mentally challenged persons can acquire job skills and vocational experience." American Heritage Dictionary, copyright 2000 by Houghton Mifflin Company.

If Employ+Ability was to stay in business, the consultant advised, it needed to strengthen the emphasis on its for-profit operations. After seeing Employ+Ability “on the edge of the cliff,” said Meelia, the board moved quickly to stabilize the business. They built up a cash reserve to ensure payroll in the future and brought in a new CEO, who soon proved to be a poor match with Employ+Ability’s organizational culture. He was replaced in 2004 by Jim Middleton. Don Pogorzelski, president of Genzyme Diagnostics, was one of the board members who led the effort to bring aboard new management. He commented, “I think it’s a very nice team right now. All these guys are committed to the mission.”

## 2004 to 2007: Rebuilding the Business

### *A Challenging Business Environment*

By early 2008, while conditions were more stable, the number of disabled adults working at Employ+Ability was still smaller than management would have liked. Reductions in force due to business downturns coupled with normal attrition had brought the figure down to 38, from a high of 53 assembly workers in 2000. Cash was sufficient to meet payroll through 2009, but business continued, “to leak”—as Meelia put it—as customers sought lower-cost suppliers or took business in house.

After the cutbacks that had to be made in 2003, the company moved to lessen its dependence on just a few customers. By 2007, 15 customers generated 85% of the revenues—these companies were among the most cost-conscious, however. (See Exhibit 7 for a listing of Employ+Ability’s key customers.) “The bigger the corporation, the more they have to look at the dollars and cents,” said Middleton. “The people who are actually purchasing our products, their whole world is finding ways to cut cost.”

Even as customers asked for lower prices, Employ+Ability faced rising operating costs. Overhead currently ran about \$2 million a year, but tight controls had yielded a reduction in 2007 from prior years. Health insurance was a recurring problem, though. Despite a personal appeal from the board president to their provider’s CEO, premiums soared 27% from 2006 to 2007. The nature of Employ+Ability’s workforce made insurance especially costly. With an average age of 47, said Middleton, “Our employees are aging and they’ve started to have some medical issues. And we’re a relatively small group, under 100 people.” CFO Ernie Nawn felt the Work is Good brand might help the company “renew the workforce,” enabling it to bring in some younger workers, who would be “a big help all around.”

Although faced with higher employee-related costs, Employ+Ability found it difficult to raise its prices due to competitive pressures. In 2007, Middleton and Kane negotiated a higher price with one major customer, but were able to get only half the increase they wanted. “What they ending up squeezing out of us was the equivalent of maybe \$10,000, which to us is six months’ salary for one of our workers,” said Kane. “For them, that’s not even a rounding error.”

And global competitors were hungry for business. Dave Ferchen, the operations manager, explained that Employ+Ability’s instant ice packs were often part of a first aid kit distributed in the U.S. Most of its other components were sourced in China. As Ferchen explained, a Chinese manufacturer might tell the kit’s distributor, “Look, right now the kit sells for \$9.95. We can supply all the items to you at a price so that you so it can sell for \$6.95.’ Our customers have to listen to that. ... It’s not just China [competing with us]; it’s also Mexico, Latin America, India. The work is often subsidized by the government of that country, including transportation costs—and these companies are very capable.”

Meanwhile other risk factors were at play in the healthcare sector. More and more hospitals and healthcare facilities were forming alliances to lower costs, thus concentrating purchasing power in a few hands. High-tech cold packs that remained pliable when frozen were becoming more widely available, reducing total available market share for the standard-issue cold packs that were manufactured by Employ+Ability.

While customer demand for hot and cold packs remained fairly stable, commoditization of the product category put Employ+Ability margins at risk. According to Nawn, in recent years hot/cold packs, which represented two-thirds of Employ+Ability's total revenues, generated profit margins of 30% on average. (See **Exhibit 8** for 2007 sales of the company's hot and cold therapy products, and **Exhibit 9** for 2007 cold pack costs and margins.) The company's two other main product lines generated higher returns: women's health products had average margins of 50%, while surgical devices margins averaged 55%.

### *Excellence in Operations*

Despite the challenges, Employ+Ability had a number of strong assets, including a sterling reputation for reliability. As Kane noted, potential customers sometimes felt uncomfortable about their products being assembled by developmentally disabled adults. Those fears were groundless, however. Employ+Ability was FDA-approved and had an up-to-date clean room.<sup>2</sup> From his prior experience at Haemonetics, Ferchen knew how critical product reliability was in the healthcare industry. "I would put our people up against any others from a quality and productivity standpoint," he said. "They're very conscientious about their work; they're dependable; they're very quality-focused. They'll come up to you and show you defects that you would never find yourself. And if you don't resolve them, they'll come back up to you an hour later and ask you, 'Hey, what's going on with this?' You don't see that in every organization." Producing high-quality products was a point of particular pride for Employ+Ability's workers. As one noted in the Work is Good video, "We want good stuff going out, and if it doesn't work, we don't look good."

While Employ+Ability's costs were higher than some competitors, its customers chose them not just for the organization's social mission, but because their small size and U.S. location yielded faster turnarounds. Ferchen explained, "We have a lot more flexibility than a large organization where you have to go through layers and layers and layers of approvals." Middleton added, "Our people are here. It's easy to contact us often because we're in same time zone or a couple of hours difference at the most. And we operate on the same banking system, so that helps. Quality is a big factor, too, you know. We make about 10 million hot and cold packs a year. And not even four or five have a problem."

### *A Dedicated Workforce and Mission-Driven Management*

Employ+Ability top management believed that the company's greatest asset was its people. (See **Exhibit 10** for a company organizational chart.) Most workers at Employ+Ability were developmentally disabled, which meant their ability to read, write, and compute was severely impaired. Some workers had difficulty communicating; others could not stand for long hours. A number of workers found the sterile garments and close quarters of the clean room claustrophobic, while a few found it quite comfortable. Some observers might see such a workforce as characterized by its limitations. Middleton, though, chose to see his employees in terms of their strengths—which were many.

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<sup>2</sup> A clean room is an enclosed space in which airborne particulates are highly controlled to reduce the possibility of contamination. Clean rooms are often used for the manufacture of precision parts, pharmaceuticals, and medical supplies.

The 38 line workers were paid hourly, beginning at the minimum wage and going higher with experience and tenure. Administrators were salaried; the warehouse and supervisory staff were hourly workers. While pay scales were reasonably competitive for a non-profit, health insurance was seen as its biggest benefit. Middleton commented, "We can't pay what someone might get for a comparable job on the profit-making side. But one thing I learned a long time ago in non-profits is you really try to offer a respectable package for people with vacation, health insurance, and dental benefits."

The financial rewards were clearly not what led most staff to work at Employ+Ability.

Jim Middleton, the CEO, had broad experience in the private sector before turning his talents to a social enterprise. A former athlete, with a B.A. from Princeton, and an MBA from Dartmouth's Tuck School, Middleton honed his competitive instincts in corporate marketing, then turned his energies to serving others. After ten years as the assistant head of a small independent school for developmentally challenged children on Cape Cod, he answered the call to lead Employ+Ability in 2004. Middleton's defining characteristics—relentless optimism and limitless resourcefulness—matched the classic entrepreneurial style. "If I don't have the money to do something," he laughed, "I'll look for somebody else who's doing something similar and just borrow it for a good purpose."

Feldman, the HR director, and IT/office manager, arrived at 6:30 each morning to open up and spent some time chatting with folks as they arrived. "It's almost like having a family," Feldman said. "Every day they're so eager to tell you what they've done the night before. And the smiles on their faces when they walk out on the production floor! You get so close to these people." Nawn, the CFO, offered a heartfelt response as to why he drove 35 miles each way in Boston's rush hour traffic: "I have a sense of contributing to something that's out of the ordinary. When you work for a large for-profit organization, it's very clinical. Here, it's just a different spirit. The fact that I like what I'm doing takes the bother out of the commute."

The work ethic of the assembly line employees brought out the best in everyone. "When you walk out to that production floor," Dave Ferchen reflected, "and you see these people just smiling with all the difficulties they have, how can you even think about your problems compared to what they have to go through every day? So you feel driven in the sense that you do what you have to do to make sure that these employees still have a job. It pushes you even more every day." This sense of commitment was inspirational to Kane as well: "Those of us who are staff," he said, "recognize we're just caretakers here, that the company really belongs to the people on the floor. We have a responsibility to do the best we can to make sure they can go on." (See **Exhibit 11** for short bios of Middleton's management team.)

That energy could be felt by virtually every visitor to Employ+Ability. "It sounds corny," Lopez observed, "but it's almost spiritual...the employees give such immediate positive response to your physical presence when you walk through the assembly line. It just feels good to participate. In some ways, it's very selfish. There aren't a lot of business-related engagements that are so one-sided."

## The Value of Work

So committed was its workforce that Employ+Ability had almost no voluntary turnover. While a few workers had moved or retired for health reasons, in 2008, average employee tenure was nine years—a notably high figure for a minimum-wage workplace. And absenteeism was very low, despite the potential health issues of its employees. For Employ+Ability's developmentally disabled workers, alternatives to their jobs were few—perhaps doing piecework in a sheltered workshop setting, perhaps working in isolation at menial tasks in an ordinary workplace, or more likely, sitting

at home and watching TV. One employee, Joe Mullen, who was blind, contrasted Employ+Ability to a sheltered workshop where he'd worked before: "I didn't think I was being treated right over [there]. They would immediately tell me I couldn't do a certain job just because I was blind, and I said to myself, 'What good is telling me that when I've never even done the job?'" Work at Employ+Ability meant freedom, independence, self-esteem, a sense of pride, and a chance to connect with supportive friends and colleagues. (For quality of life criteria for developmentally disabled adults, see **Exhibit 12**.)

These benefits extended beyond the workers to their families as well. As the brother of Steve Whelpley, a long-time Employ-Ability worker, explained, "He pays his way for groceries, room and board, electric, he pays his share, and he buys his own things, from his videogames to his television to his chair, his furniture, all paid for by him. ... It's been great for Steve, but it's made it easy for us to take care of Steve because he has a place in society. And if something happens to us, he'll still have somewhere to go, income, and independence. So it's helped all of us."

## Programs and Initiatives

Middleton had made a special effort since his arrival to continue events that built community and social connection among employees. While these sounded like simple things—an annual company picnic, holiday parties, and sports outings—to the employees, their value was inestimable. Local sports teams were passionately followed and discussed by many workers—one employee had watched every televised Red Sox game for decades, and several wore favorite team logos every day of the year.

Middleton also supported an Employee of the Year program. "When we gave recognition this year to Susan Rosenberg," he recalled, "one of her family members got up and said, 'For Susan, this is like her graduation from college, her graduation from high school, and her wedding all rolled into one.' She had worked before in an insurance company, and it had gone along OK for her, but she was really isolated in the mail room or making copies. Whereas in this integrated work setting, she's working with other people all the time. She likes to organize other people, so this gives her an outlet to do that too."

Kim O'Connor, who left for work before 6 am each day, was a positive presence on the production floor. She was quick to finish her work, so would move to wherever other people needed help. She laughed when asked what she would do without Employ+Ability, "I don't know," she said, "Probably nothing. It's hard to get other jobs." For her, Employ+Ability offered a place to "[have] a good job to work at, meet new people, and get along with other people."

Trevor MacLeod's mechanical skills were critical to the smooth operation of the assembly line, and he was especially motivated to take on operational problems that arose. As he had basic literacy skills, he had begun to complete some of the quality assurance paperwork needed on the line. For him, a paycheck was a ticket to a wider world. "I have a brand new car I got a few years ago," he said, "I just started doing Christmas shopping already for the holidays. I've been on a few vacations in Maine and Vermont." He had his own apartment that he shared with his girlfriend. Compared to other places he had worked, Employ+Ability's supervisors actually "take the time to listen to you instead of telling you, 'Just do it, I don't care how it's done.' Here, they'll work with you to make sure whatever's wrong is fixed."



## The Board

Employ+Ability was governed by an all-volunteer board, most of whom were senior executives in the medical device industry. Board member Lisa Lopez had been recruited to the board by founder John White. “It was a very easy decision to say yes,” she recalled, “because of my longstanding work for the organization, my respect for John, and because it really resonated with me personally because of a family situation. My youngest brother is developmentally disabled. He’s totally independent as a function of his work. So I know what that means.”

For Genezyme Diagnostics president Don Pogorzelski, just one visit to the Employ+Ability site was all it took for him to become committed. “All you need to do is walk into the place,” he said. “If it doesn’t touch you, you’re cold.” He and other board members were strongly supportive of the Work is Good brand concept, seeing it as an “opportunity to try something new to get people’s attention, for people to understand what we’re talking about when we say ‘Work Is Good,’ why it’s good.”

Rich Meelia, the board president, saw the branding effort as “more than just an incremental move to find another customer. It gives Employ+Ability something to sell beyond its product packaging competency and helps raise awareness of its mission.” For Lisa Lopez, the brand offered a creative antidote to the frustration the board felt, “that we have this unbelievably powerful, authentic story that we’ve not been able to communicate to a larger audience.”

One way to generate more business opportunities, Meelia felt, was to expand the board. He noted that current members had been asked to recommend new candidates—people who had the necessary connections and money—“the networks and the net worth”—to support Employ+Ability’s path into the future. Just what industry expertise the new members would bring with them was also under consideration. “Our near-term and longer challenge,” said Lopez, “is breaking out of the barriers we’ve created as we have grown ourselves as a medical device company. We’ve built the infrastructure insofar as FDA expertise, GMP expertise, clean room environment—all that has a layer of cost to it that impacts our ability to price competitively. But I don’t think we ought to be limited to that, but it’s frankly who populates the board. It’s our history.”

Also on the board’s agenda were new fundraising ideas—such as honorary dinners in which the guest of honor is feted, and his/her network tapped. Meelia was considering this format as a way to honor White, Employ+Ability’s founder, in spring of 2009. He speculated that such an event might generate the equivalent of two years’ ordinary fundraising. “My hope,” Meelia said, “is that people on the board come through with great ideas because Employ+Ability has to survive.”

## 2008 and Beyond: Growing the Future

### *Sizing Up Opportunities*

Middleton believed the Work is Good brand was helping him and Kane get in the door of potential customers. “If we can just get in long enough to tell our story,” he said, “we’re actually finding now that brand is a really big benefit to us. Some people are more willing to listen.” In one case, he noted, the brand story had enabled them to limit the price reductions sought by a major consumer goods customer.

When going after new business, Employ+Ability used different metrics than those that a purely profit making enterprise might. As Kane noted, “We look at new business [on the basis of] how many people it’s employing. Sometimes, we have to sort of ‘buy the business’ or take it on the chin for a

year or two.” Middleton noted that with Nawn’s cost accounting data, such tough decisions were at least more informed: “Now when we make a decision, we can make it with greater knowledge of what our trade-offs are. Sometimes we say, ‘OK, we’ve got to cut our margin right down to nothing to keep the business.’ But our strategy really has been to try to minimize that, to do that only with the big customers.”

Sizing up a new opportunity was a fairly informal process, one that relied heavily on the judgment and experience of the Employ+Ability management team. “We don’t have an R&D department,” said Middleton. “We don’t have sales engineers. We all just try to figure things out one case at a time. A lot of times customers might have a new product. If there’s something new that we can get in with, and then as that grows, we can try to stay with it. But the problem is, if it’s new, the suppliers don’t really know what [the product requires]—a lot of times, they haven’t even defined it. So we do it as a team effort.”

The nature of the company’s workforce did constrain the possibilities Employ+Ability could pursue. Assembly tasks that required a high degree of literacy or manual dexterity were beyond the capabilities of many employees. Many workers could not read; others weren’t able to count up to ten. Whenever possible, Ferchen and the line supervisors tried to overcome these limitations with work-arounds or accommodations. For instance, some non-numerate employees could be taught to assemble some of the company’s more complicated products by using templates that showed the positioning of parts within a kit.

In 2007, Employ+Ability’s workers were paid, including benefits, the equivalent of \$12 per hour. On average, their disabilities slowed their rate of production to about one-half to one-third that of non-disabled workers. Middleton observed that assembly line workers in developing countries made on average \$0.20 per hour. The size of the productivity differential was almost impossible to overcome. Still, recent headlines about tainted consumer products from pet food to toothpaste to toys had shown that price was not the only criteria for sourcing goods, especially in a field like healthcare. Middleton hoped that Employ+Ability’s reputation for reliability and high quality would give it an edge against little-known global competitors.

## Branding for the Future

Employ+Ability’s management hoped the Work is Good effort would help increase fundraising levels to \$600,000 in 2008. In particular, it was hoped that this campaign might lead to heightened visibility of its “Adopt an Employee” campaign in which philanthropies contributed \$25,000 a year to cover annual wages and health insurance for one worker.

But with the for-profit side of the shop generating 90% of revenues, survival was dependent on building the business. As Meelia noted, “Just getting to \$5 million a year would make things so much easier.” According to Middleton, the first step on the journey was transitioning the packaging and labeling of 20-some different types of hot and cold packs to the Work is Good graphic. Once the image was in place, though, what possibilities did it open up? To date, none of the company’s largest hot/cold pack customers had been able or willing to leverage the Work is Good story with their end users. “Supply chains aren’t known for their transparency,” noted Middleton, who also observed that most medical supply companies were reluctant to promote the brand of a supplier, preferring their brand be the only one visible to the end user.

Middleton felt the greatest benefit of the Work is Good story was in opening up new business possibilities. In one example, the company was in discussion with the Life is Good team to create point-of-purchase displays for Work is Good-branded first aid kits at Life is Good retail stores across

the country. Middleton was also hoping to leverage connections with local professional sports franchises in hopes they would buy hot and cold packs made by some of their most devoted fans. In addition, Jim Kane was excited about the possibility of co-branded first aid kits that schools, scout troops, and the like could sell as fundraisers. Such kits, Kane envisioned, could be ordered from a commerce-enabled Work is Good website, which was not yet operational.

Also in the works was an instant cool bottle, developed in conjunction with students in the plastics program at UMass-Lowell. "It's not only good for us to connect with their technical skill," Kane stated, "it's also good for them to connect to us, because [these students] are going to create a product that's actually going to get into the market. But beyond that, they get exposed at a young age to our workforce, and that's something bigger than designing a plastic bottle."

Another possibility was selling directly to consumers, particularly as the Life is Good data showed the public's willingness to pay more for products with a social mission. But establishing direct-to-consumer sales channels and relationships would take time, money, and expertise that Employ+Ability had in short supply, if at all. As Meelia observed, "I'm not a consumer products person, so maybe I'm not thinking outside of the box enough, but what's our competency there? Is there a less risky, more certain way to sustainability?"

The many challenges of the hot/cold pack business has led the company to seek ways to expand to other kit packaging opportunities outside the healthcare business, but still within their core competencies. Could Employ+Ability assemble promotional materials for industry conferences, conventions, and sporting events, for instance? Stretching their creativity even further, management wondered if the Work is Good concept itself might be a marketable product. Could Employ+Ability's strong work ethic be captured and shared with other organizations? As Nawn explained, "I haven't figured it all out yet, but I'd love for us to go into corporations and tell our story as part of a fundraising mechanism. Maybe it's a 'Work-is-Good' day where we can bring some materials and our people, either through video or in person, and let others see how they work." Board member Lopez was intrigued by the company's "purity of spirit." "It sounds hokey," she admitted, "but I think that's something that is so often missing in corporate America." She noted that the quality of relationships at Employ+Ability "creates this really extraordinary passion for working. It's such an ennobling experience that is written on the faces of its employees every day. How could we share that intangible quality with other employers?"

## Mapping the Road Ahead

Jim Middleton and his team faced a series of tough decisions in 2008. How should they capitalize on the Work is Good brand? What were the best opportunities for Employ+Ability? How could they best use their tiny budget to grow the business? What more could Employ+Ability offer its disabled workers, its staff, its board, the world?

In looking at the options, Middleton thought back to some reading from his business school days. "Peter Drucker said that the for-profit business world really needs what the nonprofit sector has. The nonprofit world has a mission and a purpose that propels people to do things and get together. The business world has organization, and ways of evaluating what they're doing. But what the whole picture should evolve into is that businesses implement the kinds of things that nonprofits just do automatically. And that nonprofits need to look at business and be more efficient, be more capable of managing their process and having it grow. If we can make this whole enterprise successful and then get a little money together to help other people do the same kind of things in other places, then we can scale it up. To me, that's fantastic. We're also educating the general population about these kinds of people—that it doesn't take a whole lot to make their lives a whole lot better."

**Exhibit 1** U.S. Sales of Hot/Cold Packs, 2006-2007

	Percent Change vs. Prior 12 Months	Percent Change vs. Prior 12 Months
For 52 Weeks Ending 7/15/07		
Supermarkets	-2.4%	Supermarkets -0.8%
Drug Stores	+0.1%	Drug Stores -2.4%
Top Brands	Dollar Sales ** (millions)	Unit Volume *** (millions)
1. Therma Care	\$59.8	9.3
2. Ace	11.2	2.4
3. Thera Med	8.9	0.7
4. Bed Buddy	8.1	0.7
5. Homedics Thera P	4.3	0.2
6. Thermipaq	4.3	0.3
7. Kaz Softheat	4.1	0.3
8. Kaz Smart Heat	4.0	0.3
9. Icy Hot Pro Therapy	3.7	0.4
10. Cryo Max	3.6	0.2

\* Total of supermarkets, drug stores, and discount stores excluding Wal-Mart Stores Inc.

\*\* All private label brands combined total \$19.6 mil.

\*\*\* All private label brands combined total 2.5 mil.

Source: Adapted from Information Resources, Inc. © 2006 Racher Press, Inc.

**Exhibit 2** Employ+Ability Board Members and Their Corporate Affiliations

TOM REILLY, Founder	FERNWOOD INVESTMENT MANAGEMENT
ROBERT FRASER, Executive Vice President- Senior Lending Officer	SOUTH COASTAL BANK
MARK S. GRANGER, Attorney at Law	MORRISON MAHONEY, LLP
LISA LOPEZ, VP & General Counsel	HAEMONETICS CORP.
RICHARD MEELIA, CEO (Chairman of Employ+Ability's board)	COVIDIEN
BRAD NUTTER, President & CEO	HAEMONETICS CORPORATION
DONALD E. POGORZELSKI, President	GENZYME DIAGNOSTICS
MICHAEL SHEEHAN, CEO	HILL/HOLLIDAY
JOHN J. WALLACE	Senior Advisor

Source: Employ+Ability.

Exhibit 3 'Work is Good' Branding on Letterhead and Business Card Example



100-LMessina Drive, Braintree, Massachusetts 02184  
Cell 603.770.5969 | Phone 781.356.8888 | Fax 603.216.5142

Source: Employ+Ability.

Exhibit 4 Work is Good Brand Philosophy

## *Work is Good!*

Work is Good is more than a slogan or a branding message. It is a philosophy that guides and energizes all that we do at Employ+Ability. Our philosophy is about optimism, dedication, pride, self-esteem, productivity, and quality.

Having repeatedly witnessed the growth that happens when an individual finds the kind of work that fits them, we know that *Work is Good!*

- Work is Good!
- Work is a major factor in shaping our identity as adults
- Work contributes tremendously to our positive identity and self-worth
- Work fosters independence in our adult lives
- Work lets us produce things that other people need
- Work gives structure and meaning to our days
- Work pays the bills
- Work lets us interact with other people on a regular basis
- Work allows us to learn from our fellow workers' life experiences as we share our own with them
- Work lets us make our mark in the world
- *Work is Good!!*

Work is Good for our employees, their work is good for our customers, our employees produce good work!!

Source: Employ+Ability.

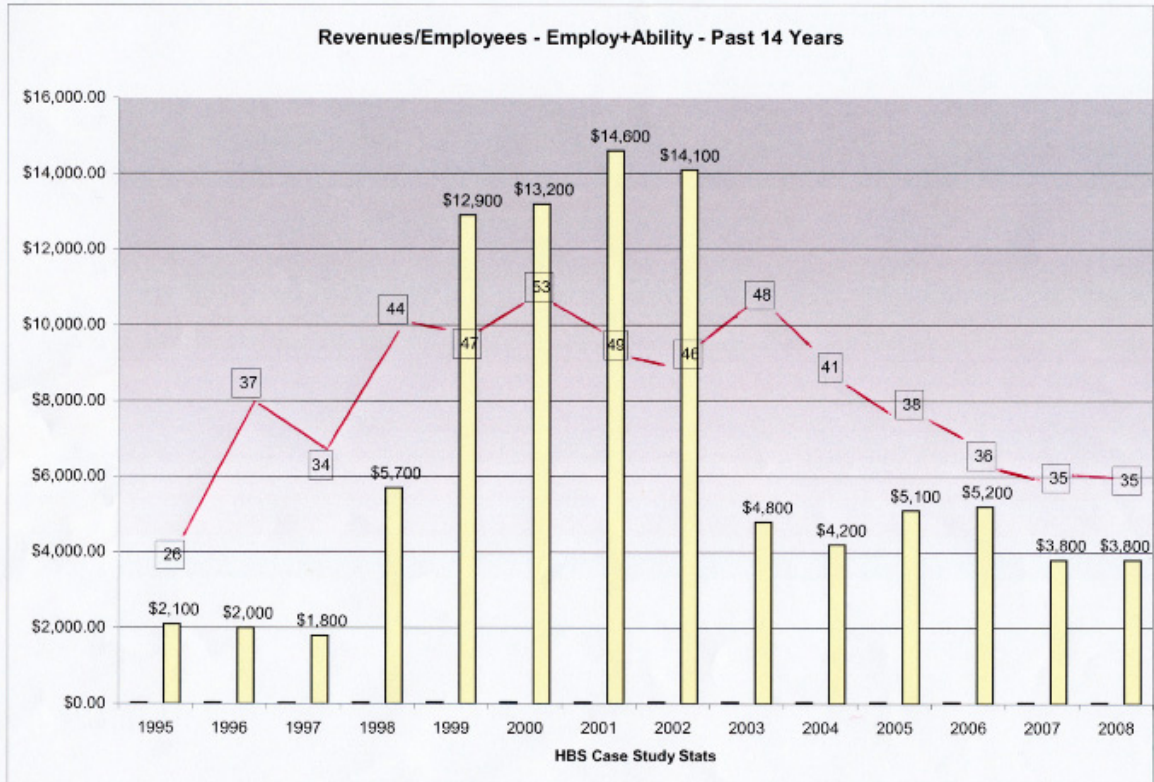
Exhibit 5 Employ+Ability P&L 2001-2008E

	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2006 ACTUAL	FY 2007 BUDGET	FY 2007 ACTUAL	FY 2008 BUDGET LO	FY 2008 BUDGET MID	FY 2008 BUDGET HIGH
<b>SALES</b>												
HOT/COLD PRODUCTS	\$ 2,066,095	\$ 2,116,860	\$ 2,356,412	\$ 2,565,853	\$ 2,651,890	\$ 3,209,659	\$ 3,209,659	\$ 2,450,200	\$ 2,520,020	\$ 2,160,000	\$ 2,500,000	\$ 2,500,000
WOMEN'S HEALTH	\$ 12,567,334	\$ 11,995,040	\$ 1,795,085	\$ 1,136,564	\$ 1,801,013	\$ 1,308,042	\$ 1,308,042	\$ 420,000	\$ 615,381	\$ 480,000	\$ 480,000	\$ 480,000
U.S. SURGICAL	\$ -	\$ 15,221	\$ 638,483	\$ 500,885	\$ 616,104	\$ 649,098	\$ 649,098	\$ 600,000	\$ 612,145	\$ 600,000	\$ 600,000	\$ 600,000
CONTRACT PKGG	\$ -	\$ -	\$ 761	\$ 53,357	\$ 87,564	\$ 62,140	\$ 62,140	\$ 100,000	\$ 92,283	\$ 120,000	\$ 240,000	\$ 420,000
GROSS	\$ 14,633,429	\$ 14,127,121	\$ 4,790,741	\$ 4,256,659	\$ 5,156,571	\$ 5,228,939	\$ 5,228,939	\$ 3,570,200	\$ 3,839,829	\$ 3,360,000	\$ 3,820,000	\$ 4,000,000
R&A	\$ (19,326)	\$ (42,529)	\$ (37,979)	\$ (66,455)	\$ (51,193)	\$ (39,193)	\$ (39,193)	\$ (34,100)	\$ (31,023)	\$ (33,600)	\$ (33,000)	\$ (33,000)
NET	\$ 14,614,103	\$ 14,084,592	\$ 4,752,762	\$ 4,190,204	\$ 5,105,378	\$ 5,189,746	\$ 5,189,746	\$ 3,536,100	\$ 3,808,806	\$ 3,326,400	\$ 3,787,000	\$ 3,967,000
COGS	\$ 10,259,312	\$ 9,571,364	\$ 2,338,819	\$ 1,183,134	\$ 1,370,589	\$ 1,557,680	\$ 1,557,680	\$ 1,198,765	\$ 1,287,977	\$ 1,180,000	\$ 1,320,000	\$ 1,290,000
D/L	\$ 1,509,178	\$ 1,493,084	\$ 1,422,403	\$ 1,549,833	\$ 1,689,024	\$ 1,787,336	\$ 1,594,227	\$ 1,036,100	\$ 1,214,916	\$ 1,151,700	\$ 1,200,000	\$ 1,222,000
TOTAL COGS	\$ 11,768,490	\$ 11,064,448	\$ 3,761,222	\$ 2,732,967	\$ 3,069,613	\$ 3,345,016	\$ 2,915,887	\$ 2,234,865	\$ 2,502,893	\$ 2,331,700	\$ 2,520,000	\$ 2,512,000
O/H	\$ 2,576,350	\$ 2,431,927	\$ 2,338,359	\$ 2,469,357	\$ 2,195,279	\$ 2,205,361	\$ 2,205,361	\$ 2,175,825	\$ 1,922,941	\$ 2,079,700	\$ 2,079,700	\$ 2,029,700
OPERATING P&L	\$ 269,263	\$ 588,217	\$ (1,346,819)	\$ (1,012,120)	\$ (149,514)	\$ (360,631)	\$ (537,592)	\$ (874,590)	\$ (617,028)	\$ (1,085,000)	\$ (812,700)	\$ (574,700)
CONTRIBUTIONS	\$ 197,202	\$ 386,418	\$ 802,791	\$ 971,699	\$ 324,236	\$ 406,253	\$ 406,253	\$ 400,000	\$ 452,546	\$ 500,000	\$ 550,000	\$ 600,000
P&L	\$ 466,465	\$ 974,635	\$ (544,028)	\$ (40,421)	\$ 174,722	\$ 45,622	\$ (131,339)	\$ (474,590)	\$ (164,482)	\$ (585,000)	\$ (262,700)	\$ 25,300
	\$ 466,465	\$ 974,635	\$ (544,028)	\$ (40,421)	\$ 174,722	\$ 45,622	\$ (131,339)	\$ (474,590)	\$ (164,482)	\$ (585,000)	\$ (262,700)	\$ 25,300
<b>% OF NET SALES</b>												
GROSS PROFIT	\$ 2,845,613	\$ 3,020,144	\$ 991,540	\$ 1,457,237	\$ 2,045,765	\$ 1,844,730	\$ 1,667,769	\$ 1,198,765	\$ 1,305,913	\$ 994,700	\$ 1,267,000	\$ 1,455,000
GROSS PROFIT	19.5%	21.4%	20.9%	34.8%	40.1%	35.5%	36.4%	33.9%	34.3%	29.9%	33.5%	36.7%
COGS	70%	68%	49%	28%	27%	30%	29%	34%	34%	35%	35%	33%
D/L	10%	11%	30%	37%	33%	34%	35%	29%	32%	35%	32%	31%
O/H	18%	17%	49%	59%	43%	42%	48%	62%	50%	63%	55%	51%
COGS WHP	\$ 9,246,596	\$ 9,675,402	\$ 1,447,170	\$ 1,136,564	\$ 1,801,013	\$ 1,308,042	\$ 1,308,042	\$ 195,884	\$ 195,884	\$ 195,884	\$ 195,884	\$ 195,884
	63%	69%	30%	27%	35%	25%	25%	5%	5%			

Source: Employ+Ability.



Exhibit 6 Employ+Ability Revenues/Employees, 1995-2008E



Source: Employ+Ability.

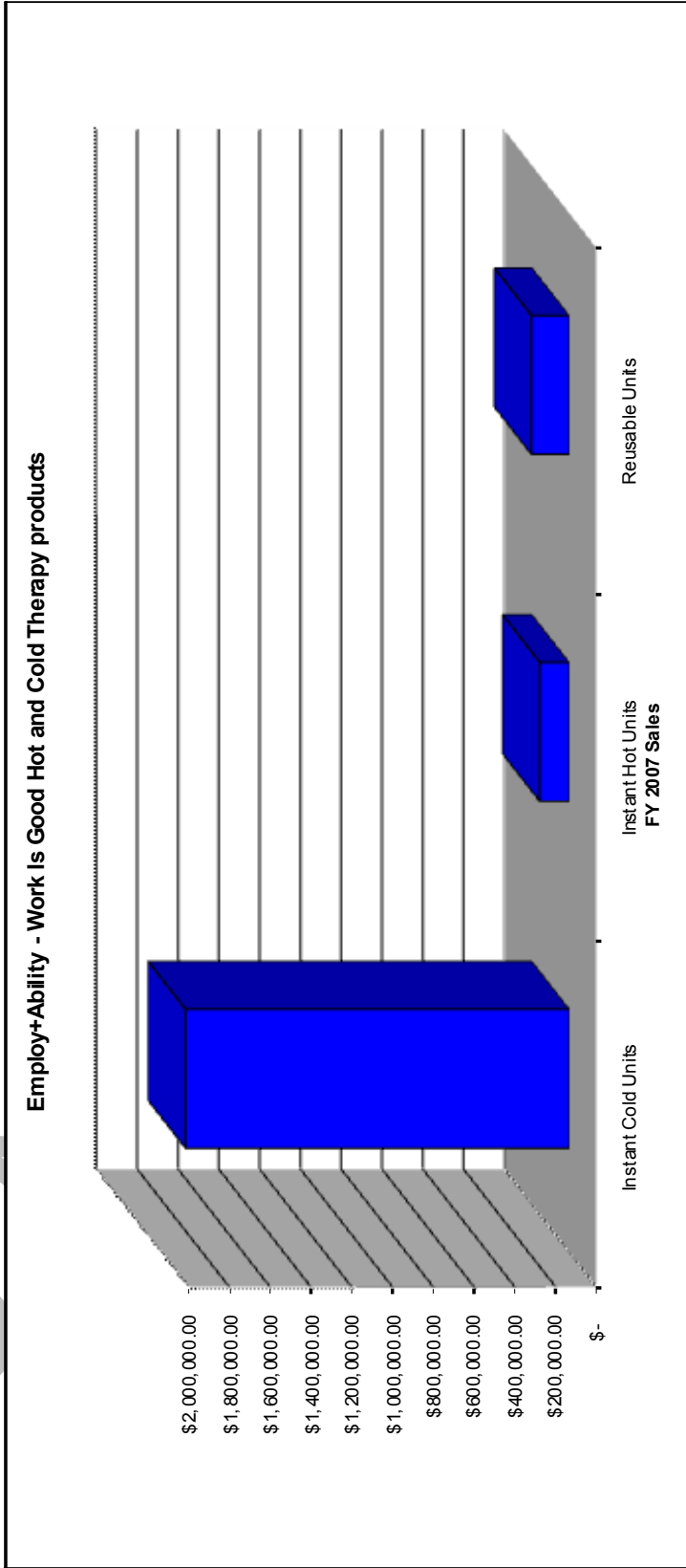
**Exhibit 7** Employ+Ability 2007 Key Customers

<b>Customer</b>	<b>Product</b>	<b>2007 Sales (in 1000s)</b>	<b>Percentage (of 2007 Sales)</b>
Medical Supplier	Women's Health	\$600	17%
Medical Supplier	Contract Manufacturing	\$600	17%
Consumer Healthcare Firm	Hot/Cold Therapy	\$450	13%
Consumer Healthcare Firm	Hot/Cold Therapy	\$300	8.50%
Medical Supplier	Hot/Cold Therapy	\$150	4.00%
Healthcare Firm	Hot/Cold Therapy	\$125	3.50%
Healthcare Firm	Hot/Cold Therapy	\$125	3.50%
Healthcare Firm	Hot/Cold Therapy	\$100	3%
Healthcare Firm	Hot/Cold Therapy	\$100	3%
(Several hundred others)	Primarily Hot/Cold Therapy	\$950	27%
<b>TOTAL</b>		<b>\$3,500</b>	

(Note: Numbers have been rounded and customer names withheld to preserve confidentiality)

Source: Employ+Ability.

Exhibit 8 2007 Sales of Hot/Cold Therapy Products



Source: Employ+Ability.

## Exhibit 9 2007 Cold Pack Sales, Costs, and Margins

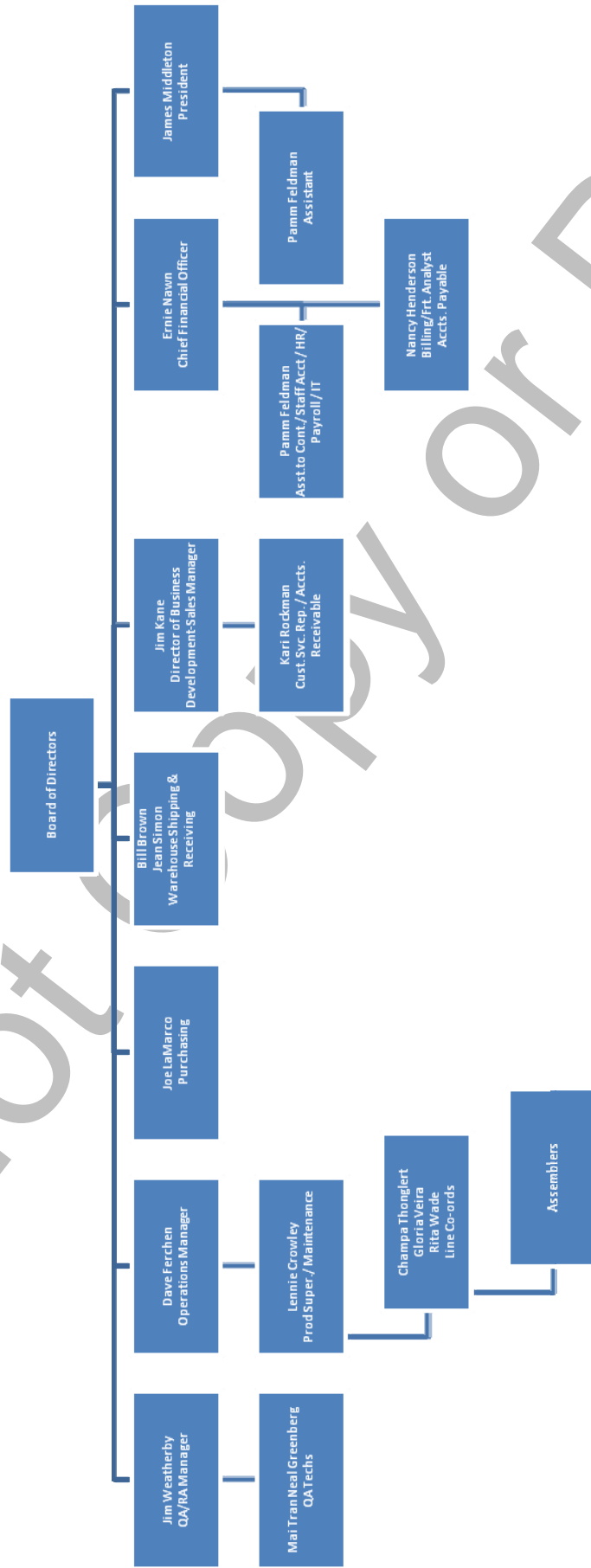
FY 2007  
COLD PACKS

Customer	UNITS	SALES	COST	MARGIN	%
A	1,037,784	\$418,156	\$277,928	\$140,228	34%
B	2,547,440	\$411,195	\$404,569	\$6,626	2%
C	1,031,850	\$303,045	\$214,566	\$88,479	29%
D	862,152	\$238,549	\$222,143	\$16,406	7%
E	275,232	\$152,092	\$78,381	\$73,711	48%
F	271,870	\$146,810	\$78,135	\$68,675	47%
G	288,000	\$99,000	\$47,030	\$51,970	52%
H	200,928	\$83,230	\$46,970	\$36,260	44%
I	165,312	\$66,774	\$32,330	\$34,444	52%
J	188,064	\$65,429	\$46,057	\$19,372	30%
Other	669,048	\$361,286	\$190,659	\$170,627	47%
<b>TOTAL</b>	<b>7,537,680</b>	<b>\$2,345,566</b>	<b>\$1,638,768</b>	<b>\$706,798</b>	<b>30%</b>

(Note: Customer names have been disguised to preserve confidentiality.)

Source: Employ+Ability.

Exhibit 10 - Employ+Ability Organizational Chart, as of June 2007



**Exhibit 11** Employ+Ability Management Team

**Jim Middleton, CEO**—Middletons’s biographical details can be found in the case

**Ernie Nawn, CFO**—Ernie spent a large part of his career at Polaroid in a variety of financial roles. He too appreciated the virtues of working in a smaller organization: “I like being a chief financial officer and being able to put my arms around an entire operation.” One of Nawn’s first moves upon arrival in 2004 was to take hard look at the costing system, as overhead allocations weren’t being properly distributed across the various product lines. Middleton commented, “If somebody asked me what Ernie’s accomplishments are, I’d put that way up there. The board says the same thing. The confidence that everybody has in the cost system is here. We’re non-profit, so there’s a tendency to lose track of what your cost allocations really are.”

**Jim Kane: Business Development Manager**—Jim has a long track record in social services. Beginning in college, he worked for over a decade with the homeless and prisoner re-entry populations. At the age of 30, he turned to selling manufacturing components for his wife’s family business, then started out on his own as an independent sales representative. At Employ+Ability, he initially did some contract work, then came aboard full time in 2004 when the business development position was created.

**Pamm Feldman, HR, IT, Staff Accountant, Payroll**—In 2000, changes in her personal life led Pamm Feldman to look for something different than the high-intensity corporate life to which she was accustomed. Offered two jobs on the same day, she chose Employ+Ability, because she “wanted to give something back.” Soon after her arrival, she began taking on additional administrative roles, and by 2007, was managing HR, IT, staff accounting, and payroll. She also played a key role as an important liaison and resource for the assembly line employees.

**Dave Ferchen, Operations Manager**—Dave joined the company from neighboring Haemonetics. When he first visited Employ+Ability, he said, “I couldn’t help but want to be involved in this type of organization.” He was attracted by the opportunity to help and the scope of the job. Earlier, he had helped Haemonetics start up a new facility and grow it from seven to 120 people. “When I visited over here, it was almost the same type of a process, where you had multiple tasks that you had to do all the time, which really excited me, and still does.” According to board member Pogorzelski, Ferchen had shouldered much of the managerial burden in the transition period between CEOs in 2003. “Dave was our pillar of strength,” said Pogorzelski. “He was the guy who hung in there.”

Source: Compiled by case writer.

**Exhibit 12** Quality of Life Criteria for Developmentally Disabled Adults

A good quality of life exists for our constituents when they:

- Receive the support, encouragement, opportunity, and resources to explore and define how they want to live their lives.
- Choose and receive the services and supports that will help them live meaningful lives.
- Direct the services and supports they receive.
- Lead a life rich with friendships.
- Have their rights, dignity, and privacy protected.
- Are allowed to take risks in their choices.
- Are assured of health and safety.

Public agencies, private organizations, and individuals providing services and supports must:

- Be responsible and accountable to individuals and their families.
- Continuously improve their efforts to support individuals in leading meaningful lives.
- Be recognized when they make meaningful contributions to the quality of life for individuals.
- Be replaced when they fail to make meaningful contributions to quality of life for individuals.
- Be part of a program of ongoing monitoring, independent of the service provider, to ensure desired outcomes and the satisfaction of the people served and their families.

Adopted: Board of Directors, AAIDD

May 28, 2002

Source: American Association on Intellectual and Developmental Disabilities,  
<http://www.thearc.org/NetCommunity/Page.aspx?&pid=407&srcid=405>.