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Executive Summary

68% of offenders are reconvicted within two years of release. Only 32% of working age adult offenders are in employment. 31% of adult male offenders have no accommodation on release. These are long term trends as ex-offenders are caught in a cycle of multiple social exclusion. Government has sought innovation through “Transforming Rehabilitation – A strategy for Reform”, significantly revising the probation services. However, to date we have found little evidence that the reforms have improved the situation. In this work we are interested in examining if there is there a business solution to the challenge. This document lays out work undertaken at UWE for the ‘Co-creating value: through the gate and beyond’ project funded by the British Academy Lever Hulme scheme. We capture the experience of offenders, examine a number of businesses who are showing leadership and making a difference, and identify an opportunity to develop an American business model that is run by and for ex-offenders offering housing, education, training and employment.

As part of the project interviews with ex-offenders were undertaken to capture their experience and a number of emergent themes were identified. Ex-offenders find the transition from prison to civilian life challenging and would benefit from greater support. This support should begin before release from prison such that they are able to transition with routine and security. Better access to education and training is required and offenders need support to maintain evidence of their educational achievements. Upon release the basic needs for accommodation and employment need to be better addressed as they are closely linked; without one it is difficult to get the other. Ex-offenders require emotional support as well as skills during their transition into work as many lack confidence. Identity is an issue as they often lack credit history, utility bills, passports, or forms of identification required to access economic (e.g. banking) and social (e.g. gym membership) activities. A picture emerges of a fragmented and incomplete offering from the state within the UK context.

Five organisations were recognised by ex-offenders and support experts from that community as offering distinct and leading practice. The organisations have been examined using business model theory to understand their offering, operation and structures. The organisations studied include: Delancey Street Foundation (USA); EMMAUS (Bristol); Greggs the Baker; Timpson’s; and Network Rail. Each has created a culture and an offering that supports ex-offenders. All are heavily subscribed and perceived positively. They differ in their offering and their organisational structures include a not-for profit, a charity, a PLC, a family business and a government organisation. Within all the organisations passionate individuals were in leadership roles where they were able to share their vision for ex-offender support, develop a culture of acceptance and respect, and create an offering that was sustainable and self-reinforcing such that it could survive beyond their tenure. Financially the organisations differed significantly, but with the exception of Network Rail, there is little enthusiasm for government grants. Further, there was little appetite for KPIs or metrics of success, despite all of the organisations being seen by the community as successful in rehabilitating ex-offenders. Both metrics and grants are perceived by the organisations as detracting from a focus on the needs of the individual.

The organisations studied in the UK all create significant benefit for ex-offenders. They are all doing ‘good work’, not as a separate operation, but as part of an integrated sustainable business strategy. The approaches should be celebrated, and encouragement given for such work to be emulated by other firms. We didn’t find a UK example of the Delancey Street offer of accommodation, training, education and employment, run by and for ex-offenders in the USA. We believe such an offer would be welcomed in the UK, though we recognise establishing it would be challenging. We provide some guidance in this report on how such an organisation may be created, including financial analysis of successful and failed charities. Analysis suggests that organisations should ensure grant income is below 20% of total income, activities offered cover staff costs, and that organisations build an asset base sufficient to cover basic staff costs for four years or more.

We found numerous examples of good practice of firms working with ex-offenders in the UK and in time will add to this body of work. We hope that this work may encourage organisations to work with ex-offenders and perhaps inspire and support the establishment of a Delancey Street organisation within the UK.

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Introduction

The aim of this report is to produce guidance on what sort of organisations may be created to support ex-offenders in the UK as they move from prison and back into the working world. We seek to understand how ex-offenders themselves may contribute to, or form part of the organisation created, working towards achieving their own aspirations. The project engaged with ex-offenders to understand their experiences and examine a range of organisations that currently support ex-offenders. The work provides insight on how an organisation might be started and structured to be sustainable and support needs. The work undertaken in this project was initiated after an organisation in the USA, Delancey Street Foundation, run by and for ex-offenders, was identified as an innovative organisation that was achieving significant outcomes in transitioning ex-offenders.

Under the government's "Transforming Rehabilitation – A Strategy for Reform" the work of the probation service moves into private organisational hands with the aim of providing more scope for innovation. There is a potential opportunity for new and innovative offers to develop and support the ex-offender community. This work, funded by a British Academy Leverhulme small grant, has captured ex-offenders lived experience and details the business models of organisations identified by ex-offenders and other providers as representing leading practice in supporting individuals.

There is a perception in the language and approaches used around ex-offenders that they are to be provided with certain forms of support, but little is included that recognises the skills the individuals might have and contributions they may make. The project draws on the salutogenic model of the relationship between humans and coping to understand how ex-offenders might better achieve outcomes through development and use of their own resource. Research seeks to understand the lived experiences of ex-offenders as they move beyond the gate and back into the community. Further, we wish to capture the innovative businesses that currently work to develop the individual's skills and value their contribution. Our work extends beyond the government's stated goals and helps identify the basis for self-funding rehabilitation services, providing understanding of how organisations operate and their business models. We further explore what services can ex-offenders offer and create themselves and find an innovative offer in the US that we have not found repeated in its totality elsewhere. We believe it would be possible to reproduce the US Delancey Street business model in the UK and that it would be a welcome addition to UK support services.

The report will proceed as follows. First, we examine the changing nature of probation services in the UK. Following that we explore, through secondary data, the challenge to be met with regards meeting the needs and requirement of ex-offenders through data on re-offending rates, the current provision of accommodation and employment. We then sense check our data through interviews with ex-offenders that capture the unique experiences individuals have when leaving prison and identify commonality across the challenges they face. We also undertake studies to detail organisations in the UK and USA which utilise and develop offender capabilities, using business model theory to guide our descriptions of the organisations studied. A discussion links together our findings and utilises financial analysis of successful and failed charities to give guidance to those wishing to develop their own offering. We end with a conclusion and highlight areas for future study.

A changing background in Probation

“Transforming Rehabilitation – A strategy for Reform” sought to develop the probation services to reduce re-offending. Whilst the strategy significantly revised the entire structure of probation, one of the central themes was resettlement to reduce reoffending. Community Rehabilitation Companies were created. The construct was to create innovative a “‘through the prison gate’ resettlement service, meaning most offenders are given continuous support by one provider from custody into the community” (MoJ, 2014). The providers were sourced from public, voluntary and private sectors. The CRC structure in England and Wales established seven divisions within which opportunities to support ex-offenders were created, with 21 geographical areas contracted out to providers. The change was coupled with a modified National Probation Service (NPS), responsible for the supervision of 'high risk' offenders and also undertakes more administrative functions including bail services, bail accommodation and support service (BASS), court work other than assessments and reports, assessments and reports pre-sentence (NPS, 2016). CRC are incentivised with a proportion of contracts based upon their impact on reducing offending. There are “new payment incentives for market providers to focus relentlessly on reforming offenders” (MoJ, 2014). The contracts are also structured such that larger payments are made in early years and then taper, allowing for investment and then improvement.

‘Through the Gate’ is a flagship government policy introduced in Spring 2015 with the aim of extending ex-offender support, release and resettlement, to those servicing short sentences. The CRCs were incentivised to extend their offer to short term offenders, again with the goal of reducing reoffending and providing a seamless service. However, a review published in October 2016 suggested that the services had fallen well short of the aims and goals (CJJIJ, 2016). The report noted that the services provided were not as innovative as perhaps was suggested. Further, that these services were hard pressed, that ex-offenders needs were complex and given this context and the contracts based upon outcome the providers were focussing on delivering where they were getting highest reward. What the report suggests is a system appears to be failing in meeting its goals. A lack of innovation and the constant referral of ex-offenders as individuals to be worked upon is found the reports. The ex-offenders are perceived to have no agency themselves – individuals are not presented as having abilities, resources or knowledge. Rather, individuals are being described as static resources, in that they are to be worked upon and would be described as operand resources (Vargo and Lusch, 2004, 2008). People are usually ‘Operant’ resources, as they are capable to act and have skills and knowledge. The offenders themselves are being overlooked and ex-offenders could play a greater role as they are a wasted potential resource in a system which is poor use of human resource (Ohno, 1988).

It would appear that there remains scope to innovate and provide services to better enable ex-offenders to realise their potential when they leave prison.

Challenge to be met

To understand the challenge we have and examined reoffending rates, and basic needs requirements of accommodation and employment.

Reoffending rates in the UK appear high. The reoffending rate for adult offenders released from custody in October 2013 to September 2014 was 45.5%, and this rate has been stable over the 10

years, with 45% to 49% reoffending the year after release (MoJ 2016b). Adults who have completed short sentences reoffend 60% of the time, whilst this reduces to 33% for those serving sentences over 12 months. 68% of offenders are reconvicted within two years of release.

Difficulties are faced finding secure accommodation. Ex-offenders are more likely to re-offend if they are unable to find secure accommodation (JRF, 1996). Figures as to the impact vary but the impact is significant; Vision Housing quotes “without accommodation 70% of ex-offenders re-offend, whereas with accommodation, only 11% re-offend” (<http://www.visionhousing.org.uk/>). Langley House Trust quotes “79% of prisoners reported homeless were convicted in the first year compared with 47% with accommodation” (LangleyHouseTrust.org). The National Offender Management service claims almost 90% of people have accommodation upon release. A note for the House of Commons on social selection quotes 81% of prisoners for whom records were held had accommodation arranged for their release (Wilson, 2014). Both these figures appear high. A 2006 report from the National Offender Management Service states that one third of prisons lose their housing whilst in custody and that female prisoners were likely not to have housing on release as only 62% women had housing compared to 90% young males and 69% of adult males. 49% of prisoners with mental health problems gave no address. Ex-offenders can apply a discharge grant of £46 before they are released. If they have identified suitable accommodation they can also apply for an extra grant of £50 to be paid directly to the accommodation provider for their first night. There is limited or no help from local councils (Nacro, 2016). Accommodation is a basic need that is not well met.

With the stigma and the likelihood of a poor employment record it becomes very difficult to find work upon release and the organisations described all provide either direct employment or help towards employment. Data on employment for ex-offenders does not appear to be regularly kept. However, figures for 2011/12 show that, whilst 60% of the general population is in employment (based on UK compulsory recorded P45 records) it falls to 32% for working age adult offenders cautioned, convicted or released from prison (DWP, 2014). This employment figure is an average as those with fines or cautions are at ~40% employment, whilst those committing robbery, burglary are at only 17%. Age has a small effect, with P45 employment levels at 35% for 21-4 year olds but slightly lower at 31% for 45-63 year olds. Gender plays a smaller role, with women 2-3% less likely to be employed, but this correlates with employment levels for non-offenders. Ethnicity has a higher impact, with Asian offenders more likely to be employed, 35-39%, and Middle Eastern and Black offenders less likely to find employment (26% and 28% respectively).

From secondary data we can see that half the ex-offender community is likely to re-offend, around one third struggle to find accommodation and only one third are likely to be in employment. These figures paint a picture of a group of individuals trapped in a cycle of multiple social exclusion (Costello, 2003). What can be done about this problem? Can a business solution can be applied?

Research Methodology

The research was undertaken in two concurrent phases. One examined the offenders experience and the other explored the business that supported them.

To capture detail of phenomenological experience of being part of a prison system and then moving beyond the gate, semi-structured interviews were undertaken with ex-offenders. The next section

provides some insights from ex-offenders undertaken to test if the government reports reflected the experience of individuals. Interviews are particularly useful and enlightening when gathering information about an individual's position (Denscombe, 2010; Fox, 2009). A series of in-depth interviews lasting up to three hours each were conducted with 10 ex-offenders to elicit further detail about their experience, expectations and perceptions of support beyond the prison gate. A saturation sampling technique was used to determine the number of interviews. Initially four interviews were planned, and finally 10 interviews were undertaken, at which point no further new information was being gathered. Recruiting suitable candidates for interview was challenging and it was necessary to employ convenience sampling. 9 men and 1 woman were interviewed. Whilst not a gender balanced sample, this does reflect the prison population; 81,796 male vs. 3,843 female as of September 2016 (MoJ, 2016a). The individuals interviewed represented a broad range of ex-offender experiences, from life imprisonment to persistent repeat offences over many years. Primary interview data is treated as confidential and individual respondents are not identified in research reports or papers unless specific permission has been given to name them.

The research proposed to capture detailed information as to the way organisations work within the context of ex-offender support. Delancey Street Foundation was our starting point as an organisation representing an organisation run by and for ex-offenders and with a seemingly highly successful track record of achieving outcomes for individuals. Delancey Street is in the US and so two further UK based organisations were to be studied. We could find no similar organisation and so operations with a similar culture or ethos were sought. The community of experts and ex-offenders all recognise Timpson, and their position as offering leading practice is supported in secondary data, so they were case studied. Due to changes in personnel it was not possible to access a planned third organisation, but recommendations were made as to other leading organisations to study and a small number were identified as both suitable to study and possible to access. This resulted in a further three studies of EMMAUS (Bristol), Greggs the Baker and Network Rail.

To capture detail of business models a 10 item business model framework developed by Bradley and Parry was used (Bradley and Parry, 2016). The framework provided a common structure that was used to describe the many different elements of the operations developed by different organisations in their work with ex-offenders. To populate the framework, initially analysis was undertaken via secondary data sources, including websites, online videos and other studies. Once an understanding of the organisation had been developed interviews were arranged with the leaders of the organisations. Interviews were 2 hours or longer and undertaken with the organisations leader or director. Interviews were transcribed and then the business models developed by two researchers and then compared for confirmation. The final business model was sent back to the organisation in order to allow them to highlight any misunderstanding or correct factual error.

The findings were presented to the steering group as work progressed. Towards the end of the project two seminars were given at a broad community of academics and interested parties invited. Feedback from the seminars has shaped the report. The financial analysis from this document was also submitted to the Select Committee on Charities; House of Lords. 5th September 2016 (Green et al., 2016).

Interview findings: the ex-offender experience

In this section discussions are illustrated with key phrases and all responses are anonymized. Whilst each individual has very specific experiences and each faces their own challenges, from the interviews there are five main and recurrent themes. These relate to:

- A lack of resource in the prison to guide and support the transition of the individual into work
- The challenge of looking for and gaining employment when the individuals basic needs such as accommodation may be uncertain or unmet
- The mental strain placed on the individual when moving from a secure and managed environment into the external environment
- The role of identity and its significance in the transition to a stable environment
- A lack of continuity of education post prison and the inability to transfer or evidence learning

We will now provide some more detail of each area and some illustrative text from interviews.

Prisons do not have the resources to look 'beyond the gate'

The problem of understaffing and under resourcing that was mentioned in the CJJI resettlement review (CJJI, 2016) were raised in the interviews. Interviewees sympathized with prison staff and emphasized the lack of time and available resourcing the Prison had to sufficiently spare time to provide comprehensive career/ life guidance. There was also a 'post-code' lottery theme emerging, with some interviewees reporting certain prisons had more facilitates/ opportunities/ resources than others. One participant who has learning difficulties described his experience within prison:

'I can't read or write. I have bad dyslexia, at prison I was offered some peer learning classes where I would be taught by other prisoners, but I didn't accept as I felt they wouldn't understand my learning needs.'

Interviewee's spoke of opportunities they had received to obtain work had been sourced through external agencies separate from the prison.

'My Mum knew I wanted to work outside, so she made the enquiries, she phoned the zoo but the journey there from the station would be too complicated and I am not allowed to use taxis on day release. She found this place (names workplace) and they contacted my Prison and organised me working here.'

Another participant described the prison process as being a systematic un-personalised process which fails to rehabilitate and consider the individual

'When it came to activities it was like giving me a Chinese menu, nothing was personalised. It was just a list. They had no idea about my skills, my talents or anything'

What emerges from the interviews is a lack of support or attention given to individuals to understand their needs and aspiration. Further, even the most basic support in identification of needs and facilitation of meeting those needs was missed. Under resourcing, which we assume is a result of lack of funding would appear to be the challenge.

Ex-offenders face challenges looking for employment and accommodation

The majority of interviewees discussed the frustration of *finding accommodation and the instability this caused*. Accommodation and employment were very closely linked in interviews. Without accommodation it is difficult to get a job, yet without a job it is difficult to secure accommodation. However, safe accommodation is necessarily the priority.

'I was so focused on getting a roof over my head, and making sure I was safe, getting a job was far down my list of priorities.'

A failure to get accommodation creates stress for offenders. Participants described the 'revolving door' experience, where released prisoners re-offend in order to have support and accommodation.

'...I remember saying by to a guy on Thursday he was going to be released, but he told me not to worry he would be back soon. On Saturday he was back in, he had nowhere to go so he stole a bottle of vodka and kicked off in a supermarket... he needed to come back, he had nowhere else... they (prison service) just give you money, chuck you out.'

'I was in prison and my release date was coming up and I've gone and seen the doctor and I said I think I've murdered everybody on the wing... he prescribed me strong doses of tablets... I was then released into Exeter and shortly ended up in Exeter prison'

Finding housing poses a significant challenge, with ex-offenders poorly informed and lacking support in finding accommodation, which is a stress and distraction.

'I am worried about where I am going to go (on release from prison), I don't want to go into a hostel there is too many drugs and temptations there. I would rather be back on the street, but then how could I get a job? Also private accommodation is now impossible, it is a bit like the chicken and the egg scenario you need a job to rent, but then you can't get a job because you don't have a home.'

'I had heard of (names housing location) through a hostel worker when I was released from prison. I was fortunate enough to gain an interview for (housing location) and gain a place.'

Even when settled in a house and employment there are still challenges. One individual described how their probation meeting was 2 bus journeys away from their place of work, resulting in them having to take the morning off work. Another interviewee who had previously managed to get employment discussed the stress it created and now recognised the need to have the correct mind-set before taking full-time employment:

'With it (full-time employment) comes a lot of responsibilities and strains. I haven't used (heroin) in 2 years, the last time I badly relapsed was because I was not in the right mind-set. I realise now I need to wholly be ready, and to sort my mind out.'

Again, a lack of support resource that identifies the individual needs and specific challenges is apparent in the responses given in the interviews. It would appear that employment, accommodation and mental health services are required as a package to ensure safe and secure rehabilitation.

Evidencing learning

When searching for a job ex-offenders need to demonstrate they have the required skills or experience. This theme describes the difficult conundrum of evidencing the activities offenders do whilst in prison. Whilst ex-offenders struggled to get access to courses in the first place, even when they did they often had little to show for their efforts. In particular participants recalled that they had completed courses in prison, only to be unable to obtain certificates or retain their work:

'I completed a media course while in prison. For my course I created a documentary about doing time, I even filmed in the prison everything went well and they (the prison staff) knew all about it. But when I finished my sentence I wasn't allowed to take my portfolio with me as it had scenes from inside the prison... Without my portfolio how could I evidence what I had done... All my work was lost.'

'I was doing the computer course I done my Maths and English O level and A level and they still ain't given me my certificates, they still haven't given me my certificates'

Whilst the individuals had worked hard to achieve some qualifications to enable them to better transition, the failure to provision of evidence of their studies was having an impact upon them. In a resource stretched institution the requests of individuals for their certification or evidence of work is clearly not a priority; but this is process failure that should be addressed.

Ex-offenders lack self-confidence

Interviewees often discussed their lack of self-confidence and reluctance to apply for particular jobs, because either they had feelings of vulnerability or worried about rejection.

'I was not worthy of such a post'

'They (the employer) would take one look at me and not have me.'

There was also a belief that they would not 'fit' in particular environments and felt that there would be an 'us' and 'them' dynamic which would result in prejudice and discrimination. When talking to individuals about their future career ambitions, some felt they knew what job they would like, however, they felt nervous about taking future steps.

'I would like to be a nurse, or a healthcare nurse. I used to feed the restrained inmates and help out on the hospital wing. They (the prison staff) were keen for me to do some formal training. But you know I really didn't get on with teachers when I was little, and I am worried about going into that environment again.'

There was a significant perception amongst ex-offenders that they would not be valued for what they could contribute. This led a number to give up before they had tried to find employment or further training. The interviewees lacked some basic skills, such as CV writing and interview skills, which with training could help them develop confidence and apply for jobs.

Being in prison erodes identity

The process of arrest and incarceration of an individual requires that the government firmly establish the identity of the individual. However, long periods of incarceration actually erode established identifiers as for significant periods of time individuals do not have bank accounts, utility bills etc. and so have no credit record. Not having a form of identity such as a bank account, passport

or even a birth certificate, was described as a significant and prevalent problem amongst offenders. Identity is required to gain access both economic and social activity. Interviewees described how they felt destitute and unable to build a new beginning as there are no foundations to begin with.

'(not having) an ID did stop me from doing quite a lot of things'

'I got rid of all my ID, because my ex said when I get arrested I could lie or, do you know what I'm saying, I didn't want anybody to know who I was, so in order to get all that stuff together then it was just fortunate that I was in recovery, to get help with the forms... having that ID helped me move forward and do more things... not just me, there was loads of other people, that everyone was in the trials didn't have ID so we couldn't open up a bank account'

Identify is important, not just for the access it provides to services, but also for the positive mental side associated with the individual re-engaging with society.

'Well it is when I had my bank card in my pocket I was like yeah man... it's empowering'

There is some dark irony that an individual who has been detained in one place by the government for a long period cannot readily prove their identity. The CRC or NPS hold significant records and offenders have to have their identities established beyond any reasonable doubt in order to be prosecuted. It would therefore be possible, with support from the associated support organisation and external institutions such as Banks, for ex-offenders to create identities either whilst still in prison, or when first released. We have identified a local organisation, IF Group Bristol, who has recognised this issue and works towards helping offenders, but a case study of their work is beyond the scope of this initial study.

Having discussed with ex-offenders their lived experience, the work then turned to examine support organisations. Our work did not seek to examine CRC's but rather those businesses that recognised the primacy of the individual and their potential to co-create value in the betterment of their lives. Delancey Street Foundation had been identified as potentially offering leading practice, and so they were studied. However, Delancey Street is in the US and so we also sought out proxy UK organisations. Our enquiries with those working in this area and in discussion with ex-offenders led to an emergent list of organisations that the community with which we engaged considered as offering leading practices. The work undertaken captured the business models, drawing upon academic theory, to create an understanding of how each organisation studied operated within its context.

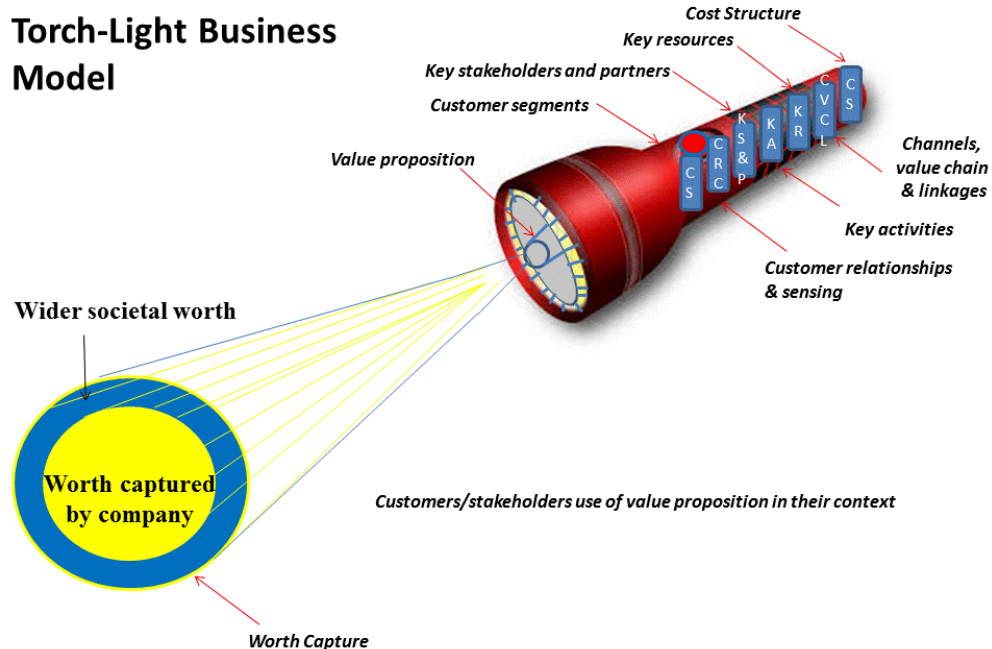
Business Models Theory

In plain language, a business model describes how value is delivered to customers and customers in turn are willing to pay for the 'value' received, thus resulting in profit and sustainability for the provider (Timmers 1998, Weill and Vitale 2001; Teece 2010).

Business Models provide descriptors of how firms configure resources to create value in a profitable manner (Baden-Fuller and Morgan, 2010). The business model has been characterised as 'the value creating insight on which the firm turns' (Margareta, 2002). The business model is also explained as comprising a set of generic level descriptors that captures how a firm organises to create and

distribute value (Fuller and Morgan, 2010). An organisation’s ability to learn and earn money is contingent on their business model (Froud et al., 2009; Magretta, 2002; Salge and Vera, 2013; Zott and Amit, 2010). Business models are now an integral part of the business parlance and the associated literature provides the rationale for how an organisation creates, delivers, and captures value (Teece, 2010; Osterwalder et al., 2010; O’Cass and Ngo 2011), and as such are seen as the route to competitiveness, growth and profitability.

In this work we identified that business model theory is appropriate to support our aims. We wish to understand how organisations work and therefore how we may create new organisations to support ex-offenders. There are many different business models which could be employed, but in this work, to capture the nature of the organisation, we will use the Torch Light model which was created by Dr Peter Bradley in the Department of Economics at UWE and is being further developed with Dr Parry, figure 1.



Source: Bradley and Parry (2016). A business model framework for sustainable development: an energy services company case study, *Journal of Business Ethics* (at review)

The Torch Light framework builds upon Parry and Tasker (2014), Osterwalder and Pigneur (2010) and Baden-Fuller and Mangematin (2013) and Baden-Fuller and Haefliger (2013) which are all based upon the business model literature. The Torch Light model can be broken down into a ten-box business model framework. Each area of the model examines a particular aspect of the business and detail is captured in interviews, beginning with the questions relating to that element. The elements and questions are:

1. *Value proposition* captures the form of the operations, is it scale (like a bus) or bespoke (like a taxi)? Which issue or challenge does the offer solve for the customer and what are the bundle of the products and services involved?
2. *Key activities* are the descriptors of what the firm does. Activities may be categorised into production, problem solving or platform maintenance.

3. *Key resources* collects information about physical assets such as buildings and machinery, intellectual property such as brands, patents and copyright, human resources, particularly skilled workers and financial resources such as credit lines, equity or options.
4. *Customer segments* characterises the groups who use the organisations product or service. Does it focus on a mass market or particular groups? What defines the groups? Do they serve a single customer group with the same need or do their customers have different needs such as a newspaper having readers and advertisers?
5. *Customers/stakeholders use of value proposition in their context* asks what the different contexts in which the customer uses the organisations offering are? How does different context or circumstances affect the offering? Do key resources change with context? Given different contexts, how does the value of the proposition change from the customer's perspective?
6. *Channels, value chain and linkages* capture how the product or service is distributed and the channels of engagement with all stakeholders. Is the business categorised as integrated, hierarchical or networked? If stakeholders are involved in the operation of the business, where in the supply chain are they?
7. *Customer Relationships and Sensing* examines the organisational relationships and the costs involved in those relationships. When describing relationships we explicitly ask: Are users paying? If not who are the other users? Identifying who is paying for the product or service provided.
8. *Key stakeholders and partners* capture information about the network of suppliers and partners that make the business model work. What is the nature of the relationship? Do they have a claim on the business?
9. *Cost Structure* asks managers to identify the main costs of operating their business. We identify fixed costs that the firms are exposed to regardless of operations and their variable costs which are proportionate to their activity. How do they minimise costs and what economies of scale (volume lowers costs) or scope exist (breadth of offer lowers cost) might exist?
10. *Worth Capture* asks about revenue streams, when, what and how money is raised. How does the organisation raise money and what are their financing options? We also ask what forms of non-financial value does the organisation create and how does it capture evidence of that impact?

These ten constructs allow the researcher to capture the essence of the organisation, its aims, resources, operation and finances. The business model created is an object that can then be used to communicate the nature of a business and act as a tool around which discussions of current and future businesses may be centred.

By comparing the different case examples a picture starts to emerge of the operating practices of firms who work in this space. We can now apply this theory to practice to try and understand how organisations working in the ex-offender space operate, and in doing so learn lessons for the creation of new operations or the improvement of established organisations.

Organisation example Business Models

In this section we present a number of business models captured in interviews with the leaders of organisations coupled with analysis of secondary sources, including websites, online videos and other studies. Each analysis follows the structure of the Torch Light business model framework and captures the nature of the offering created to support ex-offenders. We begin with the US organisation, Delancey Street Foundation that is run by and for ex-offenders.

Delancey Street Foundation Business Model

Delancey Street Foundation was identified as an organisation that is run by and for ex-offenders. It was started in 1971 by Dr Mimi Silbert and her partner, ex-offender John Maher with 4 residents. Their vision was of an extended family, where everyone contributed as well as they could towards the upkeep of the family. Initially rejected by the community, they worked at being good neighbours and were soon welcomed. Delancey Street Foundation is a not for profit organisation and grew steadily and organically, with careful budget controls, and little and conservative borrowing. Their main location is a 400,000 square foot complex in San Francisco's South beach which they built themselves. They have expanded to a number of other locations, including a 17 acre ranch in northern New Mexico, a 50 acre site in New York, and facilities in North Carolina, Los Angeles, North Charleston and Massachusetts. The information here is from secondary sources and an extended interview with the Delancey Street founder, Dr Silbert.

1. *Value proposition:* Which issue or challenge does your organisation solve for the customer and what products and services are used to achieve that?

A community where people with nowhere to turn, turn their lives around by learning and teaching each other, *"empowering the people with the problems to become the solution"*.

Delancey Street Foundation is a residential self-help organization for former substance abusers, ex-convicts, homeless and other socially excluded individuals. The organisation is positioned as a 'total learning centre' in which the residents both learn and teach, as the organisation holds that the best way to learn is to teach. In this regard Delancey Streets value proposition is a holistic offer of accommodation, academic education, skills training and employment/business opportunities, run by and for ex-offenders. It is also a continuous process, with a target two year duration - though many people take four years, where new ex-convicts are brought in, learn vocational and social skills, earning rewards for themselves as well as benefiting the organisation. Each person learning skills then teaches those skills to the subsequent groups. As such, the process continually refreshes and renews, but it is also reliant on the residents for its continued survival. Within this self-sustaining environment of learning and teaching a culture of personal growth, self-worth and improvement is fostered.

2. *Key activities:* What are your key activities? E.g. production, problem solving, maintenance, therapy, skills development.

There are a number of core activities; education and skills, business, and accommodation.

On the skills development ex-offenders are given training in social, vocational and academic skills. Residents receive education and are expected to achieve a high school equivalency degree (GED). They are further trained in 3 different marketable skills. Beyond academic and vocational training,

residents learn social values and gain the necessary social and interpersonal skills that allow them to live independently and be successful in mainstream society.

On the business side, Delancey Street operates commercial activities to self-fund operations. These business activities are extensive and diverse, including a restaurant, screening room, a café bookstore, art gallery, digital printing shop, handcrafts, Landscape gardening, Moving & Trucking business, paratransit services to transport the elderly or disabled, specialty advertising and sales of corporate goods to military and colleges, and a seasonal Xmas Trees & Decorating business.

As far as possible, everything that needs to be done is done by the residents. They maintain vehicle and even built their residence in San Francisco. This serves the purpose of building esteem and skills as well as saving on costs of bringing in experts.

3. *Key resources:* What are your key resources? E.g. what are your physical assets such as buildings and machinery, intellectual property such as brands, patents and copyright, human resources, particularly skilled workers and financial resources such as grants or endowment?

The key assets of Delancey Street Foundation are the residents themselves. They provide the sources of labour, teaching and staffing for all their services and must be skilled enough to pass on their learnings to their fellow residents.

The Delancey Street Foundation owns a number of key residential assets. In San Francisco the first site is at South Beach where a 400,000 square foot complex was primarily built and is supervised by Delancey residents. This is a four-story complex with street level retail stores, a public restaurant, screening room, a café bookstore and art gallery. There are accommodation units for approximately 500 residents and educational and recreation facilities. In San Juan Pueblo, northern New Mexico, they own a 17 acre ranch. There are other residential facilities: 50 acres site with a large castle, carriage house, and two other homes in Brewster, New York; a former Hilton Hotel in LA; a small home in Greensboro, North Carolina; and Stockbridge, Massachusetts; a group of three former naval officer housing units, including the Vice Admiral's house, on the former North Charleston Navy base.

All resources are pooled and there are no professionals, no government funding, and at no charge to the clients. The key resource is the people who come into the facility as they learn and then train the next group, creating a sustainable community.

There are a number of small financial donations, amounting to perhaps 5% per annum of revenue and the group receive occasional financial gifts, but there is no substantial endowment which underpins or was given to establish the organisation.

4. *Customer segments:* Who uses the organisations product or service? Does it focus on a mass market or particular groups? What defines the groups? Do you serve a single customer group with the same need or do customers have different needs such as a newspaper having readers and advertisers?

Delancey Street takes applications from all people who are struggling in society. Primarily people come from prison or jail but they also people who may walk-in off the street. The minimum stay is 2

years but the average stay is 4 years. They have three strict rules: no drugs or alcohol, no physical violence, and no threats of violence.

The organisation does not accept any government grants and so its primary customer is the residents who work within the self-actualising and self-sustaining community. Social interaction of the residents with the community is seen as a key goal of helping their rehabilitation and Delancey Street runs a number of businesses which help in this. The restaurants, moving services and cafes all provide the residents and community a chance to meet, building unity between the residents and local people.

5. *Customers/stakeholders use of value proposition in their context:* What are the different contexts/circumstances in which the customer uses the organisations offering? How does different context or circumstances affect the offering? Do key resources change with context? Given different contexts, how does the value of the proposition change from the customer's perspective?

The fundamental value proposition of education and training is the same for all, but each resident will arrive with different levels of ability and so if they have an 8th grade education, they can teach up to 6th grade. People with building and construction skills can pass those on etc. Hence, the context or circumstances of the individual are employed in developing the core goals of the Foundation and enhances the value proposition.

Taking the societal view, where local communities are involved, Delancey Street has not been without its challenges. Communities have not frequently welcomed the residential community and so trust has had to be earned and legal battles fought. These are not always successful, as a neighbourhood in Imperial Beach, CA objected to such an extent that it was decided not to locate there. However, the Foundation has demonstrated the benefit and social improvement to neighbourhoods that occurs as a result of their presence, which helps overcome prejudice.

The value proposition evolves and changes as a result of changes within the residents and local community population that their businesses serve. The process of allowing the residents to engage with society through work changes individuals, both those from within Delancey Street and the community. In seeing that ex-cons are caring and have something to offer, the community is changed. In being needed to provide a valued service the residents build self-acceptance. Delancey Street only works as a proposition because of the contribution of the residents. The residents can only do this by working together. In truly needing their residents to succeed for Delancey Street to succeed, the organisation creates unity, and the residents exceed expectation.

6. *Channels, value chain and linkages:* How is the product or service distributed/delivered to the customer? How do you engage with customers and other stakeholders? Is the business categorised as integrated (very self-contained), hierarchical (part of a supply chain) or networked (part of a web of other services)? If stakeholders are involved in the operation of the business, where in the operation structure are they?

There are many customers. For each business and activity the organisation runs the central goal is interaction with society. Secondary is learning a skill. The interaction with society helps develop the residents and positively shapes the views of the community. In interview the President of Delancey

Street, Dr Mimi Silbert stated *“Everything is vocational training, but, first, number one... is I want our residents to interact with society”*.

When ready to graduate from Delancey Street, residents get a job and live in and work out for several months, saving their money in our Delancey-managed credit union, and paying rent until they can move on to continue their new lives in the mainstream of society.

The business is fully integrated and very self-contained.

7. *Customer Relationships and Sensing:* Are users paying directly for your organisations product or service? If not who is paying and what is their motivation and benefit? E.g. a newspapers are supported by Adverts more than readers purchase price and they want to sell their products, drug rehabilitation is often paid for by local authorities for social benefit

There are no fees for the residence. The financing for the organisation is indirect, via earned income and donation.

Income is raised by charging for the numerous services that the residence offer through their business. Therefore the work they do pays directly to support their community. Customer sensing is focussed upon the success of their businesses.

Delancey Street to not actively seek external funding and funding is limited by their status as a US charity 501c3. The organisation follows the guidance and so approximately 70% of income is earned and about 15% comes from donated services (hair cutting, doctors, and dentists) and from those who donate clothes. About 5% is from individuals who send money. The income mix is slightly different each year, but always within the rules of the 501c3 IRS regulation.

Delancey Street don't send out a letter, a newsletter or any marketing, which many non-profits send out stating that they need help. Contributions are from people who get to know the organisation through points of contact, through using their moving services or through the restaurant.

8. *Key stakeholders and partners:* What is (is there) a network of suppliers and partners that make/help the organisation function? What is the nature of the relationship with these suppliers/partners? Do they have a claim on the business?

As this is a fully integrated business there are no external claims on the business. If the business was to fold any funding would be dispersed to supporting organisations by the foundation. The President Dr Silbert states *“Our belief is our residents own it”*. She went on *“Do we all believe we own it? As I tell everyone, if you are moving someone then it's your moving school, if you don't feel the weight of that on your shoulders then you should. Delancey Street is yours, worry about it like I do. I believe you worry more about your family than your kids do, but as they grow up they will start to worry too”*.

9. *Cost Structure:* What are the main costs of operating the business? What are the fixed costs that the firm is exposed to regardless of operations? What are the variable costs which are proportionate to activity? How do you minimise costs and are there any economies of scale (volume lowers costs) or scope exist (breadth of offer lowers cost)?

The foundation has a large fixed overhead for maintenance of assets, including the buildings and equipment that they have for their residential, teaching and business ventures.

Variable costs relate to all the different business operations; electricity, gas, truck fuel, heating fuel, food etc.

Being integrated any non-profitable parts of the organisation are supported by those areas which make money. The key is vocational skill and social engagement so operations are viewed with regards a broader set of measures than just their financial viability – though the organisation as a whole must ensure they are self-sustainable.

10. *Worth Capture*: When, what and how does the organisation raise money and what are the financing options? What forms of non-financial value does the organisation create and how does it capture evidence of that impact?

Earning money is important and necessary for the Foundations survival, but money is not enough for them to succeed. The goal is to change the attitude and behaviour of the residents, which is necessary for their businesses to succeed, making their survival linked to their ability to rehabilitate individuals.

The organisation takes no government grant. The operations are not funded per-se and no fees are charged to or for the residents. Money raised through the organisations and operations of Delancey Street is used to fund the resident community, with each resident receiving food, housing, clothing, education, entertainment and all other services at no cost. There are no professional members of staff as the organisation is run by the residents.

Finance is always an issue and at one point a key external supplier was financial underwriting for building their main facility in San Francisco. Bank of America were the only bank prepared to commit finance to allow for the build of the primary residence, giving \$3.5m unsecured loan over 10 years (paid back early in approximately 3.5years).

There is a Delancey-managed credit union which looks after residents money even after they have left the residential community, helping them have access to credit facilities and pay bills, rent etc.

There are two primary forms of worth capture:

1. Social value created through giving individuals the opportunity for a fulfilling future captured through the legacy of those who may otherwise have remained in a destructive life. E.g. in UK approximate cost of arrest, trial, detention etc. is estimated at ~£250k.
2. Financial worth which is primarily the revenues from the numerous business enterprises that Delancey Street operates. These include a Café, a Restaurant, indoor and outdoor Catering services, a private corporate car service, Digital Printing and Copy Shop, finely worked hand crafted products (Handcrafted Furniture, Small Hardwood Gift Items, Ceramics, Plants and Glass, Iron Works), Commercial and residential Landscaping, Moving & Trucking, Paratransit transport services for handicapped, elderly and disabled residents who are unable to use public transportation, a Screening Room which hosts events and has capability for cinema projection, Specialty Advertising, Xmas Trees & Decorating. This makes up around three quarters of revenue.
3. Donations of goods (e.g. clothes, materials, parts) and services to support the residents (e.g. dentist, haircuts, healthcare etc.) approximately 15% of income.
4. Financial gifts of around 5% per annum.

There is no government funding and this is avoided as it is seen to come with too many conditions and is not focussed as Dr Silbert put it *“Government money changes its mind all the time. ‘Now we should treat them this way we have research that says you should do X”, but then 3 years later its “new research and you do Y” and it changes”*.

Likewise, the organisation does not keep metrics of their ‘success’. There were initially measures and 10-15 years ago a study was undertaken that reported such a high success rate for the operation that it aggravated them. As an estimate something between 20-25% of the residents left before the 2 years were up. These were mainly but not always residents who had spent significant time (20 years) in prison. However, many would ask if they could return, as Dr Silbert said *“about half of those would ask if they could come back, or perhaps all of them would but I would only take half”*.

Again estimating, Dr Silbert believes they have 66, or 70% success. There was a general reluctance to measure, and it was clearly against the values of the organisation to even attempt to measure the ‘success’ rate as the organisation looks at the person as a whole and influences their life. Again, Dr Silbert states *“We are 45 years old, and now I have no idea [about measures]. I hate the phrase “harm reduction” right now. If you can stop people from doing this for a year they that’s good, but I find that so offensive. I don’t want to give them some harm reduction for a year. That’s awful. It’s where a lot of our government stands right now”*.

EMMAUS Business Model

EMMAUS was recognised by a number of experts in the area of rehabilitation as representing a similar proposition to Delancey Street. EMMAUS is a registered charity that operates as a commune with a professional management team that has the goal of ending homelessness. The organisation is federated so each operation is unique and chooses to join the larger grouping. It is important to note that EMMAUS has a very different ethos and goal to Delancey Street, in that EMMAUS is focussed upon homelessness and is not a ‘throughput’ model, but rather provides stability for individuals who, if places allow, join the commune. We particularly examined the Bristol branch as we are located nearby and the data found here is from in depth interview with management, discussions with residents, visit and observation, as well as from secondary sources.

1. *Value proposition:* Which issue or challenge does your organisation solve for the customer and what products and services are used to achieve that?

EMMAUS is an international movement, with a single ‘law; *“Serve those who are less fortunate before yourself. Serve first those who suffer most”*. Their stated aim is *“to ensure that every person, society and nation can live, have a place and be fulfilled through communication and sharing in equal dignity”*.

Their value proposition falls into three key areas. The primary value proposition is to help those who are destitute. They see destitution as those people who don’t have security in where they are staying. The second is an environmental proposition, acting in the current disposable society by giving a place for people to give their items to be reused or recycled. Third is to offer goods which are affordable to those who live in areas of deprivation. EMMAUS Bristol gives an opportunity for those on low incomes to buy affordable goods, which is an important service. For example, it is possible to buy a sofa for £25 from the EMMAUS shop.

It was noted in interview that EMMAUS hadn't formally realised that they were a retailer, but that this was now acknowledged. The group had been sustainable for many years as a result of the financial worth captured through sales from the shop, however they now find themselves facing competition from numerous other charities as well as discount retailers who all serve the deprived community, and so have improved their offer and are working towards a retail strategy.

EMMAUS has global reach, but each EMMAUS community is legally independent and has its own charitable status. In the UK and Bristol in particular it is focussed on supporting the homeless and goes beyond providing a bed for the night and a hot meal. EMMAUS offers support and companionship and also invites those who have become homeless to be part of and contribute towards their community by becoming companions of the organisation. The organisation works towards restoring individual's self-esteem, providing work and engagement in community so that companions find a way to overcome homelessness in the long term.

A central ethos of Emmaus is termed solidarity, where community companions work to help those less fortunate than themselves. This work is important in building the esteem of the members and demonstrates that everyone has the ability to make a difference to the lives of others. EMMAUS develops the individual and their skill and interest. EMMAUS does not just train people, it creates new jobs and runs businesses such that they both train and create employment. This is important for socially excluded people who may otherwise not be given opportunity.

EMMAUS in Bristol offers 24 beds. The majority are in their main residential centre but they offer a small number of beds in a house which they have been allowed to use rent-free. They are more than just a housing agency. They offer a community and a role in that community such that they contribute which brings meaning and requires effort from the individual.

The impact that EMMAUS has is captured in Management Information Reports (MIRs) which capture key aspects of their service. However, the impact and worth of the organisation is more subtle and is not susceptible to direct measures. The CEO suggests that there is a need for narrative measures and assesses the progress of the community based upon a balanced scorecard approach of metrics and qualitative observations. Measures of companion attendance, the number of ban's that are issued, the number of companions taking management roles all contribute, but statements from individuals as to their progress and experience all produce a picture for the communities success. One individual stated that, despite having ongoing problems, the time they spent at EMMAUS was 'the most stable time of their life'. They have had some small thefts, perhaps losing £3-4k over many years of £100ks of takings. These are figures that are significantly better than most retailers, despite the fact that EMMAUS does not monitor employees, use cameras or monitoring equipment.

2. *Key activities:* What are your key activities? E.g. production, problem solving, maintenance, therapy, skills development.

The central business activity is retailing second hand furniture in EMMAUS shops, though they will look for opportunities and realise value where they can from any goods that are gifted to them. Work includes running the shop, collecting furniture, clothing and household goods which are donated to the charity. For safety community companions electrically test [PAT test] any electrical goods that are donated. The companions also restore the furniture, including re-painting, varnishing

and re-upholstering. Emmaus nationally have other business activities which includes cafés, house clearance businesses, gardening projects and clothing shops.

Key activities are engagement of the individual in work and activities that develop new skills and build self-esteem. EMMAUS pay for companions to undertake NVQs in customer service. They also fund training in Health and Safety, First Aid, and Fire Marshalls. Companions can travel as part of developing International Solidarity, and three people were part of the EMMAUS support of the Benin water project in Africa.

In working as part of the organisation companions build skills which are implicit as opposed to explicitly. They learn social skills, shop work, learn team working, and may develop Board member skills as part of EMMAUS. EMMAUS draw on the skills their companion already have which affords them respect. EMMAUS need drivers for their vans, so people with licences are very useful. They pass on skills to each other, such as online retail, using eBay as an outlet for high value goods they are given. The community have electrical and woodworking skills and skills to repair bicycles, all of which are shared, though the specific skills can be lost overnight if a companion decides to leave. The EMMAUS offer is flexible according to the skills available within the community.

EMMAUS Bristol does not have a formal therapeutic offer, but does have a support group of three people. The Support Team provide a holistic approach to support needs. They help each Companion develop their own personal development plan and help with support around physical & mental health, finance, relationships, addictions, identity documents, social needs etc.

3. *Key resources:* What are your key resources? E.g. what are your physical assets such as buildings and machinery, intellectual property such as brands, patents and copyright, human resources, particularly skilled workers and financial resources such as grants or endowment?

The primary resource is the companions who make up the community. On average they stay for 6 months to 2 years but Bristol has some companions who have been 6 or 7 years. Companions are given points for responsibility – not in the work place - but general responsibility such as acts of solidarity and longevity. EMMAUS has a community system which gives an allowance to companions who have more responsibility than others, but this was felt to not really support those who were less able and points allows them to earn the extra allowance, even those who may have learning difficulties and struggle in some respects. Good and helpful members who may not be capable of fulfilling a senior role can earn points through engagement and then gain the enhancement to allowance.

The great vision is for a community that has no professional staff, but people can leave at any point and that happens. A minimum staff is maintained. Leadership is required to maintain the community and EMMAUS Bristol has a professional staff of people which represents 6.5 full time equivalents. There is the CEO, a Community leader, 2 support workers, an administrator, an accountant, a retail manager and a retailer. There are also a number of volunteers including 2 in the accounts department s, a driver, 8 trustees, an intern, an administrator for the trustees, a handyman and a volunteer coordinator. There is a business incubator run at EMMAUS which has 10 businesses, which has a volunteer leader who works three days per week. There are approximately 70 people who are part time or full time.

Physical assets in Bristol are the commercial building that EMMAUS owns in Backfields Lane and the residential Shaftsbury House, each property worth around £1m. The commercial building includes a retail outlet, store and workshop, offices and the business incubator. They have a residential 3-bed house which is not owned by EMMAUS but is given to them rent free. They have three vans, a mini-bus and a people carrier.

EMMAUS is the 'brand' name which the organisation is founded under. EMMAUS is a federated structure which includes UK, Europe and Global organisations. EMMAUS Bristol is an independent body which, as part of the federated structure, contributes towards and can draw from the central body. Finance flows to and from the main bodies in terms of annual 'membership' contribution to each body and well as receiving money back from the organisation. There is also the flow of people and ideas, such that individuals can learn and grow as part of membership.

4. *Customer segments: Who uses the organisations product or service? Does it focus on a mass market or particular groups? What defines the groups? Do you serve a single customer group with the same need or do customers have different needs such as a newspaper having readers and advertisers?*

EMMAUS UK primarily serves those who have been made homeless. It is open to anyone who wants to participate. The community looks for people who would both bring benefit too as well as benefit from being part of the community. Applications to be a companion must be prepared to work to the best of their ability. No drugs are allowed in the community. A risk assessment is carried out on all applications. The main home is opposite a play park and so that excludes some offenders. Each new applicant must have a reference. The applications are all examined on their merits, peer reviewed and the process audited by the trustees.

The majority have slept out on the street, and an estimated 1/3 has spent time in prison. There are many EMMAUS Communities and some may operate waiting lists whilst others have vacancies. Whilst Bristol has 24 beds, they are all currently full. Bristol had 2-3 spaces for quite a long time as people can leave at any point but replacing them is a much longer process. There are currently 4 women and 20 men in the community. EMMAUS provides equal opportunities for men and women, but many more men apply than women.

The homeless people served are heterogeneous but can fall into two groups. Those who see EMMAUS as a long term proposition and those seeking shorter term help. Those with a longer term view engage in the ethos of the organisation and seek to build upon it, developing their skills but also developing the community and helping others. Those with a shorter term view have plans to move on with their lives and EMMAUS supports them with help and training to enable them to achieve their aspirations.

EMMAUS offers a unique proposition of a long-term home, training and support for single homeless people.

5. *Customers/stakeholders use of value proposition in their context: What are the different contexts/circumstances in which the customer uses the organisations offering? How does different context or circumstances affect the offering? Do key resources change with*

context? Given different contexts, how does the value of the proposition change from the customer's perspective?

Companions join or access the EMMAUS group following either referral from an agency or by direct application. Companions are referred from a number of different places which includes voluntary agencies, self-referral, prison or probation services, housing departments, from other EMMAUS locations, private citizens, the police, hostels or GPs.

All companions must relinquish State benefits, with the exception of housing benefit, address any addictions (no drink or drugs are permitted on EMMAUS premises) and work 40hrs per week to the best of their ability for EMMAUS community benefit. The average stay is nine months, where upon the individual can then move on to stable tenancy. However a significant minority choose to remain with EMMAUS for the longer term, creating a stable home and in turn bringing stability to the operations.

6. *Channels, value chain and linkages:* How is the product or service distributed/delivered to the customer? How do you engage with customers and other stakeholders? Is the business categorised as integrated (very self-contained), hierarchical (part of a supply chain) or networked (part of a web of other services)? If stakeholders are involved in the operation of the business, where in the operation structure are they?

Emmaus UK is a federated structure with decisions made by companions or are at least 'Companion-led'. Individual EMMAUS communities can innovate to create businesses and many run retail stores, cafes and gardening services. The key points of contact for Bristol are the two physical retail outlets, though EMMAUS also uses eBay as their digital link channel to sell goods. They also collect donations in their vans which provide a link to their donors.

The key stakeholders are the companions, staff, trustees and volunteers. There are a number of other stakeholders who have an ongoing interest in the organisation. Lloyds Foundation has been a funder. There are a number of donors who put money into the organisation each month, churches, and companies who would all be recognised as stakeholders. There are also the customers of the organisation.

EMMAUS is a global organisation, and there is a European and UK committee. However, each community is a unique body and is free to innovate and operate as it wishes, providing it remains within the EMMAUS ethos and goals. For example, the points system is a local innovation that is unique to Bristol companions. EMMAUS Bristol is ultimately an independent entity that seeks to be self-sustaining from its retail operation.

7. *Customer Relationships and Sensing:* Are users paying directly for your organisations product or service? If not who is paying and what is their motivation and benefit? E.g. a newspapers are supported by Adverts more than readers purchase price and they want to sell their products, drug rehabilitation is often paid for by local authorities for social benefit

The Companions, along with volunteers and staff are both the paymaster and employee, in so far as they benefit from the pooled resource.

The main source of funding is the business which aims to achieve £300k per annum, but has been achieving only £200k due to competition. £100k is gained from housing benefit. £60-100K comes from donations. The business really needs £500k per annum to operate. They can get grants, but must go through the central EMMAUS system and so are often limited to local grant applications. They also get given legacies from time to time and are reasonably well supported.

If and when they run a deficit they have to fall back on their reserves. EMMAUS UK can give them a loan if they require to keep them going if times become difficult. There is an expectation that all loans are paid back; it is a federation structure and the federation are very supportive.

8. *Key stakeholders and partners: What is (is there) a network of suppliers and partners that make/help the organisation function? What is the nature of the relationship with these suppliers/partners? Do they have a claim on the business?*

EMMAUS communities are run much like cooperatives, so the Companions are the key stakeholders. Companions work to contribute as much as they are able. There are a professional staff of 6.5 full time equivalents, as well as volunteers and 8 trustees. There are approximately 70 people who are part time or full time.

EMMAUS is a federated structure and to stay federated each community pays towards the UK and international groups. Their universal manifesto binds them together, such that they must give up some oversight in return for membership. There are a number of peer groups which oversee the federation and ensure all the groups talk to each other. Whilst it is a 'bottom up' organisation the groups all deeply understand the mission and this ethos ties them together. The foundation was started by those who came from a religious organisation, but it is not and never has been a faith based organisation and welcomes different faiths. The individuals all believe that the EMMAUS approach is the best solution to homelessness; a community, work and home as a package. The acts of solidarity between individuals demonstrate the community cares for each other.

The community can leave the EMMAUS organisation as it is independent and there have been cases of communities leaving after disagreements with the general body – though all have returned.

9. *Cost Structure: What are the main costs of operating the business? What are the fixed costs that the firm is exposed to regardless of operations? What are the variable costs which are proportionate to activity? How do you minimise costs and are there any economies of scale (volume lowers costs) or scope exist (breadth of offer lowers cost)?*

The largest cost is the full time staff salary bill. There are also costs of running the business. The CEO had focussed upon raising money to acquire the key assets for EMMAUS and now the buildings they use, amounting to some millions in value in 2015, are fully owned by EMMAUS Bristol and so there are only utilities and taxes to pay. This purchase has provided some significant security for the business and provides an asset to be borrowed against if there is a shortfall. Whilst not paid wages, companions are paid an allowance of up to £60 per week and £6-10 a week that is saved on their behalf. Savings belong to the individual and they take them when they leave. Companions have holiday allowance of £200 per year (levels vary between Communities). Additional funds/costs are provided to support training such as driving licences and other activities which develop individuals.

10. *Worth Capture*: When, what and how does the organisation raise money and what are the financing options? What forms of non-financial value does the organisation create and how does it capture evidence of that impact?

All Emmaus Communities seek to be self-funded by selling furniture, clothing and electrical goods that are donated. With the aim to be financially self-sufficient, EMMAUS seeks to develop the same ethos in Companions.

EMMAUS takes housing benefit which makes a contribution towards their costs. According to Just Economics (2012) they received just over £2.7million in housing benefit per annum nationally. In Bristol this amounts to ~£100k per annum of income, with other income from retail (£200k) and fund raising (£100k).

EMMAUS Bristol Monthly Information Reports are used to capture some of the value and worth details and they maintain a database of where individuals have moved on to after leaving EMMAUS.

According to the Just Economics 2012 report social benefit created nationally by Emmaus nationally is £45.5 million for a non-trading investment of just over £4 million. Estimated savings by Just Economics 2012 for Department of Health are £1,478,506 for NHS and emergency services. And local government savings of £2,447,612 on hostel accommodation, drug and alcohol services and landfill; the work helping people into work and out of prison saved the Ministry of Justice £778,435. This is a ratio of £11 for every £1 invested, or an average of just over £2 million per Community.

The Just Economics 2012 report states that “only six per cent of Companions move into paid employment upon leaving. Although full-time work may not be a realistic option for some Companions, many we spoke to were very keen”.

Additional references for EMMAUS

- <http://www.emmaus.org.uk/impact>
- [http://www.emmaus.org.uk/assets/0000/2285/Making_an_Impact - full report.pdf](http://www.emmaus.org.uk/assets/0000/2285/Making_an_Impact_-_full_report.pdf), report conducted by JustEconomics - <http://www.justeconomics.co.uk/>
- <http://www.statista.com/statistics/381373/london-homelessness-rough-sleepers-by-gender/>

Timpson's

When we began this work Timpson's was one of the first companies to be brought to our attention. Timpson's is a well-known chain of UK high street cobblers that also provides a number of other services including dry cleaning, photo processing, key cutting etc. Timpson is a family owned business that has 1,625 stores and 110 'snappy snaps' photo processing franchises. Established in 1865 it is run by John Timpson as Chairman and James Timpson as Chief Executive. 10% of Timpson staff are recruited directly from prison and James Timpson has chaired the Employers Forum for Reducing Reoffending, an employers group who offer opportunities to those with a criminal conviction. We were fortunate to meet with James Timpson and others from his staff who have supported this research. The business model information is formed from interview and secondary data.

1. *Value proposition:* Which issue or challenge does your organisation solve for the customer and what products and services are used to achieve that?

The Timpson Foundation value proposition is the provision of employment and training opportunities to ex-offenders and marginalised individuals. The foundation runs a number of different activities. The foundation provides support to adoptive parents, particularly through supporting the charity “after adoption”. There is a Chef’s Academy

The value proposition for the Timpson Academy is “Creating Jobs for people leaving prison”.

The organisation recruits people only on face value, not on their past. In particular they look for qualities which will be valuable in customer engagement such as the ability to chat and engage with others. The organisation currently has 14 individuals who have had life sentences working for the. Their licence conditions are strict and have been found to be the best behaved colleagues; lots of employers won’t take them and Timpson’s gives them an opportunity.

They do have some exceptions. The first group of exceptions are those who have a history of violence. They do not currently take those who are convicted of sexual offences or arsonists. Prolific offenders are recruited with great caution and they seek to exclude those who they believe have ‘chosen a route’ and that they cannot help.

Their target group are those who have made poor choices, but are good people who they try and work with. They don’t have time or resource to cope with people for complex issues – but they have had success with some who have been otherwise seen as beyond redemption. In interview a colleague who had a heavy drug habit was mentioned. Timpson’s Foundation was told that ‘he would not change’. Whilst the individual didn’t have the confidence to work in a customer facing role, they found him a role in a warehouse and report that he’s often won the ‘colleague of the month’ and he is now off drugs.

They acknowledge that sexual offenders represent a broad swathe of offensives from serious predators to voyeurism. They are looking at the less serious offenses to see if they could be considered but acknowledge that great care is required, particularly as their operations include photography. With regards to arson this is also a broad category and includes individuals caught setting fire to bin, but this group represent an insurance risk so public liability insurance will not cover them.

2. *Key activities:* What are your key activities? E.g. production, problem solving, maintenance, therapy, skills development.

Skills based service employer and skills include shoe repairs, watch repairs, mobile phone repairs, key cutting, Max Speilman photo processing and photo gifts, Tescophoto.com all mobile locksmith, pub and restaurant operations and corporate event management.

All their training is done by Timpson staff, or staff trained by Timpson, and this is all managed in-house. This is done as Timpson are protective of their culture. The practical skills taught around shoes, jewellery, dry cleaning etc. are detailed in training manuals, which are picture based so that they can train those with learning difficulties and dyslexic. All exams are practical to maintain their

inclusivity. Foundation colleagues may spend 6 months in an academy then 16 weeks in a store during day release.

As well as having all the trainers as 'home grown' a number of the directors started in a branch, sweeping the floor, including the head of recruitment. 10% of the 4500 people employed are Timpson foundation colleagues. Of those ex-offenders make up the majority (80%) whilst the remainder are a mix of long term unemployed, disabled and ex-military.

Another key activity is welfare. Upon release offenders are currently given £47 at the point of discharge from prison and a Timpson representative may sometimes attend and if necessary give them a lift from gate. The first few days from release are vital to ensure the individuals welfare and where no other support is available Director James Timpson has authorised spending for future colleagues on things they need, deposits for housing for flats, furniture, train fares. They don't house people but can assist in ensuring that the individual has their basic needs met, which is stated as central to ensure the individual doesn't re-offend. This is managed by one person, the National Recruitment Manager for the Timpson Group Darren Burns working with area development managers who contact him when colleagues are to leave such that he can pass information to the area teams.

3. *Key resources:* What are your key resources? E.g. what are your physical assets such as buildings and machinery, intellectual property such as brands, patents and copyright, human resources, particularly skilled workers and financial resources such as grants or endowment?

Timpson is a cobbler, key cutter, engraver and watch repairer, with a range of additional service offers including dry cleaning and photographic products under the Max Spielman and TescoPhoto brands. Currently they have ~1450 branches in the UK with 200 new branches planned.

Timpson Academies are in-prison training academies, where Timpson installs fully fitted shops in prisons so that offenders can train in 'real' shops. These are located at New Hall [female prison in Wakefield where they operate Max Spielmann training; 15 people at any one time], HMP Forest Bank located in Salford [20 prisoners – specialist patching and stitching zips for motorcycle boots etc.], a new Max Spielmann academy in HMP Downview and a commercial unit outside the grounds of HMP Blantyre House in Goudhurst. This latter facility takes offenders from HMP Ford, HMP Blantyre, HMP East Sutton Park and HMP Standford Hill. This is the first academy to be built outside of prison grounds and offers a range of training (the only one that can do key cutting as its outside) as well as a dry cleaning academy. There have been difficulties as facilities that were established within two prisons were later closed. The facilities are dependent on the individual prison team as HMP is not a homogenous structure. If individual prison leaders change and new appointees do not believe in the Timpson approach the academies can fail, and closures are expensive as the academies cost many £1000s to set up.

The ex-offenders Timpson employ as colleagues are key resources. In addition to the Foundation colleagues employed by Timpson 150 people are employed who are on temporary licences, to help integrate them into society and give them experience. Usually the new employees at Timpson are pre-skilled as they have been through the academies, but some aren't. They do take people on and give them a 16 week paid work trial a branch to test their aptitude.

The approach is beneficial for business reasons as training is expensive but because of the respect and opportunity Timpson affords their colleagues this is rewarded with a staff retention rate of 80.4%.

The Timpson Foundation also has 12 academy chefs recruited each year. Colleagues are not just ex-offenders but also ex-military, long term unemployed, homeless or any marginalised group. They are trained to a high level and now some work at the most prestigious restaurants, working with leading chefs including Marco Pierre White, Marcus Wareing, and Jamie Oliver.

4. *Customer segments:* Who uses the organisations product or service? Does it focus on a mass market or particular groups? What defines the groups? Do you serve a single customer group with the same need or do customers have different needs such as a newspaper having readers and advertisers?

Timpson Foundation recruits via Government recruitment routes, job centres, prisons, and direct referrals from the police. There are approximately 10m people with a criminal record in UK. Whilst perhaps 2/3 of these people would be inappropriate for Timpson's that still leaves many thousands who they may employ.

The Academy staff are mainly from Timpson. In the past they have found it a mistake to allow prison staff to become trainers directly as they have a different cultural mind-set. Timpson are selective of which prison officer members of staff can become trainers all have to undertake a minimum of 6 weeks of in branch training. It is necessary to closely monitor academy staff to ensure the culture is that of a Timpson branch and the officer staff ratio can never exceed 50%. Once an academy is in place with some prison staff Timpson place one of their 'superstar' trainers in the facility for 6 months to impart their culture. Timpson claim that anyone can train and learn the skills, but 'we need to train for personalities'.

The majority of academies are not live environments so the work done is practice pieces. However some 'real work' may be done as customers are sometimes inmates or prison staff. The facility in Goudhurst is the exception as this is outside of prison grounds and public customers can go in.

5. *Customers/stakeholders use of value proposition in their context:* What are the different contexts/circumstances in which the customer uses the organisations offering? How does different context or circumstances affect the offering? Do key resources change with context? Given different contexts, how does the value of the proposition change from the customer's perspective?

The three key stakeholders are Timpson, HMP Prisons and the ex-offenders.

Timpson's value proposition is reactive to offender's context. They visit colleagues in prison. They don't just meet them at the gate, but engage with them prior to release, give them a uniform, either Timpson or Max Spielman, and make sure that they have somewhere to live upon release. They recognise that there is no point in giving someone employment if they don't have the stability of somewhere to live as things can go wrong very quickly. They give new colleagues a travel pass and introduce them to the district manager and direct line manager.

Timpson does not seek external or government funding. At one point they were awarded £1.2m from skills funding agency but that grant has expired. Timpson recognised that funding brings pressures, such as taking on more people than they were happy too. They didn't claim the entire award and they won't seek such funding again.

Timpson recognise that their approach is not the most cost effective way of recruiting. The majority of their staff are recruited from government job centres and they train in the shop. Training in HMP's carries a high overhead with addition of prison wages. However, they undertake this both for the philanthropy/corporate social responsibility and business benefits as they get skilled colleagues who are loyal to the firm.

6. *Channels, value chain and linkages:* How is the product or service distributed/delivered to the customer? How do you engage with customers and other stakeholders? Is the business categorised as integrated (very self-contained), hierarchical (part of a supply chain) or networked (part of a web of other services)? If stakeholders are involved in the operation of the business, where in the operation structure are they?

Timpson Foundation is a very integrated organisation, keeping as much of the funding and operational decisions internal to their organisation. There is no direct separation between the Foundation and Timpson's retail operations as both are part of the family owned and run business and therefore the normal separations required of publically traded companies is necessary.

HMP are a key stakeholder but this is not a coherent, homogeneous organisation. Each prison is different and each has its own way of doing things. As such both UK private prisons and HMPs do things differently. Timpson manages the relationship themselves.

Ex-offenders are also key stakeholders as both beneficiaries of the service and ultimately, some will end up running the business and foundation themselves. HMP, police and associated organisations refer people to Timpson, and again, Timpson is integrated and manages the relationships internally.

This internal control allows the organisation to maintain the ethos and culture and remain independent to pursue the goals described in the value proposition.

7. *Customer Relationships and Sensing:* Are users paying directly for your organisations product or service? If not who is paying and what is their motivation and benefit? E.g. a newspapers are supported by Adverts more than readers purchase price and they want to sell their products, drug rehabilitation is often paid for by local authorities for social benefit

HMP pay the wages of their own staff and Timpson pay for theirs. With regards to the academy facility the prison pays for the utilities, and they make no charge for rent of space. However, there is a considerable investment as Timpson install and equip the academies at their expense which includes graphics, carpets, merchandisers, frames, mugs canvases, even a till with fake money. The trainees work from 9am to 5pm, Monday to Friday and are paid a prison wage. Timpson also pay the trainee offenders prison wages and ensure that within the prison the academy is the best paying job; sweeping the floor would pay £7pw whilst training in the Timpson academy would pay £25 - £30 pw.

8. *Key stakeholders and partners: What is (is there) a network of suppliers and partners that make/help the organisation function? What is the nature of the relationship with these suppliers/partners? Do they have a claim on the business?*

Of the key stakeholders, ex-offenders and prisons, none has a claim on the business. Timpson's have no shareholders and so funding decisions come from the owner and CEO James Timpson. His belief in the benefit of the Foundation has meant he has spent £1000s to £1m on the work they do. Whilst only working with a small percentage of offenders conservative estimates placed upon the benefit would calculate the foundation has saved £10ms to tax payers.

9. *Cost Structure: What are the main costs of operating the business? What are the fixed costs that the firm is exposed to regardless of operations? What are the variable costs which are proportionate to activity? How do you minimise costs and are there any economies of scale (volume lowers costs) or scope exist (breadth of offer lowers cost)?*

The creation of an academy within a prison site involves a number of fixed costs; start up and installation, maintenance and provision of materials for the colleagues to work on. In addition there are variable costs, including staff wages, prisoner wages and costs for administration. There are very limited opportunities to benefit from economies of scale for the academies, but they do benefit from the buying power of the Timpson retail outlets.

Timpson have provision to meet some exceptional costs. For example, if an area manager calls and has identified a potential colleague but Timpson don't have a current retail job opening for them it is possible to charge the cost of that persons wages directly to the foundation for up to 16 weeks. It has been found that the area managers usually identify good individuals and therefore Timpson believe this commitment is important.

10. *Worth Capture: When, what and how does the organisation raise money and what are the financing options? What forms of non-financial value does the organisation create and how does it capture evidence of that impact?*

Timpson's business has annual revenues of approximately £150m and profits of ~£20m. Their operations are integral to the ex-offenders work and so it is not possible to separate out their contributions in any sensible way. Timpson Foundation does not work to any particular statistics or KPIs. They know that their retention rate for ex-offender colleagues is 80-85% which is significantly better than most ex-offender organisations. In addition to the work being "the right thing to do", the key external worth is that this is good for society. They believe that they can reduce rates of re-offending by 50%. 12months prison time expenses (police, court, sentencing, prison etc.) costs £250K.

The worth capture for Timpson's is that it's good for business. Timpson Foundation understands that the people they give opportunities to are grateful. The work is given to those who have good personalities and so they are productive loyal to the firm who gave them a chance when others would not. The ex-offenders employed have a tendency to be highly productive. They have found that lots of professional people fall foul of the law and they benefit from recruiting some great people who would otherwise not get another chance. As stated in interview "*Criminals often have excellent sales skills and are good with money!*". It was further stated that people who are taken on

and who have criminal records steal less from Timpson's than people taken on from a job centre or who come recommended. Ex-offenders are said to be "Grateful for opportunity so they don't bite the hand that feeds them". Some use the Timpson's opportunity as a stepping stone and this is accepted as part of the benefit the Foundation is able to bring, and they are happy to give individuals the references they need to gain other employment.

Timpson is a family business and the values of the Timpson foundation are born out of the lives of the owners. John Timpson, the previous MD adopted over 90 children and his son and now CEO James used to come home and find his life and home was shared with the adopted children. He was exposed to a breadth of children from different, deprived backgrounds, which meant he understood them as people first.

Additional sources for Timpsons:

- Interview with Darren Burns, September 23rd 2015
- https://www.youtube.com/watch?v=DURkXqFF_48
- <https://www.gov.uk/government/news/blantyre-house-prison-gets-new-timpson-academy>
- http://www.edp24.co.uk/news/politics/goudhurst_timpson_academy_for_prisoners_opened_by_kenneth_clarke_1_1365995
- <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/162/162we18.htm>

Greggs

Greggs is a well-known high-street bakery, well known as a provider of lunches to workers and for its sandwiches and sausage rolls. During the work the company was also raised in conversations as an organisation that provided opportunity to ex-offenders. Their offer was focussed on helping ensure those released from prison could immediately get work, which would provide them a degree of security and help in their rehabilitation. Greggs did not treat ex-offenders as a 'special case' within their business rather they included the costs and provision as part of their normal operations. They did make arrangements to suit the group's particular needs, providing training on a day release basis whilst offenders were still in prison and then a job on release, whilst being flexible to the needs of their new employees to attend probation checks etc. As a Public Limited Company with turnover in 2015 of £836m Greggs Plc is a significant national retailer. It was of interest to this study to capture detail of the opportunity they presented and how they operated their business model.

1. *Value proposition:* Which issue or challenge does your organisation solve for the customer and what products and services are used to achieve that?

Greggs runs a programme to engage ex-offenders, train them and offer them employment on release within their chain of retail shops. The programme includes training courses on day release in Greggs that prepare ex-offenders for employment. Greggs offer placement opportunities in its stores and where possible offers jobs to ex-offenders upon release^{1,2}. Greggs ex-offenders programme reached over 240 individuals in 2014 (a significant year-on-year increase) through the

¹ <https://www.i-l-m.com/Insight/Edge/2013/April/employing-ex-offenders>

² <http://www.hrmmagazine.co.uk/article-details/rising-to-the-occasion-how-greggs-manages-change>

delivery of training sessions³. 45 participants went on to carry out work experience placements with Greggs and 23 secured paid employment.

Greggs is a food on the go business, with approximately 19,500 employees, 1700 shops supported by nine regional bakeries, two distribution centres and two centres of excellence to develop products. Ian Gregg started Greggs and had a strong social conscience, believing that business should support the community where it is based, for example each region has a charity committee and money raised is invested locally. The CEO Ken McMeikan visited a women's prison as part of a Business in the Community programme⁴ it was this experience which inspired him to engage with ex-offenders. Greggs runs an employability programme called Fresh Start, which provided 376 opportunities in 2014 for people from marginalised groups. Fresh Start is incorporated in the 5 year "Greggs in the Community" plan which includes Greggs being a leader in promoting employability.

2. *Key activities:* What are your key activities? E.g. production, problem solving, maintenance, therapy, skills development.

The training provides ex-offenders with all the skills in the retailing space.

Prison officers help identify suitable people and Greggs holds an assessment day in the prison in the same way they might undertake an assessment day in a city or region. Assessment events are used to reduce the number of applicants from ~20 to 2 or 3.

Those individuals are then given experience working on day release at a Greggs store for 4 hours a day. Skills include basic required food hygiene and retailing.

If these few days experience proceed well a job offer is made upon release. As Greggs is such a large organisation with national reach the programme is able to make offers to people who live in many areas across the country.

The individuals then undertake the normal 13 week training programme run by Greggs undertaken by all staff.

3. *Key resources:* What are your key resources? E.g. what are your physical assets such as buildings and machinery, intellectual property such as brands, patents and copyright, human resources, particularly skilled workers and financial resources such as grants or endowment?

The ex-offender programme is not part of a separate organisation and it is not funded separately, but rather as part of the normal recruitment cycle. Ex-offenders go through the same training as anyone else.

There is a central manager who has the role of managing the programme nationally for Greggs. She is the central resource funded by the overall business. Otherwise area managers and individual shops resources are used and the recruitment is part of the manager's day-job. In that way it could be considered as a hidden cost, but only in so far as are other recruitment activities as these aren't broken out.

³ <http://corporate.greggs.co.uk/social-responsibility/making-a-difference-to-our-communities/our-work-inclusion-programmes>

⁴ <http://www.bitc.org.uk/about-us>

4. *Customer segments:* Who uses the organisations product or service? Does it focus on a mass market or particular groups? What defines the groups? Do you serve a single customer group with the same need or do customers have different needs such as a newspaper having readers and advertisers?

The programme works with ex-offenders, both male and female. There are some categories that are not allowed to be part of the programme such as violent or sex offenders. The restrictions are sensible and appropriate for the business to ensure safety.

Greggs benefits directly from the work in terms of employees. Other firms and society also benefit from the work

5. *Customers/stakeholders use of value proposition in their context:* What are the different contexts/circumstances in which the customer uses the organisations offering? How does different context or circumstances affect the offering? Do key resources change with context? Given different contexts, how does the value of the proposition change from the customer's perspective?

Greggs has a 30-40% per annum staff turnover. This is high, but retail in general has a high rate of staff turnover. As such the offer enables managers to recruit new motivated employees who may not otherwise be given an opportunity. Each September the business loses a number of young people as they head off to university. It is not necessarily the most attractive job for people to take so recruitment is a constant challenge and the scheme benefits the firm significantly.

6. *Channels, value chain and linkages:* How is the product or service distributed/delivered to the customer? How do you engage with customers and other stakeholders? Is the business categorised as integrated (very self-contained), hierarchical (part of a supply chain) or networked (part of a web of other services)? If stakeholders are involved in the operation of the business, where in the operation structure are they?

Whilst Greggs has its own legally separate Foundation, it is Greggs and not the foundation that engages ex-offenders. Greggs is split into four regions and the regional management team (around 4 people) manages the programme and feed data on the programme back to the central manager.

Whilst the work is centrally run and coordinated by Greggs, they are part of the UK 'Ready to Work' programme, co-ordinated by the Prince of Wales Responsible Business Network named "Business in the Community"⁵.

7. *Customer Relationships and Sensing:* Are users paying directly for your organisations product or service? If not who is paying and what is their motivation and benefit? E.g. a newspapers are supported by Adverts more than readers purchase price and they want to sell their products, drug rehabilitation is often paid for by local authorities for social benefit

The costs are all met by Greggs as the recruitment benefits them directly and also meets part of the firm's ethos of giving back to the community.

⁵ <http://www.bitc.org.uk/about-us>

8. *Key stakeholders and partners: What is (is there) a network of suppliers and partners that make/help the organisation function? What is the nature of the relationship with these suppliers/partners? Do they have a claim on the business?*

Greggs is a vertically integrated company and therefore there are limited external stakeholders or partners other than the prison, offender and firm. The shops that are chosen to offer places to ex-offenders are selected carefully. Managers ensure that the shops are performing well, have good management in place and are able to provide a suitable environment to support the new recruits. Shops that are in difficulties would not normally be selected for this programme. Gregg's shops typically only have 4 employees so the environment is important as it is an intense retail space to work. As Greggs is an intensive workforce based business with only 4 people on average working in a shop, and food prepared each day, any absence impacts upon the profit. Greggs requires people who are motivated to come in every day and work hard to deliver the product and service quality required.

Developed in conjunction with prisons and probation trusts, Greggs had strong working relationships with 26 prisons and nine probation trusts, though many of these contacts were lost due to a reform of the probation service into the Community Rehabilitation Company structures. During the reform process many of the members of the probation service in business engagement roles left. Most often ex-offender referrals are now from work providers or charities.

9. *Cost Structure: What are the main costs of operating the business? What are the fixed costs that the firm is exposed to regardless of operations? What are the variable costs which are proportionate to activity? How do you minimise costs and are there any economies of scale (volume lowers costs) or scope exist (breadth of offer lowers cost)?*

The central resource manager is funded centrally. The training, uniforms etc. are funded by regional uniform and training budgets and other costs are all funded by the individual shops.

The ex-offender programme is seen as a benefit in recruitment and so it is not seen as an additional cost and so it is not costed separately.

10. *Worth Capture: When, what and how does the organisation raise money and what are the financing options? What forms of non-financial value does the organisation create and how does it capture evidence of that impact?*

Greggs annual revenue in 2015 was £836m with profit of £73m, up 25% on the previous year. However, Greggs do not keep specific finances on their ex-offender programme. Also there are no ex-offender specific statistics with regards retention on the programme, however Greggs retention for anyone employed on the scheme in 2015 was 75%. The lack of specific data on ex-offenders is due to the programme being seen as the right thing to do, and it benefits the firm. There was no reason to separate out a particular group of employees. The programme is at the heart of the core values of the corporation which grew up from the way the company was built.

Greggs believe they have a duty to make a difference to local communities by providing those at a disadvantage with opportunities to move their life on and they have recruited some very committed, loyal individuals. Greggs have also seen increased motivation and engagement of those employees who get involved in their programme.

Additional sources for Greggs:

- Interview Greggs management, 11th December 2015
- <https://corporate.greggs.co.uk/>
- <https://corporate.greggs.co.uk/results-centre>

Network Rail Training Programme

Network Rail was brought up by a number of different individuals during the research process as an organisation that was supportive of ex-offenders. In South Wales, Network Rail has a major office and staff there had engaged in supporting ex-offenders through their HR department providing CV and interview skills training. Further, they had developed training facilities inside Cardiff prison which included sections of track and equipment such that offenders could gain experience before they were released. The rail training had received funding from the Welsh Assembly. The organisation was interesting as it is a UK public sector body organisation that owns and operates British railway infrastructure. The organisation is classified as an arm's-length central government body. It has commercial and operational freedom from Government, though its targets are set by the government. The information for the business model was collected from interviews, a site visit and from secondary data.

1. *Value proposition:* Which issue or challenge does your organisation solve for the customer and what products and services are used to achieve that?

Network Rail recognised the issue is persistent reoffending, so the challenge is breaking that cycle of persistent reoffending or attempting to break that cycle of persistent reoffending. By equipping people with both technical and lifestyle skills so that when they actually are released from prison they are more equipped to deal with some of the challenges that life will throw at them, and ultimately break the cycle of reoffending.

Network Rail is the owner and infrastructure manager of most of the rail network in England, Scotland and Wales. Network Rail is a state owned 'not for dividend' company with no shareholders which reinvests its income in the railways, it has approximately 34,000 employees. Network rail has been classified as a public sector body, and its customers consist of private train companies and freight services (Network Rail, 2016). In 2013/ 14 (need to confirm), Network Rail developed a programme with funding from the Welsh Assembly to help train inmates at Cardiff Prison.

They have developed two core offers; rail equipment training and life skills for employability.

2. *Key activities:* What are your key activities? E.g. production, problem solving, maintenance, therapy, skills development.

Network Rail provides two levels of activities within the prison. First, the rail track course which provides inmates with a Personal Track Safety qualification and it also equips them with life skills. Second, the HR team provide more general support which includes CV and interview skills.

Cardiff Prison has a purpose built authenticated track piece within the prison, and a purpose built facility for changing to come out of a classroom environment to the track side, this has been equipped with all the safety equipment. The prison identifies suitable candidates for the course. The candidates receive screening and continual monitoring throughout the completion of the course.

The course lasts approximately 1 year, from September to September. The course is conducted by an internal Network rail trainer, participants learn about the Network Rail behaviours, and also about Network Rail as a culture alongside the taught technical based skills.

3. *Key resources*: What are your key resources? E.g. what are your physical assets such as buildings and machinery, intellectual property such as brands, patents and copyright, human resources, particularly skilled workers and financial resources such as grants or endowment?

The programme is not part of a separate organisation, the track and safety equipment has been provided by Network Rail. The training instructor post is supported with funding through the Welsh Assembly. However, members of the Network Rail HR department provide CV, interview and life skills sessions which is not subsidised through external funds.

4. *Customer segments*: Who uses the organisations product or service? Does it focus on a mass market or particular groups? What defines the groups? Do you serve a single customer group with the same need or do customers have different needs such as a newspaper having readers and advertisers?

The programme works with inmates based at Cardiff Prison. Potential candidates for the programme undergo an internal checking process (conducted by the Prison) checking the suitability of the candidate for the training post. The candidates also receive continual checking (the same as normal rail employees) which includes on the spot checks for drug and alcohol to ensure no-one is working under the influence.

Network rail does not directly benefit from this work as they do not directly employ the train track workers. However Network rails contractors do benefit from the scheme, therefore the wider network benefits.

5. *Customers/stakeholders use of value proposition in their context*: What are the different contexts/circumstances in which the customer uses the organisations offering? How does different context or circumstances affect the offering? Do key resources change with context? Given different contexts, how does the value of the proposition change from the customer's perspective?

There is a current skill shortage of Train track workers within the UK. Although Network rail does not directly benefit through this scheme, they see the benefits through their contractors who employ the track workers. To date the Cardiff Prison Network Rail scheme has had over 70 participants. Recent figures indicated approximately 65% of those that undertook the course gained gainful employment within the rail industry on release.

6. *Channels, value chain and linkages*: How is the product or service distributed/delivered to the customer? How do you engage with customers and other stakeholders? Is the business categorised as integrated (very self-contained), hierarchical (part of a supply chain) or networked (part of a web of other services)? If stakeholders are involved in the operation of the business, where in the operation structure are they?

The work is centrally run and coordinated by Network Rail Head Quarters in Cardiff, with input from the Head of Human Resources and also Ian Harris an IME (Mechanical Engineer) of Network Rail. The

Governor of Cardiff prison was a key individual, providing significant support during the development of the training programme.

7. *Customer Relationships and Sensing:* Are users paying directly for your organisations product or service? If not who is paying and what is their motivation and benefit? E.g. a newspapers are supported by Adverts more than readers purchase price and they want to sell their products, drug rehabilitation is often paid for by local authorities for social benefit

The cost of the internal trainer for the prison is met through funds from the Welsh Assembly, all other components of the course/ work is met by Network Rail and benefits the wider rail system and community.

8. *Key stakeholders and partners:* What is (is there) a network of suppliers and partners that make/help the organisation function? What is the nature of the relationship with these suppliers/partners? Do they have a claim on the business?

Network Rail is a state owned 'not for dividend' company with no shareholders which reinvests its income in the railways, it has been classified as a public sector body, and its customers consist of private train companies and freight services. Network rail indirectly benefits from the prison project through their contractor base, as there is a skill shortage of safety rail workers.

9. *Cost Structure:* What are the main costs of operating the business? What are the fixed costs that the firm is exposed to regardless of operations? What are the variable costs which are proportionate to activity? How do you minimise costs and are there any economies of scale (volume lowers costs) or scope exist (breadth of offer lowers cost)?

The cost of the internal trainer for the prison is met through funds from the Welsh Assembly as the programme aims to help the community through lowering reoffending. The life skills / CV training, equipment, uniforms and track are all funded by Network Rail.

10. *Worth Capture:* When, what and how does the organisation raise money and what are the financing options? What forms of non-financial value does the organisation create and how does it capture evidence of that impact?

Network rail has three central funding sources: grants from Department for Transport and Transport Scotland; charges for track access from operators using the rail network; income from commercial property. Their 2015 revenue was £6,087m and profit £506m.

With regards to the ex-offender support, the Welsh Assembly Government funds the courses that allow for the supply of trainers to go in to the prison and deliver the training. To date the Cardiff Prison Network Rail scheme has had over 70 participants. Recent figures indicated approximately 65% of those that undertook the course gained gainful employment within the rail industry on release. Network rail has not attached any KPIs with this project, and relies on communication from the course participants and the instructor post release to keep in touch, qualitatively with the former course participants. The CV and skills training is provided by the HR staff at Network Rail and are not subject to the vagaries of grant funding.

Additional sources for Network Rail:

- Interview and visit to Network Rail Cardiff, 3rd March 2016
- <https://www.networkrail.co.uk/>

Discussion

The preliminary analysis identified data of significant social exclusion for ex-offenders which suggests a failing system. The 2013 “Transforming Rehabilitation – A Strategy for Reform” bill presented to parliament by the Lord Chancellor and Secretary of State for Justice transfers probation services into private hands with the aim of providing more scope for innovation. This project has examined the skills and capabilities of ex-offenders and a number of innovative organisations that have created offerings to support them. This project is particularly interested in the salutogenic model of the relationship between humans and coping to examine how ex-offenders may achieve better outcomes through use of their own resource. The research presented extends beyond the government’s stated goals and identifies a number of organisations that utilise the skills and assets of ex-offenders. The first organisation in the USA, Delancey Street Foundation, provides an example of a self-funding holistic rehabilitation offering operated primarily by and for ex-offenders.

The work undertaken included interviews with ex-offenders and leaders of organisations that support them. Interviews with ex-offenders were undertaken to understand skills, capabilities and assets as well as barriers and challenges that they face. Case studies were then undertaken with private organisations that work in partnership with ex-offenders to develop and support them, using their resources as an active part of rehabilitation. The organisations were selected as they were recognised by both interviewees and popular media as leading examples of practice in the area of ex-offender support. Interviews were undertaken with the leaders of these organisations and this primary data was coupled with secondary data to identify the business models employed by these organisations. The business models highlight leading practice and indicate potential areas or approaches that may help others develop innovative service offers for ex-offenders.

The initial interview work found that the ex-offenders found the transition from prison to civilian life difficult and they would benefit from greater support both before and after release from prison. Recurrent themes in the interviews centred on the need for better access to education and training whilst still in prison. Prisons are under resourced and guidance and planning based upon the skills, hopes and desires of the individual was not apparent. Training needs to be formally recognised through the provision and perhaps electronic management of certificates of attendance at training, awards and other forms of portable evidence that the offender can use upon release.

Basic needs such as accommodation are not well met which a serious concern as this can rapidly lead to individuals re-offending. There is a system issue as a lack investment in provision of accommodation therefore creates much greater potential cost through re-trial and incarceration of the individual.

Employment is linked to accommodation as without one it was said to be difficult to get the other. Even when they have a place to stay, gaining employment and keeping it is a challenge. Probation often requires regular meetings so the individual has to take time off work to attend.

To gain employment ex-offenders have to demonstrate they have the required skills, yet they may struggle to do this as certification or evidence of skills gained whilst in prison was frequently missing.

There appears to be an issue with the issue and retention of certifications and awards for their educational and training undertaken.

Ex-offenders lacked self-confidence and this manifested in a reluctance to apply for jobs. Interviewees revealed they lacked self-worth and self-belief which would hinder them in putting themselves forward for positions.

Identitylessness renders people vulnerable to legal, political, social and economic exclusion as well as to physical, economic and sexual exploitation. Social invisibility is a significant problem for governments, NGOs and other institutions and provision of a legal identity is recognized as a priority in social justice, gender equality, inclusion, and for economic development (Dahan, 2015). Despite the need for courts to firmly establish the identity of an individual and link them to a crime before incarceration, being in prison for extended periods erodes the identity of the individual. Ex-offenders may lack credit history, utility bills or passports which are usually required for access to social and economic activity. This may exclude the individual from simple activity such as joining a gym.

Detailed descriptions of different businesses that support ex-offenders have been undertaken. A business model framework that captures 10 different aspects of a business was employed (Bradley and Parry, 2016).

The organisations studied have diverse structures: Network Rail is a state owned business; Greggs is a public limited company; Timpson is a private family owned business; EMMAUS is grouping that links together communes where each is an independent charity, governed by a local board of trustees; and Delancey Street Foundation is a tax-exempt non-profit organization.

Each organisation has a different offer. Network Rails work with ex-offenders is based around training and creating opportunities for individuals to work for its partner companies within the rail industry. Network Rail provides both specific rail skills and CV/interview skills so that the people they train are more likely to gain employment. Network Rail and Timpson have both invested in training facilities within prisons so that offenders can be given training before release. Timpson, like Greggs the Baker, offer training in their stores during periods of day release and then seek to offer offenders employment immediately upon release. All interviewees noted the importance of immediate employment at release to ensure the individual has meaning and activities when they are in the community.

A diversity of funding model exists. Network Rail rail-safety training activities are primarily supported by grants from government, in their case the Welsh Assembly. However, the CV and personal training was undertaken by HR professionals from the organisation and was unpaid. Timpson and Greggs fund the activity as part of core business, and did not see it as 'different' or charity, but rather as both a sound economic and moral action to take. EMMAUS operates a number of small retail businesses to fund its work, as well as drawing upon housing benefit from government to fund accommodation. Delancey Street is also funded by the businesses it creates and operates. Two points were noted by the researchers: none of the organisations relied upon charitable giving as a main component of income; none of the organisations wanted to be reliant upon government funding as this was viewed as bureaucratic, unreliable and usually tried to divert activity away from the core goal of support for the individual. Perhaps this was best summed up by Dr Silbert "*Government money changes its mind all the time*". All the organisations had built or could draw

upon significant financial backing, either from parent organisations for Timpson, Network Rail and Greggs, where each has large revenues from other activities, or through holding buildings as assets in addition to their business revenues, as was the case for EMMAUS and Delancey Street Foundation.

Detail of funding and financial operations was difficult due to the nature of the organisations studied. It is envisaged that a Delancey Street operation in the UK would likely be created as a charity. In other work undertaken by the research team (Green et al., 2016) analysis was undertaken of financial for the period 2010 to 2015 for 40 charities, half of which had ceased operation by the beginning of 2015. The analysis (figure 1) showed that grant income as a share of total income is very high in failed charities and remained below 20% of total income for charities that survived. Activity costs cover over 100% of staff income in successful charities but frequently were below staff

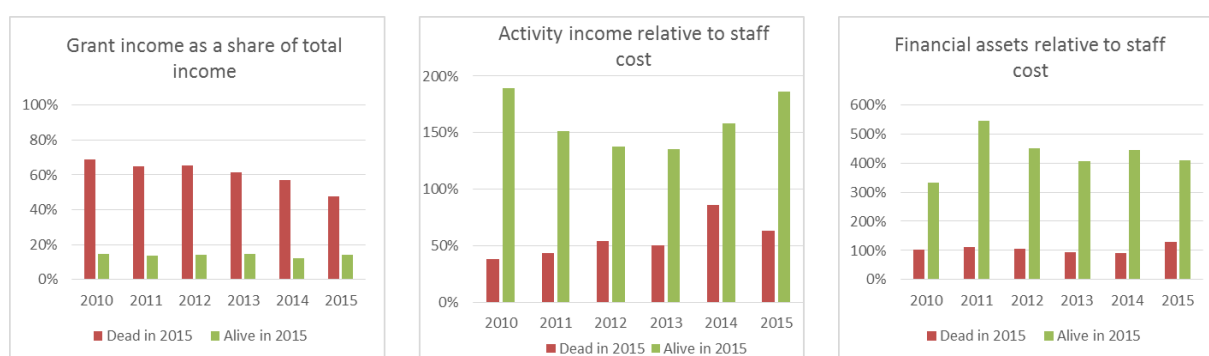


Figure 1. Analysis of financial accounts of successful and failed charities (Green et al., 2016)

costs in those that failed. Further, successful charities have sufficient assets to cover basic staff costs for four years or more. All of the organisations examined in this work met the criteria for success detailed in this analysis. Timpson, Greggs and Network Rail were all able to fall back upon the larger parent firms. Delancey Street and Emmaus both had revenue generating activities, but significantly both organisations owned their properties which were sizable assets that could be used to raise capital in a time of crisis.

None of the case study organisations collected significant metrics on their performance with regards their support of ex-offenders. Whilst each organisation did have some indicators, in discussion the concept of measurement was largely resisted as this would create false targets or misdirect behaviour away from achieving the best outcomes for the individuals they work with. It would appear that establishing a culture where ‘best outcome of the client’ is the goal negates the need for measurement or establishing KPIs that could become a distraction from meeting the diversity of requirements individual ex-offenders bring. This resistance to metrics also relates back to the resistance to accept government funding as the two were seen as linked and disruptive of culture.

A common thread amongst all the organisations was the identification of a passionate individual. During each interview one or sometimes two individuals were named who had initiated the activity. These individuals were driven by a passion to support the ex-offender community in achieving all that they could themselves, and had worked initially against the prevailing opinion, to develop and grow a culture that welcomed ex-offenders. In all the organisations interviewed a salutogenic approach was apparent in the culture of respect, support and valuing ex-offenders contribution.

Summary and Conclusion

It would appear that to create an organisation in the UK similar to Delancey Street, that takes the salutogenic approach, developing the individual, their skills and their wellbeing, to support ex-offenders requires a great deal of persistence and determination from an individual or group. Money is no guarantee of success and government funding appear to create difficulties in terms of both sustainability and autonomy. Slow growth, developing skills of a team coupled with a culture to success and development of independent income would appear to be the common theme in the route to success.

We recognise that the Delancey Street model is both successful and sustained in the US and we see no reason to believe a similar approach couldn't succeed in the UK. However, establishing and building such an operation is a long and difficult process that would require the energy or energies of passionate individuals with the strength of vision to see it develop over a number of years. Analysis shows that it would be less likely to achieve success if it was created and sustained using government grants as this would be contrary to creating and supporting the self-sufficient philosophy of Delancey Street and the experience of other organisations which have been successful. Further, grant based funding would likely lead to measurement or management that would likely run contrary to the specific development path of the organisation.

Whilst this report provides a starting point for development of organisations, a number of opportunities for future work have been identified. *Identity* - A study on the challenge of identity from an individual and institution requirements perspective would be valuable. Such work should define a process to enable offenders or marginalised individuals to build sufficient identity artefacts to enable them to access social and economic activity. *Achievement Records* - Prisons should develop a simple digital system that holds copies of awards, certification or attendance on courses for offenders such that they can access them later. A cloud based repository could be built that is accessible via an identifier such that ex-offenders who may have chaotic periods can always access their documents. *Charity Finances* - A more extensive study of the finances of successful and failed charitable organisations would enhance the validity of the analysis presented. This should be both qualitative to understand the nature of the organisation, and quantitative to capture revenue streams that make organisations sustainable. *Leadership* – We found that the organisations and projects we engaged with were driven by passionate individuals. Deeper study into the character of the individuals who have driven the development of these organisations would be beneficial. What are the drivers, strengths and weaknesses of these individuals and how can others be encouraged to emulate them?

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