

GREYSTON BAKERY: COMBATting POVERTY BY MAKING A PROFIT

Mike Brady entered the doors of the Greyston factory, the rich smell of chocolate filling the air around him. Sunlight poured in through the building, designed by the world-renown architect Maya Lin. Brady has only recently become CEO of Greyston, New York's first Benefit Corporation. His dilemma is how to promote growth to support the company's social and environmental mission. This case study examines how CEO Mike Brady is addressing strategic priorities such as promoting growth, enhancing supply chain sustainability, paying a living wage, and working with other businesses to achieve Greyston's founding mission. Greyston's history provides a lens to examine how a value chain can create social value. How does a values-based company influence its suppliers, customers, and even competitors to become values-led companies?

Introduction

"We don't hire people to bake brownies; we bake brownies to hire people."

– Greyston's *Benefit Corporation Report* (2013)

On this Monday morning, Mike Brady entered the doors of the Greyston factory, the rich smell of chocolate filling the air around him. Sunlight poured in through the building, designed by the world-renowned architect Maya Lin. Mike has only recently become CEO of Greyston, New York's first Benefit Corporation. His dilemma is how to promote expansion and growth to support the company's social and environmental mission.

Bernie Glassman, the founder of Greyston and a Buddhist leader, had stepped down as CEO in early 2000. One of the core concepts Bernie infused in the company was the concept of PathMaking. Inherent in this concept is that all people are on a path, moving forward with their lives. Greyston was founded with an open hiring policy, anyone would be hired no matter what

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their background. Recent immigrants, the disabled, people fighting addiction, or those who had been incarcerated, all were welcome to put their name on a list and would be called to start work when a position became available. Greyston trains people to work hard, makes them “employable” and then facilitates their advancement to other companies.

Mike’s arrival signaled a new era for Greyston (see Appendix 1: Greyston Timeline for a timeline of the business). He had worked at Price Waterhouse Coopers after graduating from Wharton. From day one at Greyston, Mike was keenly aware of the importance of maintaining a profitable business to support its founding mission. He inherited an organization rich in history and purpose, but the factory was not reaching its full capacity.

The new CEO also faced a number of questions critical to the success of the company. Should their product line be diversified in order to tap new market opportunities such as gluten-free and healthier products?¹ Further, running the business in ways consistent with the company’s founding values created unique challenges for Greyston. Sourcing responsibly was one such challenge. As a B Corp, Greyston is required to engage with its suppliers with a view to making the supply chain more sustainable. Were the flour, cocoa, sugar, butter, and eggs used to make Greyston’s signature brownies ethically sourced? Did Greyston know how fairly suppliers treated their workers? Was there a way to seek out suppliers who were also B Corps, such as King Arthur Flour? What were the costs associated with sustainable sourcing? How would Greyston prepare for disruptions in production if suppliers did not conform with ethical practices? Would Greyston incur additional costs to train suppliers on good social and environmental practices?

Other business challenges directly impacted Greyston’s ability to carry out their mission. For example, how best to continue the commitment to PathMaking while addressing the company’s debt overhang? Greyston had also pledged to make progress towards paying its employees a living wage. For decades, Greyston workers have been unionized through the Local Bakers 53, which is part of the Bakers, Confectionery, Tobacco and Grain Millers International Union. Could Greyston afford to pay a living wage? Could the company become a strong advocate for paying a living wage in the community?

Greyston’s product line was also at issue. Should Greyston stay true to its core business, brownies, or branch out? The equipment at the Bakery was designed to make brownies, and creating other products such as granola bars would require new machinery.

Finally, there was the question of how to tell the Greyston story. Despite publicity on 60 Minutes,² there was little awareness about the company outside of Yonkers and the corporate social responsibility (CSR) community. Although data tracking on the success of Greyston’s social programs (such as child care) would be useful, they had only limited information on the social metrics of the business. Understanding the impact of high-quality child care and its long-term effects on later educational success is a marketing issue as well as a question of the company’s social impact.

¹ Dr. Alessio Fasano of the University of Maryland estimates that 18 million Americans are sensitive to gluten. The market for gluten-free products continues to grow and is estimated at \$6.3 billion, with 33 percent growth between 2009 and 2011. For more on this topic, see O’Brien, Keith, “Should We All Go Gluten-Free?” *New York Times*, November 25, 2011.

² <http://www.cbsnews.com/stories/2004/01/09/60minutes/main592382.shtml>

The face of Greyston was changing as well. In the first few decades of the company's history the employees were mainly male and African-American. As the population of Yonkers grew more Hispanic, this was reflected in a workforce that was increasingly Hispanic and also more female. What changes might be necessary to accommodate these shifting demographics?

Background

When Greyston was established in 1982 its goal was to end poverty in Southwest Yonkers. Now, some 30 years later, poverty still exists in the community but what Greyston has done is nothing short of revolutionary – it has addressed the root causes of poverty and provided its employees with pathways to a different future.

Employing the Chronically Unemployed

Greyston employs many people who have never worked before, including people who have been incarcerated or those leaving drug rehabilitation programs. Greyston keeps a list of individuals looking for a job and when an opening becomes available, the company hires people without a thorough review of their record. By law Greyston is required to check if the candidates are US citizens, but otherwise no background checks are made. Greyston managers teach apprentices how to work – with an emphasis on punctuality and the need to respect authority. Approximately 60 percent of the apprentices do not remain at Greyston, but those who do stay go on to earn highly-prized jobs with benefits, a rarity in Southwest Yonkers.

The company is committed to PathMaking, creating opportunities for its employees to find other opportunities once they learn how to hold a job. Each employee at Greyston makes a life plan. The company provides assistance in helping employees achieve their plans, whether it involves working towards a GED diploma or getting health care. Greyston is a stepping stone and employees are encouraged to go on to higher-paying jobs, such as repairing air-conditioning units. Rodney, an employee who began at Greyston, now runs the production line for a Dunkin' Donuts.

Delaney Philogene is another good example of PathMaking at Greyston. After fleeing her native Haiti she lived on her own from the age of fourteen. She left school after becoming pregnant. She went to Greyston each day to see if there was an opening. After starting on the assembly line, she secured a full-time position in accounting at Greyston. She has since moved into an accounting position at another company and is raising her two children.

The Greyston Mandala

Greyston's founder, Bernie Glassman, was a former NASA aerospace engineer who became a Buddhist monk and infused the company with a Buddhist perspective. To Bernie, everything is highly interconnected, and this understanding of connection is central to the company's success and to its strategy. Bernie began by establishing a deep knowledge of the community he was trying to serve. He and other members of the original Greyston team volunteered at a local soup kitchen, becoming familiar with the world of the homeless. By volunteering, Bernie made an important discovery: many of the homeless people in Yonkers were single parents. Without access to child care these homeless parents could not find work and were unable to break out of a

life of poverty. Without access to work they could not attain housing. It was a vicious cycle that lasted for generations, and the challenges surrounding this cycle often lead to drug addiction, which also required access to help. Bernie understood that it would be difficult to foster job creation without addressing the broader lack of quality child care, housing, and training. Those suffering from HIV/AIDS were in need of additional services. The inter-relatedness of these problems led Bernie to develop the Greyston Mandala, a network of services provided by the Greyston Foundation to holistically and systematically address poverty in the community.

Bernie also created the Greyston Family Inn, which gave residents of the community access to permanent housing for the first time. The Inn relied on assistance from wealthy patrons in Westchester County until Greyston received a grant from the NY State Housing Assistance Program to buy and refurbish a deserted building a few blocks from the Bakery. Typically, an outside contractor would have been hired for construction, but with so many unemployed people willing to work Bernie hired locals to refurbish the complex. By being involved in the construction of the edifice, local people took pride in their work and were given valuable job training skills.

Connecting with Ben & Jerry's

In the first few years of its existence, the bakery grew steadily making hand-made cakes for restaurants in New York City. One of the defining moments was founder Bernie Glassman's introduction to Ben Cohen of Ben & Jerry's at a conference convened by Social Venture Network. The ice cream maker decided to purchase brownies from Greyston to make ice cream sandwiches. The contract from Ben & Jerry's allowed Greyston to grow and to support its investment in housing and social infrastructure. It was one thing to hire people, but another to be able to offer steady employment and opportunities for advancement over time. Historically, Greyston has sought out business partners with which it shares values. This alignment of values is a hallmark of Greyston and serves to inform its supply chain work going forward.

When Ben Cohen received the first shipment of brownies from Greyston, the brownies had all stuck together into giant 50 pound rocks.³ The ice cream company tried to create ice-cream sandwiches and ended up with tiny brownie pieces. What could be done with tiny brownie pieces? From this fiasco, came a new flavor: Chocolate Fudge Brownie, with pieces of Greyston brownies. Chocolate Fudge Brownie is now a best-selling flavor.

The partnership with Ben & Jerry's allowed Greyston to transition from a small local business to a supplier for a well-known company. As a result, Greyston matured into a more structured company. The transition required Greyston to purchase machinery and to seek funding to finance this growth.

Ben & Jerry's is a values-led business, taking a stand on a wide range of issues from supporting dairy farmers to promoting fair trade, climate justice, and peace-building. Ben & Jerry's long-term partnership with Greyston has thrived, in part, because both companies are values-led companies. Having a primary customer also poses both advantages and challenges. How might Greyston develop other partnerships like the successful one forged with Ben & Jerry's?

³ Lecture by Ariel Hauptman, Business Development Manager at Greyston Bakery, on "Social Enterprise and Benefit Corporations." Simmons School of Management (Boston, MA), April 4th, 2013.

Benefit Corporation and B Corporation

On February 12, 2012, Greyston registered as New York State's first Benefit Corporation. A Benefit Corporation is a new type of business structure, a legal entity that is required by law to generate social value. Benefit Corporations have a fiduciary duty to address non-financial interests such as the needs of employees, the community, and the environment. CEO Mike Brady also saw an advantage in being the first Benefit Corporation in the state of New York. It positioned Greyston to be a leader and work with prestigious organizations, including the Clinton Global Initiative and the American Sustainable Business Council.

In addition to being a Benefit Corporation, Greyston Bakery is also certified as a B Corporation, or B Corp. To become certified as a B Corp, companies need to meet social and environmental standards, and commit to accountability and transparency. As of late 2013, there are 865 B Corps in existence in 29 countries and in 60 sectors.⁴ B Corps are certified by B Lab, a non-profit organization, working to build a community of certified B Corps and also to promote legislation allowing B Corps to come into existence in locales where such legislation does not exist. B Lab has been a key part of Greyston's process of becoming a B Corp. An audit from B Lab provides a tangible tool for Greyston, and the company has completed three such audits. Ariel Hauptman, Greyston's Business Development Manager, confesses that the first two audits were hard, reflecting that it was tough to get everyone at Greyston on board: "We did not anticipate how much work was involved." However, she continued, leadership "knew we had to become a B Corp and to hold ourselves accountable."⁵

The company set a wide range of environmental targets as part of the process of becoming a B Corp. Greyston initiated a recycling program, made changes in lighting to increase efficiency, and installed solar panels. While they had set targets in the past, working with B Lab helped Greyston think about sustainable manufacturing and share best practices with co-manufacturers.

Greyston chose to become a B Corp for a variety of reasons. Becoming a B Corp provided Greyston with additional mechanisms for accountability and transparency. In addition, becoming a B Corp gave Greyston recognition for the work they had done for decades, using business to address social and environmental concerns. According to Ariel Hauptman, B Corp status has increased Greyston's visibility, generating more requests from companies to work with Greyston.⁶ In this way, Greyston is able to help shape policy going forward and practice thought leadership.

⁴ <http://www.bcorporation.net/>

⁵ Lecture by Ariel Hauptman, Business Development Manager at Greyston Bakery, on "Social Enterprise and Benefit Corporations." Simmons School of Management (Boston, MA), April 4th, 2013.

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Balancing Issues as a Benefit Corporation

*“A strategy is a coordinated and integrated set of five choices: a winning aspiration, where to play, how to win, core capabilities, and management systems.”*⁷

As Greyston’s Business Development Manager, Ariel Hauptman created a Benefit Corporation Committee to drive Greyston’s efforts to implement its social and environmental agenda. Ariel brought together logistics, accounting, sanitation and other key parts of the company to create the Committee.

“Benefit Corporations are not a trend, but it is one of the directions in which business is moving,” says Ariel Hauptman.⁸ Greyston’s Benefit Corporation Committee decided to address some of the challenges facing the company by considering how Greyston’s strategy might inform their priorities. Greyston’s Strategic Plan⁹ includes the following components:

Execution: Increase quality and improve efficiency:

- Improve throughput with more advanced equipment;
- Reduce waste with larger deposit, better cooling and better cutting;
- Build upon our best-in-class supervisor and apprentice training;
- Achieve SQF (Safe Quality Food Institute) certification.

Pipeline: Develop a pipeline of other potential “major” partners.

Value-led Businesses: Limit work with businesses not aligned with the Greyston mission.

They also aim to build the Greyston brand based on the attributes of social enterprise leadership, local business, and premium quality. As an example, in order to promote social enterprise leadership, Greyston will do the following:

- I. Define and document the *Greyston Way*¹⁰
- II. Measure value
 - a. Measure, improve, innovate, and measure again
- III. Communicate, educate and collaborate
 - a. Lead the Benefit Corporation movement
 - b. Participate in Unilever’s Sustainable Living Plan Programs

⁷ Lafley, A. G. and Roger Martin, *Playing to Win: How Strategy Really Works*, Harvard Business Review Press, 2013.

⁸ Lecture by Ariel Hauptman, Business Development Manager at Greyston Bakery, on “Social Enterprise and Benefit Corporations.” Simmons School of Management (Boston, MA), April 4th, 2013.

⁹ Internal company document, shared with the author by Mike Brady, CEO of Greyston.

¹⁰ The target is for the company’s approach to business, known as the Greyston Way, to become a model for the creation of a social enterprise.

As Greyston moves forward, the key challenges facing Mike Brady are daunting. The issues he needs to balance include:

- How to become more profitable;
- How to ensure suppliers are ethical and socially responsible;
- How to move towards paying a living wage;
- How to address the changing demographics of the workforce;
- How to capture data on the social impact of the company;
- How to use social media to promote the company and its social objectives.

The Greyston Value Chain

Greyston is part of a value chain that includes its suppliers and its main customer, Unilever, and their subsidiary Ben & Jerry's. (Unilever acquired Ben and Jerry's in 2000, at which time Ben and Jerry's became a wholly owned subsidiary with its own board of directors.) Over the course of many years, Greyston, Ben & Jerry's and Unilever have developed "layers of alignment"¹¹ with a shared commitment to social and environmental goals.

Ariel Hauptman is responsible for the ongoing relationship with Unilever and Ben & Jerry's. According to Ariel, "at first Greyston did not hear much from Unilever's US office, located right nearby in Englewood Cliffs, NJ. Our direct relationship had been with Ben & Jerry's. It has taken time to build a relationship with Unilever – and now the companies have a strong working relationship. It is convenient for Greyston that Unilever's VP for Sustainability is located in Englewood Cliffs."¹²

Unilever is unique in that it has created a ten-year Sustainable Living Plan.¹³ Mike Brady, Greyston's CEO, calls the plan a "bold and global initiative."¹⁴ According to Brady, Unilever's CEO Paul Polman sees sustainability as a mechanism to differentiate the company.¹⁵ Unilever's plan provides a useful framework for Greyston, including the following goals around "enhancing livelihood" and "reducing environmental impact."

Enhancing Livelihood

This area focuses on sustainable sourcing and improving the lives of farmers and distributors in Unilever's supply network. Between 2010 and 2011, sustainably-sourced raw materials increased from 14 to 24 percent and the company has the goal of engaging with 500,000 small-scale farmers and 75,000 small-scale distributors by 2020. Ultimately, Unilever plans to sustainably source all of the company's raw agricultural materials.

¹¹ Term introduced by Miguel Padro, The Aspen Institute, in discussion with the author, April 2, 2013.

¹² Lecture by Ariel Hauptman, Business Development Manager at Greyston Bakery, on "Social Enterprise and Benefit Corporations." Simmons School of Management (Boston, MA), April 4th, 2013.

¹³ http://www.unilever.com/images/UnileverSustainableLivingPlan_tcm13-284876.pdf

¹⁴ Interview with Mike Brady, CEO of Greyston, September 9, 2013, by the author.

¹⁵ *Ibid.*

Reducing Environmental Impact

Unilever is also focused on the reduction of greenhouse gases, improvements in water quality and efficiency, and a lower waste footprint. Although to date Unilever's environmental impact has largely remained stable, their programming goals are for the most part on target. They plan to halve the environmental footprint of their products.

In Greyston's 2012 Annual Report, specific mention is made of Unilever's Sustainable Living Plan and Ben & Jerry's linked prosperity vision as two key influencers in the company's vision for creating social value. Unilever has the goal of sourcing only fair trade ingredients in Ben & Jerry's ice cream by 2013. In 2005, the ice cream manufacturer became the first of its kind to use fair trade-certified ingredients.

Becoming a Values-led Supplier

Greyston spends millions of dollars each year sourcing raw materials such as flour, sugar, eggs, butter, and cocoa.¹⁶ The company has 20 key suppliers, each providing over \$10,000 per year in product. Sourcing for these products has recently been brought under Unilever contract. By sourcing with Unilever, Greyston has increased its leverage and the coherence of the process.

One challenge for Greyston's B Corporation Committee was to design and institute a supplier code of conduct. At first, Greyston CFO Jennifer Solomon expressed concern that suppliers would sever their ties with Greyston rather than commit to a code of conduct. In 2013, Ariel designed a Questionnaire for Suppliers to gain a better understanding of what suppliers were doing around social and environmental issues. What were the areas in which suppliers needed to improve? How could Greyston work with these suppliers to drive better social and environmental performance? The process of developing a code of conduct required Greyston to assess what key values the company embraces. For example, Greyston is committed to supporting women-owned businesses, as well as organic and fair trade. In Spring 2013, Greyston engaged a group of MBA students at the Simmons School of Management to help develop the Supplier Code of Conduct.¹⁷

Partnerships for Growth

Greyston has grown over the past years and the rate of growth has also increased. In the past few years, revenues have grown as follows:

Table 1: Greyston Revenues

2008	\$7,022,631		2011	\$8,435,004
2009	\$7,104,411		2012	\$10,116,556
2010	\$7,857,671			

Source: Correspondence between Ariel Hauptman and the author, June 10, 2013.

Greyston has excess capacity. Mike Brady and the Greyston team need to find another set of partners to ensure that the Bakery is running at full capacity. Volume ensures that Greyston can keep hiring workers and to provide consistent employment for its workers over time. The

¹⁶ Lecture by Ariel Hauptman, Business Development Manager at Greyston Bakery, on "Social Enterprise and Benefit Corporations." Simmons School of Management (Boston, MA), April 4th, 2013.

¹⁷ This is an ongoing process. As of publication, the Code is still being finalized.

company can accommodate several production lines but it needs to ensure that it provides its workers with consistency. Growth – within the parameters of Greyston’s mission and values – is a key priority.

Toward these ends, Greyston has partnered with Whole Foods to create the Whole Planet Brownie. The companies have partnered to combat poverty by selling brownies. Greyston Bakery provides brownies to Whole Foods stores in over ten states, including New York, Connecticut, and New Jersey. The sale of brownies and blondies helps to fund entrepreneurial endeavors of people who are seeking to lift themselves out of poverty. Two percent of these sales go to the Whole Planet Foundation.

The Whole Planet Foundation supports entrepreneurs in the communities from which it sources products. The initiative operates in over 50 countries, and eighty-nine percent of the entrepreneurs it serves are women.¹⁸ For example, Whole Foods sources cashews from Kerala in India. The result is that it helps alleviate poverty in the Kerala community. By partnering with the local Microcredit Institute of Grameen, the Whole Planet Foundation is able to fund women like Nagamma, who has now received two loans from the Foundation.¹⁹ The first loan of \$100 helped her to build a tea shop. The second loan of \$160 helped her start raising goats and chickens.

In the few months after its start the partnership between Greyston and the Whole Planet Foundation had generated \$6,500 for micro loans, and \$4,500 in just over a month as additional funds. As a result, the partnership has been able to supply a loan every three days to entrepreneurs in developing countries.²⁰ The initiative is scheduled to grow to include Whole Foods Markets in California, Florida, and the Midwest. In 2012, the Whole Planet Brownie Project raised \$121,154 and projections for 2013 are \$355,000.²¹

Living Wage

Employees at Greyston work 12 hour shifts, from 7:00 a.m. to 7:00 p.m., often working in 90°F temperatures, in conditions typical of large production facilities. When they graduate from their apprenticeship employees make \$10.50 per hour, plus health benefits, life insurance, disability, and an annual share of the Bakery’s revenue. Apprentices are also eligible for a bonus of \$600 and other incentives.

Paying a living wage in the New York City metropolitan area is not easy, as the cost of living is very high. Greyston is committed to making progress towards paying a living wage and to working to promote the issue of living wage with other businesses. Ariel Hauptman recognizes that paying a living wage is a “creative challenge.”

Greyston’s Guiding Principles (see Appendix 2) state:

The bakery will empower its employees by compensating them fairly for their efforts and move towards a living wage. The bakery will pay employees fair wages for their skills. While for some employees this salary may not currently constitute a “living wage,” the

¹⁸ <http://www.wholeplanetfoundation.org/>

¹⁹ <http://www.wholeplanetfoundation.org/partners/microentrepreneurs/>

²⁰ “[Greyston Bakery: Baked with a Fresh Start](#),” Whole Foods Blog, May 26, 2010.

²¹ Correspondence between Ariel Hauptman and the author, June 10, 2013.

bakery is committed to working with these individuals to improve their skill set and value. To this end, the bakery will provide training opportunities so that employees may increase their earning power. In addition, the bakery will promote from within thereby providing opportunities for higher earnings. The bakery will also encourage and support employees who seek outside vocational training, academic advancement, and professional non-bakery-related enrichment. Finally, the bakery will also support employees who seek greater self-sufficiency through employment elsewhere.

Calculating a living wage (see Appendix 3: Fair Wage Chart) is a challenge for many reasons. One of the challenges is that such calculations depend upon family size. A living wage calculator for Yonkers suggests that Greyston’s hourly wage rate of \$10.50 per hour is not a living wage for one adult (see Table 2). On the other hand, Greyston’s wage rate is higher than the local average of \$9.61 for food preparation and serving.²² It is also highly unusual for frontline workers in the food sector to receive benefits such as low-cost housing, child care, and health care, as Greyston offers its full-time employees.

Table 2: Living Wage Calculator, Yonkers, NY

Hourly Wages	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Living Wage	\$13.05	\$26.64	\$34.25	\$44.01	\$19.03	\$22.89	\$24.26	\$28.22
Poverty Wage	\$5.21	\$7.00	\$8.80	\$10.60	\$7.00	\$8.80	\$10.60	\$12.40
Minimum Wage	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25

Source: MIT, “Poverty in America: Living Wage Calculator,” data for Yonkers, NY, <http://livingwage.mit.edu/places/3611984000>.

Telling the Greyston Story

How does a brownie tell its story? Through outlets such as Instagram, Twitter, Facebook, and Pinterest, among other methods. With people obsessed with food on social media, there are many opportunities to engage consumers and other companies. Greyston, like Ben and Jerry’s, has been very creative in using social media to communicate with stakeholders.²³ Greyston is working to promote other companies and products with whom its values are aligned, such as Ben & Jerry’s and Toyota’s Prius.

What’s Next at Greyston?

Greyston’s founder Bernie Glassman has been clear about the role he would like the company to play: “we want other people to copy us and replicate our models.”²⁴ Current CEO Mike Brady is also passionate about “Social Enterprise Leadership,” a term he uses to describe

²² <http://metrojustice.org/2012/08/building-the-movement-labor-in-the-northeast-food-system/>

²³ Greyston is active on [Facebook](#), [Twitter](#) and [LinkedIn](#).

²⁴ Bernie Glassman and Rick Fields, *Instructions to the Cook: A Zen Master’s Lessons in Living a Life That Matters*. Bell Tower, NY, 1996, p. 127.

Greyston's efforts to promote the wider growth of social enterprise. Mike and Business Development Manager Ariel Hauptman devote a portion of their time to working with other companies, both large and small, and sharing what Greyston has learned. One way in which Greyston can partner with companies is to bring executives from other organizations to Greyston to work in the community gardens and bake brownies, giving them a flavor for the many ways in which the Greyston adds value.

Greyston has set the following long-term goals:²⁵

- Ten percent of Greyston employees “moving on” from the Bakery to higher-wage positions, thereby creating openings for new apprentices;
- Greyston Baked Goods growing at 200% annually from online sales and corporate gifts, generating increasing interest in “community-based” social enterprises; and
- Multiple studies taking place in Southwest Yonkers as it becomes globally known as the best location for assessing social enterprise impact on a community.

What path should Mike and the rest of Greyston's leadership take as they contemplate the future? In the words of Ariel Hauptman: “What can Greyston teach American Express?”²⁶

²⁵ Email correspondence between Mike Brady and the author, September 26th, 2013.

²⁶ Lecture by Ariel Hauptman, Business Development Manager at Greyston Bakery, on “Social Enterprise and Benefit Corporations.” Simmons School of Management (Boston, MA), April 4th, 2013.

Questions for Discussion

1. What are Greyston's strengths and are they being used to full advantage? What are the company's weaknesses and how can leadership compensate for them?
2. Which issues should Mike Brady target? Why? How do these issues reinforce or contradict each other?
3. What tools does Mike Brady have to help prioritize the challenges facing Greyston?
4. How might Mike Brady leverage the excellent relationship with Ben & Jerry's and Unilever to address some of these challenges?
5. Who are the stakeholders of the company? How might they be part of the process of addressing and balancing priorities?
6. What risks does Greyston face? Discuss the opportunities contained in those risks.
7. What incentives can be offered to suppliers to adopt better social and environmental policies?
8. If suppliers are unwilling to make social improvements, should Greyston replace them with more socially responsible companies? If yes, should Greyston insist that suppliers be social enterprises or registered Benefit Corporations?
9. Using the language of *Playing to Win*, what is Greyston's winning aspiration? What kinds of internal capacities do they need to "win"?
10. Greyston is considering expansion to Israel to help support the Muslim community there. In this way, Greyston wants to translate the Greyston Way for companies operating in other cultural and geographical contexts. In your view, is this a good next step? Why or why not? Where else might the Bakery expand?
11. What are the competitive advantages for Greyston of taking a socially-responsible approach to human resource management?
12. In the long term, how might Greyston gain or lose from their emphasis on living-wage jobs? How could the company help spread their approach more widely?
13. After hearing a talk by Mike Brady you are convinced that elements of the Greyston approach have the potential to help your community. As a budding social entrepreneur what steps would you take to turn these ideas into reality?
14. Adopt the role of a manager tasked with establishing a Corporate Social Responsibility strategy. How could the Greyston approach help make such CSR efforts more effective? Your CEO asks you to make your case; what do you say?
15. Thinking about the challenges facing Greyston, how would you improve their bottom line while retaining a commitment to social impact?

Appendix 1: Greyston Timeline

1982	Greyston bakery is founded in the Bronx by Bernie Glassman
1987	The bakery is relocated to Southwest Yonkers Bernie Glassman meets Ben and Jerry in Colorado
1988	Greyston begins to produce inclusions for Ben & Jerry's
1987–1992	Greyston develops social programs
1992	Greyston Foundation is created
1998	Greyston and Ben & Jerry's celebrate 10 th anniversary, selling over 300,000 pints of ice-cream
2000	Unilever acquires Ben & Jerry's
2004	New bakery is completed and wins award as AIA Top Ten Green Projects
2005	Ben & Jerry's becomes the first ice cream manufacturer to use fair trade-certified ingredients (including its brownie inclusions from Greyston)
2009	Greyston launches a new training program which include both hard and soft skills
2012	Mike Brady becomes CEO Greyston registers as first Benefit Corporation in New York

Appendix 2: The Greyston Bakery's Guiding Principles²⁷

"We don't hire people to bake brownies; we bake brownies to hire people."

Greyston Bakery operates with a triple bottom line. We prioritize both profits and our social contributions. We strive to be a sustainable model for inner-city business development. Our open hiring policy and apprenticeship program provide both jobs and training for individuals who have struggled to find employment in the past. When we generate profits, we use them to fund the community development programs of Greyston Foundation. In order to operate effectively, the bakery's leadership commits itself to the following explicit principles. These principles all flow from Greyston's overall mission.

- The bakery will strive to be a model for inner-city business development committed to Southwest Yonkers. The bakery will remain at the forefront of the field of inner-city business development, continuing its unique success, and actively disseminating information about the model. It will do this in southwest Yonkers, the inner-city community where it was created and has grown, and where there is a high concentration of hard-to-employ individuals. Any expansion elsewhere will only be undertaken if the Yonkers base of operation remains strong.
- The bakery should consistently achieve an operating profit. Achieving operating profit is the best route to long-term survival of the organization, and the best inducement for others to follow the bakery's model. Furthermore, because they are subject to the discipline of market competition, bakery employees, unlike participants in many well-intentioned job-training programs, develop skills that are genuinely valuable.
- The bakery will maintain an open-hiring policy. The bakery will continue its open-hiring policy, and the associated apprenticeship program, in order to provide opportunity to Yonkers' hard-to-employ population. Providing jobs, and training for those jobs, to individuals who would otherwise likely be unemployed is one of the greatest benefits that the bakery provides to the community.
- The bakery will actively integrate itself into the Greyston Mandala. Bakery management will work with the Greyston Foundation to give factory employees opportunities to take advantage of the Pathmaker, childcare, housing, and other services. In addition, the bakery will attempt to provide professional opportunities for individuals who enter Greyston through other parts of the Mandala.
- A central purpose of the Greyston Bakery is to generate profits that can help sustain the work of the Greyston Mandala. The Bakery's net profits will support the various non-profit projects of the Foundation, the bakery's sole shareholder. The amount will be balanced against the need to reinvest in the business to remain competitive and the need to maintain a certain level of available working capital at all times.

²⁷ <http://www.greystonbakery.com/wp-content/uploads/pdf/greyston-bakery-guiding-principles.pdf>

- The bakery will rigorously measure, document, and monitor its progress toward all non-financial goals. The bakery will monitor the success of its open-hiring policy, skill building efforts, employee turnover, and other social goals.
- The bakery will empower its employees by compensating them fairly for their efforts and move towards a living wage. The bakery will pay employees fair wages for their skills. While for some employees this salary may not currently constitute a “living wage,” the bakery is committed to working with these individuals to improve their skill set and value. To this end, the bakery will provide training opportunities so that employees may increase their earning power. In addition, the bakery will promote from within thereby providing opportunities for higher earnings. The bakery will also encourage and support employees who seek outside vocational training, academic advancement, and professional non-bakery-related enrichment.
- Finally, the bakery will also support employees who seek greater self-sufficiency through employment elsewhere.
- The bakery will strive for stable employee turnover rates for post-apprenticeship employees. The bakery will not attempt to achieve artificially high employee turnover in order to free up staff positions for new employees, as maintaining a profit under this constraint is not possible. However, because of the bakery’s open-hiring policy, the turnover rate of the newest employees may exceed the norm.
- The bakery will automate its production whenever such changes are fiscally appropriate. In order to maintain a profit and to assure that bakery employees are developing skills valuable in the modern marketplace, the bakery will automate its production when fiscally appropriate. The bakery management will monitor applicable technological trends in the baking industry in order to inform automation decisions. The bakery will strive to maintain and increase employment levels, despite increased automation, through improved marketing efforts and sales growth.
- The Bakery will support the individual growth of its employees through its PathMaking Program. PathMaking is built on a holistic concept, provides individuals within the Greyston community with a personalized support to a more successful life as defined by the individual. With the support of a counselor and life skills training in areas such as money management, nutrition, and parenting, each person will develop their own Path to self-sufficiency.

Appendix 3: Fair Wage Chart

1. Payment of wages	A wage which is regularly and formally paid in full to the workers.
2. Living wage	A wage that ensures minimum acceptable living standards.
3. Minimum wage	A wage which respects the minimum wage regulations.
4. Prevailing wage	A wage which is comparable to wages in similar enterprises in the same sector.
5. Payment of working hours	A wage that does not generate excessive working hours and properly rewards normal working hours and overtime.
6. Pay systems	<p>A wage that leads to a balanced wage structure/composition between the basic wage and additional bonuses and benefits.</p> <p>A wage that reflects different levels of education, skills and professional experience, as well as rewarding individual and collective performance.</p> <p>A wage that complies with regulations on social insurance payments and paid holidays and is not dominated by disciplinary wage sanctions.</p>
7. Communication and social dialogue	<p>A wage on which workers receive sufficient information in advance (through an individual work contract), in the course of the production process (through regular communication channels) and at the time of the wage payment (with a detailed pay slip).</p> <p>A wage that is negotiated individually (with individual employers) and collectively – notably through collective bargaining – between the employer and the workers' representatives who are freely accepted in the company.</p>
8. Wage discrimination and wage disparity	A system of equal wages for equal work that does not lead to wage discrimination and does not generate unjustified, too high and too rapidly growing wage differentials within the company.
9. Real wages	A wage that progresses at least in proportion to price increases.
10. Wage share	A wage that progresses proportionally along with enterprise sales and profit growth and which does not lead to a fall in the wage share in enterprise performance growth.
11. Wage costs	A wage whose progression does not lead to a dramatic reduction in wage costs within total production costs and as a percentage of employment.
12. Work intensity, technology and up-skilling	A wage that progresses along with changes in intensity at work, technological contents and the evolving skills and tasks of the labour force.

Source: Fair Wage Network, <http://www.fair-wage.com/>

Appendix 4: Greyston Images



Images courtesy of and © Greyston.

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