How did her transformation take place? In the words of the title of a recent movie, “There’s something about Mary,” but Mary would be the first to admit that there’s also something special about Pioneer.

Pioneer Human Services has served over 50,000 customer clients over the last ten years, most of whom are criminal offenders or substance abusers. At any given time, Pioneer is serving 1,750 clients in its counselling, housing, and employment services. Its 1,100 “gung-ho” employees are motivated by offering a “Chance for Change” to their clients.

Pioneer has an annual budget of approximately $55 million. But the size of the organization is not what makes it unique. How it operates is what makes it different. Pioneer’s budget is almost completely based on earned income - no government grants for operations, no dependency on charitable contributions, no special events fund-raising. As such, it is seen as a world class model of social entrepreneurship. Newsweek called it a “community wealth enterprise” and an “inventive hybrid for the 21st century.”

PIONEER’S SERVICES

Since 1962, PHS has helped people living at the margins of society become fully contributing citizens. Today its program services fall in five major areas.

Community Corrections
PHS operates over 200 community correctional beds under contract with the Federal Bureau of Prisons, U.S. Probation and Parole, Washington State Department of Corrections, and Juvenile Rehabilitation Administration. These programs aim to improve the like-
PIONEER'S ENTERPRISES

Unlike most nonprofits, Pioneer operates a number of businesses in which clients are trained and employed. Approximately 75% of its annual revenues are derived from product sales to corporate customers in its six major businesses. Three are well established and three were started in the last year.

Pioneer Industries
Pioneer Industries (perhaps the most established business that PHS operates) includes two manufacturing plants in Seattle. One plant specializes in precision water-jet cutting of cargo liners for the Boeing Company. The other produces sheet metal fabrication and finished products for a variety of commercial customers. Pioneer Industries is one of the few nonprofit organizations to meet the exacting standards of the International Standards Organization and receive ISO-9002 certification. Pioneer earns the business it generates in its manufacturing division and its other enterprises by providing quality products. As a Boeing spokesperson recently explained in *The Seattle Times*, “They have to meet our standards - like any other supplier - for quality, cost and schedule.”

Food Service Operations
PHS operates two major food service businesses. On the retail side, the *Mezza Café* is a restaurant and *Pronto* is a deli, both serving customers in the Starbucks Coffee Company’s corporate headquarters. On wholesale side, Central Food Services prepares and delivers over 500,000 meals annually to hospitals, Head Start programs, Senior Centers, and the like.

Pioneer Construction Services
This enterprise maintains and improves over 750,000 square feet of residential and commercial properties owned by Pioneer. In addition, Pioneer Construction Services competes for third party contracts involving remodeling, siding, and roofing. Like other PHS enterprises, it hires workers from PHS housing and social service programs.

Greater Seattle Printing & Mailing
Pioneer acquired this business early in 1999. It is a full-service printing, direct mailing, web design, and fulfillment business, employing over 40 people and serving over 400 customers. The acquisition of this business was made possible, in part, by a low-interest loan (Program Related Investment) from The Ford Foundation.

Pioneer Distribution Services
Another recent addition to the Pioneer Enterprise Group is Pioneer Distribution Services, which actually brings a new operation to an established business. Food Buying Service has been brokering food services to over 400 food banks in 25 states. To it comes Contract Services, which provides value-added assembly, packag-
ing, labeling, and warehousing services for a variety of customers, including Hasbro and Nintendo. In its first full year of operation, Pioneer Distribution already provides more entry-level positions than any other Pioneer enterprise.

**Pioneer Consulting Services**
This enterprise was created to meet the demand for assistance to assess entrepreneurial capabilities and to measure program outcomes. Clients include nonprofits, foundations, and public agencies.

**FUTURE PROSPECTS**

Launched in December 1999, Pioneer Social Ventures (PSV) is a $4.4 million acquisition fund will enable Pioneer to access equity from private sources supportive of its mission to those at the margins of society. The capital will be used to buy and operate one or two companies in which Pioneer can train and employ additional clients. The investment has been structured to allow Pioneer to acquire the investors’ interest within ten years, leaving Pioneer as PSV’s sole owner. Investors in PSV will have an opportunity to earn up to a 15% financial rate of return on their investment and help a well-regarded, established nonprofit carry out its mission. PSV will calculate a social return on its investment by tracking four key indicators of success in dealing with unemployment, alcoholism, drug addiction, and crime.

**CONCLUSION**

Pioneer’s growth reflects both the application of sound business practices throughout the organization as well as an unswerving commitment to client improvement. Although Pioneer Human Services is completely organized as a nonprofit, it has adopted proven business approaches in its operations. These include the discipline of setting operating margin goals; developing competitive analyses; creating “raving fans” of its external customers; and implementing a comprehensive outcomes measurement system. The latter takes into account both the financial and the programmatic bottom line, for it compares client progress with targeted goals.

For Pioneer, being a “nonprofit” reflects its legal status, not its managerial style. Few nonprofit organizations will approach the entrepreneurial commitment of Pioneer. Still, many are critically interested in becoming more business-like in their operations and expanding revenue-generating enterprises.

Bill Shore, in his recent book, *The Cathedral Within*, which chronicles leaders in the new social enterprise movement, may have said it best: “Pioneer Human Services was not the first example of community-wealth creation in the country. It is just one of the largest, and arguably, most impressive.”

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**LETTERS**

Hi,

Sorry about taking so long to make up my mind about renewing. I’m getting so damn tired of all the verbiage coming from economic development groups about “their potential” and so little hands-on guidance. I am certainly going to drop the local group. It is loaded with well-meaning charities and civil servants. When I asked one of their executive what action they had finalized in the past three years, the answer was “none.” I ask you, what are they but do-gooders who are using the “development” organization to enhance their own employment?

So I’ve decided to go it alone. I am a senior citizen and have little time left to change the Universe. Bought a copy of McLeod’s Mondragon book, and last September told my lawyer to get ready to set up a worker co-op, as soon as this re-manufactured furniture venture is making a profit. 1.5 employees and I take donated beat-up furniture and turn it into something useful. We are holding our first open house Saturday. Located in the basement of a cafe in the center of the hard-luck district, we have 1200 square feet with a 150 square foot showroom on the main floor. I’ve met with a furniture-maker who is considering selling us unassembled furniture to finish and sell. If this happens, the development of our customer base will leapfrog six months ahead. We are working with hand equipment and $5000 from my bank account and receive some government assistance by employing people on income support. They couldn’t find employment elsewhere and are a Godsend.

Enough said. I am not complaining about your publication. It does a great job for the types who won’t get their hands dirty but certainly feel that they can make a difference by lobbying, etc. Myself, I just say “nuts” to trying to effect changes through government. Protest efforts to win government support are useless. I want a process that gives people a chance to put bread on the table and a roof over their heads without having to stand in line for some handout. Sorry for the rant, but want results in the only way I can see it possible.

Ken MacCrimmon

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