



**PROFILE:
JULIUS WALLS, JR.**

Julius Walls, Jr., was born into the inner-city Brooklyn neighborhood of Bedford-Stuyvesant. Educated at Catholic elementary and high schools, he went to a college seminary to pursue the priesthood and later transferred to Baruch College to study business. He worked first as an accountant at a mid-sized CPA firm and at 27 became VP of Operations for a chocolate company. While there he started his own fundraising company selling chocolate bars to schools and later became a marketing consultant for a national fundraising company. His association with Greyston began when he helped bring the bakery's products to the White House, and he joined full-time as a marketing consultant in 1995. He took over as CEO in November 1997 and last year also became VP of Business Enterprises and Jobs for the parent foundation. Walls and his wife Cheryl have two daughters and a son.

WHEN BEN MET BERNIE . . .

Eleven years ago, Ben Cohen and Bernie Glassman went for a walk in the woods . . . and the partnership they created has enabled Greyston Bakery to become a model for inner city business development.

Cohen and his childhood friend Jerry Greenfield started scooping ice cream out of a renovated gas station in Burlington, Vermont, in 1978. Today, Ben & Jerry's is a \$237 million subsidiary of Unilever.

Bernard Tetsugen Glassman abandoned a successful career as an applied mathematician and aerospace engineer in the 1970s to become a Zen Buddhist priest. He started Greyston Bakery in 1982.

The two had never met until they ran into each other at a conference for socially responsible businesses . . . and decided to take a walk. By the time they returned, they had created the framework for a partnership that has endured and matured.

Today Greyston is a \$4.2 million business and a national leader in both the baked ingredient and baked dessert industries, with clients ranging from the White House and Lincoln Center to a roster of upscale restaurants, hotels, cafes, private clubs and others. The company employs 55 people, 50 of them formerly homeless, recovering from substance abuse or returning to the community from prison.

Eighty per cent of the bakery's business comes from its partnership with Ben & Jerry's, which translates into more than 10,000 pounds of brownies and blondies a day, nearly three million pounds a year. The ingredients are used in five Ben & Jerry's products in the U.S. (Chocolate Fudge Brownie Ice Cream, Chocolate Fudge Brownie Frozen Yogurt, Half Baked, Jerry's Jubilee, and Blondies are a Swirls Best Friend Low Fat Frozen Yogurt). In addition, Greyston produces brownies for Ben & Jerry's products in Europe and the Mideast.

ORIGINS

In 1982, Glassman and the members of his Zen Buddhist meditation group, who were living in a beautiful mansion overlooking the Hudson River, borrowed \$300,000 to open a small storefront bakery in Riverdale, a well-to-do neighborhood in the Bronx. The members of the group were interested only in making enough money to support themselves while they carried on their spiritual pursuits. They planned to earn their own daily bread by turning out muffins, scones and cakes for the neighborhood and for upscale restaurants in Manhattan.

Three years later, Glassman and his colleagues decided to marry spirituality with social action by hiring the chronically unemployed and giving them on-the-job training as well as paychecks. They sold the mansion, used the proceeds to buy an abandoned pasta factory in Yonkers and began hiring community residents. Today, Greyston has been transformed into a gourmet wholesale/retail bakery. The muffins and scones are gone, replaced by cakes, tarts & cookies, special orders, national distribution via UPS and a growing reputation. For example, in July 1999, Greyston produced a five-tier cake and ten smaller ones for Lincoln Center that fed more than 8,300 people . . . altogether, the cakes weighed in at 2,385 pounds. Six pastry chefs assembled and decorated the centerpiece cake, which used 225 pounds of butter, 90 dozen eggs and 300 pounds of chocolate, among other ingredients.

Some of the bakery's most gratifying praise has come from *Zagat's* 1999/2000 survey of the New York City marketplace. *Zagat* rated 160 baked goods establishments, and Greyston finished in the top six, tied for second with four others.

As the years went by, Glassman's vision grew. Greyston became one of the first organizations in the country to build permanent housing for homeless families and by the mid-1990s had created the Greyston Foundation, an umbrella organization managing programs that also include childcare services and a variety of residential and outpatient services for people living with HIV/AIDS. The Foundation is headed by President and CEO Charles Lief; it serves more than 900 families per year, has an annual operating budget of \$11 million and generates 74 per cent of its revenue from earned income.

The bakery itself is in the process of building a new, larger facility, "a show space for the city of Yonkers and for Greyston," according to CEO Julius Walls, Jr. "We didn't want to just build a box," he says, "because our mission extends beyond our four walls into the community. So we decided to build a space where we could entertain visits from community groups and schools and could actually be a conference space for the Foundation and others. And we want it to be a place to inspire workers, to make them say 'that's the place I want to work.'"

CORE VALUES

Greyston Bakery today is at a pivotal point in its history, poised to move into the new facility and developing a new strategic plan. As part of that plan, Walls and his colleagues have committed themselves to ten guiding principles. Four of the most prominent are serving as a model for others, consistently achieving an operating profit, maintaining an open hiring policy and continuing to support the parent Foundation.

Serving as a model: The field of inner-city business development is growing

Julius Walls, Jr. talks about . . .

- Partnering with a big corporation
- Marrying spirituality with social action
- What happened to the muffins
- The importance of a consistent operating profit
- Subjecting yourself to the discipline of the market
- The impact of a souring economy
- Why Ben & Jerry's held Greyston's feet to the fire
- His biggest challenge: Convincing employees the business needed to be sustainable
- The importance of an apprenticeship program . . . with strict standards

and receiving increased public and corporate attention. Greyston Bakery intends to stay in Yonkers and remain at the forefront of the movement by measuring and widely disseminating its progress toward non-financial goals such as open hiring, on-the-job training and the progress of individuals after they leave the bakery.

Profitability: The people at Greyston believe that the best inducement for others to follow their model (and the best route to long-term survival) is to consistently achieve an operating profit. Fundamentally, says Walls, “the Greyston model means you come into a community like ours, hire the types of people we’re hiring who were considered unemployable – *and make a profit!*” Subjecting itself to the discipline of market competition, he says, also enables the bakery’s employees to develop skills “that are genuinely valuable, unlike the participants in many well-intentioned job-training programs.”

Greyston itself became profitable for the first time in the late 1990s. In 1998, the bakery had about \$400,000 in debt, had been operating at a deficit since its inception and owned very little equipment. Today, there is no debt and Walls says “we operate as a business. We secure financing to purchase equipment and we look for a return on our investment within a year.”

Open hiring: “The major part of our mission,” says Walls, “is to provide employment opportunities . . . jobs. We hire on a ‘first come, first served’ basis. All you have to do to get started is tell us you want to work . . . but you’ve got to do a *whole* lot of work to *keep* the job. The vast majority of employees come to us with some impediment to getting a job. That’s why they showed up at Greyston in the first place. If they could have gotten a job somewhere else, they would have. So we prepare them to work at Greyston and they can either stay there — and quite a few do, for many years— or move on with our blessing and support.”

Supporting the Greyston Foundation: In addition to compensating the Foundation for the management services it provides the bakery, a portion of the bakery’s net profits is ear-marked to support the various nonprofit projects of the Foundation, which is the bakery’s sole shareholder. The amount is balanced against the need to reinvest in the business to remain competitive and the need to maintain a certain level of available working capital.

ENVIRONMENTAL THREATS

Dangers are hovering over both of the bakery’s businesses.

Baked ingredients: According to Walls, the greatest threat comes from companies “that claim to supply a ‘baked’ product, but actually don’t . . . or that deal with a lower end of the market. Most fudge brownies out there are more fudge than brownie, and they’re not baked, so their price point is much lower than it takes to produce a baked product.” Only a handful of companies produce baked ingredients, which represent 88 per cent of Greyston’s sales, and “if somebody wants a baked brownie,” says Walls, “we are one of the leading sources — we probably bake the largest amount of brownies for ingredients in the country. But other companies do a lot more things than we do, including a lot of finished products,” so even though Greyston is number one nationally in the sale of brownie products, it ranks in the bottom half in total sales.

Baked desserts: “On the baked desserts end,” says Walls, “we’re very subject to the mood of the economy because our cakes are sold to restaurants at the high end whose business also fluctuates with the economy. As the economy goes south, the restaurant business drops in total, but particularly at the high end.” Greyston’s niche is narrow: “We sell primarily to restaurants where the cost of the entrée ranges from about ten dollars to twenty-five dollars,”

he says. “Once you get above that, the restaurants can afford a pastry chef . . . and below that our price point doesn’t work for them.” But even within its niche, competition is stiff, with numerous wholesale bakers competing for the same market. “Here in Manhattan,” says Walls, “we’re in the number one restaurant market in the United States — but because of that it’s also the most competitive place.”

CRITICAL SUCCESS FACTORS

In addition to the importance of the **strategic partnership** with Ben & Jerry’s, Walls has identified seven other factors that have been critical to the success of the bakery.

Expertise in bakery science: It may sound obvious, says Walls, “but it needs to be emphasized. We needed to have an expertise in bakery science. We understood the art, but up until recently we didn’t understand the science, how ingredients react with each other and why. We understood how to make our product every day, yes, but if somebody asked us to deviate from what we were doing it wasn’t as clear how to change and modify.” The need for expertise underscores Greyston’s emphasis on training. “If you’re out there waiting to find Jesus Christ the baker,” laughs Walls, “he’s not out there, but there *are* good-hearted people who can be trained.” Greyston sends its entry-level employees all over the country to attend retail shows and training sessions run by the American Institute of Baking and others.

Genuine ingredients: “Not many people believe in the model of scratch baking and real ingredients,” says Walls, “but we still use butter and heavy cream and all that wonderful stuff.” It’s a distinct competitive advantage for the baked desserts division of Greyston, but Walls admits “we struggle with it from a financial point of view. Frankly, we hope everybody else stops using real ingredients, because then we’ll have the niche to ourselves and it will be large enough for us.” In the baked ingredients business, Greyston’s edge “is our ability to come up with a baked product to meet a customer’s needs and then mass produce it.”

Cultural change: “When we started working with Ben & Jerry’s,” recalls Walls, “they made it very clear that our product had to always be up to snuff or they wouldn’t produce their ice cream with us. They held us accountable as a business and not as their young child. They provided a lot of assistance, but they told us from the beginning that we needed to stand up and be a business, not a sheltered workshop.”

When Walls took over as CEO, he discovered that the biggest obstacle he faced was helping his employees “understand what we needed to do to be a sustainable model. We had to understand that we are a business with a dual bottom line. Most businesses have one bottom line — economic dividends. Greyston also had a single bottom line, but it wasn’t the economic one. There was a mentality on the part of the employees that came here that if you’re really nice we’ll figure something out to keep you and it doesn’t matter if you’re producing or if the business is doing well. But there came a time when the employees and the business needed to understand that that’s not a sustainable model.”

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Once the attitudes began to change, says Walls, “a lot of things fell into place. I don’t want to simplify it too much, but it was simply everybody understanding that going forward we were going to live up to whatever standards we set.” In November 1997, the bakery was producing 4,500 pounds of baked ingredients in a 20-hour day (10 a.m. to 6 a.m.). Within two months the output had increased by a third to 6,000 pounds and today averages about 10,000 pounds, sometimes reaching as much as 11,000 pounds.

“I don’t want to set myself up here,” says Walls, “but I’ve found that one of my gifts is to be able to maintain a balance between social and economic vision – and the way I know that is that I argue with people on each side that we’re not doing enough!”

Apprenticeship program: When a new employee arrives at Greyston, he or she immediately becomes part of an apprenticeship program that lasts from 12 to 16 weeks. “It’s not only about learning how to bake,” says Walls. “Yes, they do that, we teach them how to run the equipment, but a bigger part of our apprenticeship is learning how to be an employee.”

Newcomers are assigned to the crew producing brownies. “They come in at \$5.50 an hour and are evaluated every two weeks in four areas,” says Walls, “attitude, productivity, attendance and punctuality.” In the beginning, “productivity” is more a matter of having the right attitude than levels of production, “because we recognize that when you’re starting out you won’t be able to do as much as everyone else. But everyone has to work *hard*. There’s no excuse for not working hard.”

The new employees have eight two-week periods in which to receive six positive evaluations. Once they graduate they receive a salary of \$7 an hour plus full benefits, including major medical, vacation pay and sick pay.

High standards for employees: “We do *not* do make-work,” says Walls. “We don’t have pseudo-welfare jobs or a sheltered workshop. You *must* perform. We have very strict standards.”

Employees who give a damn: “We don’t hire bakers,” emphasizes Walls. “We train people to become bakers, and we hire people who give a damn. Who care about the end product. If you go to our web site and see the cakes we make – high-end gourmet cakes – I think people would be shocked if they knew who made them. We find that the people we hire are very dedicated because they appreciate the opportunity, and having a dedicated work force is critical to our success as a business.”

Marketing: “A lot of people miss out on this one,” says Walls. “They think, ‘we like to make cakes and we like to train people to make them, so if we start a business we’ll succeed.’ No, it’s not like that. We spend a lot of time looking for new customers and new product lines.”

FINAL WORDS OF ADVICE

“You can’t *make* people change,” says Walls. “You can’t do it for them . . . and I think that was a source of frustration, certainly for myself and certainly for the organization. You know, ‘We’re doing it for you, come on, why aren’t you turning your life around?’ We can only provide the opportunity and the support.”

Walls found it took a terrible toll on him personally. “I started to carry the psychological weight of all my employees,” he remembers. “It started to wear on me and became too much, so as we grew we brought on additional resources throughout the Foundation to provide the types of support services our employees needed.”

Greyston Bakery

TYPE OF BUSINESS:

Baked ingredients and baked desserts

Wholesaler of baked ingredients to the ice cream industry and producer of gourmet cakes sold on-line to individuals and directly to upscale restaurants, cafés and other institutions

Mission: To be a force for personal transformation and community economic renewal (*the goals are to operate a profitable business, to give community residents opportunities for employment and advancement and to support the work of the Greyston Foundation*)

Year founded: 1982 (store-front bakery in the Bronx); 1985 (manufacturing facility in Yonkers)

Structure: A for-profit subsidiary of a nonprofit

Headquarters city: Yonkers (New York city)

Geographic market: National

Sources of working capital:

Line of credit, Greyston Foundation equity, etc.

Time required to recover working capital: Three years

PARENT ORGANIZATION:

Greyston Foundation (*founded 1993*)

Mission: To be a force for personal transformation and community economic renewal

Programs: Housing for the homeless, childcare, employment and job training, and residential and outpatient care for people living with HIV/AIDS.

Annual operating budget: \$11 million

Number of families (unduplicated) served per year: 900

CURRENT FINANCIAL PERFORMANCE

(fiscal year ending December 31, 2000)

Annual sales: \$4.2 million

Net profit: \$ 155,000 (3.7 per cent)

SOCIAL RETURN ON INVESTMENT

(fiscal year ending December 31, 2000)

Number of employees: 55

Number of employees overcoming barriers to employment: 50

Number of employees still living in the local community: 45

Average salary: \$8.50 per hour

SENIOR MANAGEMENT TEAM

President and CEO: Charles Lief

CEO, Greyston Bakery: Julius Walls, Jr.

Director of Operations, Greyston Bakery: Richard Bolmer

Director of Business Development, Greyston Bakery: Daniel Helfman

INITIAL INVESTMENT

Planning time required before operations began:
Three years before moving to Yonkers

Dollars required before operations began:
\$300,000 to purchase the Yonkers facility

Sources of planning dollars:
Sale of personal property by the Founders

Time until the business generated positive cash flow:
Sixteen years

Additional working capital required before generating positive cash flow: \$400,000

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