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Interview by Kari Watson, MBA student

Q: What is Impact Makers?

Impact Makers is a for-profit IT and Management Consulting social enterprise, built on the Newman's Own model of "all profits to charity." I founded it with $50, a laptop, and one client contract — and grew it to $23 million revenue and 140+ employees. The company was donated to two public charities, and to date has given approximately $3 million in cash and pro bono services to local charitable organizations in the healthcare and social services sectors. If the company ever sells, it will create two funds inside of non-profit wrappers that will do impact investing with the principal, and with the earnings will support local nonprofits.

Q: Why did you create Impact Makers? What is your story?

At the beginning of my career, I chose a semi-traditional path. Following my undergraduate education at the University of Virginia in Commerce (business), I worked as a systems consultant at the former Andersen Consulting (which became Accenture) in the USA, Europe and South Africa. I then moved to Israel to be a product manager with a mobile workforce-management-solutions company and later received my MBA from Kellogg School of Management at Northwestern University.

Over the course of my early years in consulting, I heard many of my co-workers talking about how time and money prevented them from doing something more fulfilling. I was puzzled by how much more lucrative consulting was than simple employment. Having lived the hectic consultant lifestyle, I wondered why the fulfilled life of my friends working in nonprofit organizations had to be separated so completely from my own experience. I dreamed about building a different company, a company that would fulfill me professionally and personally; a company that would span beyond just making money.

But it was one thing to have an idea about a socially-oriented business, and an entirely different matter to transition from a consultant to an entrepreneur. But I felt like if I had to leave home and my children to go to work every day, I had to be able to give my family a reason that was more than money.

At the time I was thinking about establishing Impact Makers, there were two types of existing social-enterprise models. The first was a nonprofit "earned income" model such as the YMCA, where a nonprofit organization had a business arm that funded its social purpose. The issue with this model, however, was that most nonprofits lacked the capacity and the experience to run a competitive business venture. The result was often inefficiency in delivering both the for-profit product and the community service.

The second model was a for-profit social venture, such as Ben & Jerry's Homemade, Inc., Starbucks' Ethos Water, and Newman's Own. These for-profit social ventures, however, had a dilemma of ownership. The social mission of the enterprise was not protected for the life of the organization, and could easily be taken away in an acquisition or takeover. Ben & Jerry's, for example, was acquired by the multinational Unilever in April 2000. Although terms of the buyout included keeping the ice-cream makers' social mission in place, Unilever's shareholders eventually sued to reduce the amount of money that Ben & Jerry's gave to social causes. I had yet to find an independent organization operating in the for-profit world with the purpose of maximizing revenue and delivering value to the community by partnering with a charitable nonprofit service-delivery organization.

Neither of the models seemed to fit my initial inspiration or goals. So I decided to create a new form of corporation: a hybrid between nonprofit and for-profit entity that would allow me to resolve two fundamental issues — the lack of time most professionals had to make a substantial difference in their community and the necessity for nonprofits to fundraise.

The social venture I envisioned would:

- Provide professional consulting services at market prices.
- Compete to win business.
- Pay employees market rates.
- Maximize profits.
- Retain a volunteer board of directors.
- Be transparent with all stakeholders and share financials publicly.
- Contribute pro bono consulting, and give all profits to charitable community organizations over the lifetime of the company.
- Provide a minimum pledge to a nonprofit partner — even when not profitable.

The goal was to create a partnership. The consulting professionals would enjoy the added benefit of seeing their work efforts contribute to community improvement alongside the traditional salary. The company's volunteer board of directors would select the charitable partners that all the company's profits would eventually flow to. The board would also decide what percent, if any, profits at the end of each year would be held for growth. The company's charitable partners would receive a revenue stream from Impact Makers, thereby reducing fundraising pressure and freeing up resources to deliver services. In addition, the company would provide pro bono management consulting services to help nonprofit partners improve service efficiency and impact.

So with $50, a laptop, and one client contract, I started a company I didn't own, gave the company away "to the community" from the beginning, and started reporting to a volunteer board of directors that could fire me as CEO if I wasn't maximizing profits for the community. If the corporation sold, the community would have rights to the sales proceeds. And we grew it over 10 years to $23-million revenue and 14+ employees.

Q: Did Impact Makers start as a B Corporation originally? Or did you decide later on they would become one?

Impact Makers was founded in 2006, a year before the launch of the B Corp movement. In the beginning of 2008, I was sitting next to a colleague who was reading a *Fast Company* magazine article about B Corps and who showed it to me. It was the first article ever written about the founders creating B Lab and Certified B corporations.

The connection to Impact Makers was obvious. Both Impact Makers and B Lab were trying to create a new sector of the economy that would harness the benefits of private corporations to build sustainable and tangible benefits to society. It was clear that we had to become a B Corp after I read that article: to connect with like-minded companies and people, and support the social enterprise movement globally. Impact Makers immediately became a part of the new economic sector focused on sustainable social-venture business by becoming a founding B Corp. B Corp certification and related audits were another way to ensure transparency, and the certification itself would be yet another differentiator for the company in the marketplace. In the summer of 2008, Impact Makers went through its first B-Corp certification.

At the same time, I got involved with an extension of the B Corp movement that was lobbying state legislatures to pass laws allowing legally incorporated for-profit entities with missions to pursue social change and earn profits to create benefit for all stakeholders, not just shareholders. The structure was called a benefit corporation. In practice, benefit corporations gave those who served on a board that had a liquidity event, or similar transaction, the right to take into account other factors to make a judgement (such as whether the buyer had the intent to continue the mission) and it was not a breach of fiduciary duty as a member of the board of directors if they didn't get the highest price — the maximum profit for the shareholder. I sent a copy of Maryland's benefit corporation law (the first state to pass the law) to Virginia General Assembly Delegate Jennifer McClellan and met with her. She solicited other legislators and, working with her, was able to get the bill into law in Virginia in the spring of 2011. Virginia was the third state to pass the law (tied with Vermont). There are now over 30 states that have the Benefit Corporation statute.

Q: Being one of the first B Corporations in Richmond, did you ever feel as though other local business owners, who weren't B Corporations, were doubting that decision? Or in other words, how did the business community react?

I think people in Richmond get confused between B Corps generally, and our unique "all profits to charity" model specifically. In Richmond, when folks think of B Corps they think of Impact Makers. They don't know that companies like Ben and Jerry's, Patagonia, Etsy, Kickstarter, Method cleaning products, etc. are B Corps, and they think all B Corps give all profits to charity like Newman's Own. So in Richmond there has been some brand confusion around the B Corp certification.

With that all said, we have many certified B Corps and Benefit Corporations now in the region, including Ellwood Thompsons Local Market and Virginia Community Capital.

Q: How did you come up with the idea of gifting ownership to Virginia Community Capital (VCC) and the Community Foundation?

We could have decided to create funds in national social enterprise organizations, like RSF Finance that does donor advised funds or the social enterprise world, but we felt it was important to support local organizations and, in the case of the local community foundation, to support them moving towards the impact investing world through our gift. Now that they have our gift, they must explore impact investing since our gifting agreement specifies that they must do impact investing in local social enterprises with a preference to B Corps, so they need to begin exploring impact investing now (if Impact Makers sells, they will become overnight a significant impact investing fund!).

Q: Did you get any pushback from other board members, company management, or others when you gifted ownership? If so, what were their concerns and did you have any yourself?

The board and management was supportive in gifting to the two charitable organizations. Prior to that, we had gifted it to “the community” already, but hadn’t specified the exact organizations that would benefit. Before gifting to VCC and the Community Foundation, we were a non-stock, for-profit company that by its articles would have to gift the proceeds of any future sale to nonprofit entities. But we didn’t specify to which organizations. When we got the Benefit Corporation law passed, we restructured as a Benefit Corporation ourselves, which meant we had stock, and gave 70% to the Community Foundation and 30% to Virginia Community Capital.

Obviously, in addition to being gifted to those organizations which defines our future legacy, we also have given cash and pro bono services worth over $3 million to local nonprofit charitable organizations in the health safety net and social sectors.

Q: It seems Impact Makers has caused other Richmond companies to follow the B Corporation path. Did any local companies reach out to you for advice?

Yes, since we were the first certified B Corp in Virginia, and one of the first Benefit Corporations, many local companies reached out before becoming B Corps themselves. I also started a local B Corporation group that holds quarterly events for B Corps and people interested in social enterprise, and those events have gotten as many as 150 people attending in Richmond!

Q: Was there a particular moment or period of time in your life that changed your perspective on the role of business as a stakeholder in the greater society?

I read the Newman’s Own Harvard business case while at UVA. I was a business major and a sociology minor, and so it was a great fusion of both! I started Impact Makers as a sociology experiment through business, actually. One day I will write a great book about the experiment: what went well and what didn't work so well. I have learned a lot about myself and about human nature generally from this experiment.

Also, another moment of epiphany came when I was working as an independent consultant at Freddie Mac in the Washington D.C. area in the 1990s. While working there, I discovered that Freddie Mac was giving away 10% (approximately $100 million) of its profits each year through its philanthropic foundation. At the same time, the company's IT budget was around $800 million. I then calculated that if Freddie Mac's $800 million IT budget was outsourced to a company like Impact Makers, that donated all of its net income to charitable causes and operated with a 15% profit margin, the social impact would be $120 million — $20 million more than Freddie Mac's contribution to its foundation. It would cost Freddie Mac nothing, given that the company was already going to spend the $800 million anyway, yet it could more than double the community impact for its corporate-social-responsibility goals. I realized that I was on to something!

Q: What has been the most satisfying aspect of your work as a social entrepreneur?

I think everyone should follow their passion. Impact Makers was a passion and the first time in my life where my job was more than work: it was a career and a calling. I enjoyed getting up and going to work and building something that I thought had the power to transform the way we think about work and community and society. By doing the same work we do every day for clients, but structuring it differently, Impact Makers' employees collectively could make the same impact in the community as large foundations in town and get a sense of mission through the work they do every day. This was a mission that went beyond the nonprofits we were supporting and the people impacted by those nonprofits; rather, this was a model that could transform capitalism into a new "conscious capitalism" if we could make it work. And the model worked: we grew by beating our competitors and winning work, and delivering valuable work to our clients. And we did that even though we took the "capitalist" out of capitalism. We were still successful! So that was fun proving a new form of capitalism, in a new disruptive way with positive societal impacts.