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Homeboy Industries: An Incubator of Hope and Businesses—A Note to Instructors

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This case presents the story of Homeboy Industries, which was founded by Father Greg Boyle, S.J. to offer employment opportunities to former gang members in East Los Angeles. Homeboy Industries has successfully launched several businesses to hire and train “homies” who otherwise may not have found jobs. Michael Baca, the new operations director, is faced with the decision of whether to pursue expansion of the promising merchandising division. Complicating the decision is the need to balance both the social and business objectives of Homeboy Industries while dealing with the organization’s extreme shortage of managerial and financial resources. This depiction of an unusual entrepreneurial environment also illustrates several organizational challenges and philosophical dilemmas that are common among social ventures.

Key Issues and Discussion Points

A major theme of this case concerns the operational and planning processes facing a resource-constrained social enterprise. Key issues and discussion points include:

- pursuing a social mission while balancing multiple objectives;
- assessing market opportunities for Homeboy Merchandise and for Homeboy Café;
- evaluating a business opportunity under unusual constraints and in the face of extremely limited financial and management resources;
- Homeboy Industries’ viability as a business enterprise and as an incubator, especially in view of Father Boyle’s deteriorating health and the state of its organizational processes;
- management and decision making within an organization where the primary driving force is a vision of social good, not the commercial viability of its business.

Potential Audience and Uses

The case is intended for use in courses on entrepreneurship (either independent or corporate) or social enterprise management at the undergraduate or graduate level. It may

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also be useful in courses on social work and community development. The story illustrates how entrepreneurial zeal, passion, and processes are applicable in nontraditional business settings and how business ventures can serve a social purpose. The case also provides a rare opportunity for business students to think about entrepreneurial “opportunities” not only in financial terms, but also in terms of social impact.

Suggested Teaching Approach

Depending on the type of class and on the level of audience the material is used for, the case could be completed in one 60-minute or 90-minute class.

This case can be used to analyze market opportunities for a new venture for Homeboy Industries—Homeboy Merchandise or Homeboy Café. Students will have substantially different perspectives on the poorly defined market opportunities. For example, some students will find the merchandising business an extremely bad idea for the homeboys while others will focus on synergistic opportunities with the Silkscreen business. It is very interesting to identify and discuss students’ varied and possibly conflicting assumptions, given the limited information provided by the case.

Before addressing the question as to whether Homeboy Industries should expand its merchandising business, instructors should encourage students to revisit the organization’s purpose and its strategies (considering both what they are and what they *should* be) for starting new ventures and expanding existing ones. While easy to forget, Homeboy Industries’ main purpose is to create jobs for the homeboys, not necessarily to maximize profits or create empires.

Nevertheless, instructors should remind students that profits can fuel growth, hire more workers, and create additional businesses. Furthermore, the more “businesslike” the businesses, the more real and relevant are the job experiences of the homeboys. This discussion creates a great situation to introduce the concept of the “dual bottom line.” A social enterprise like Homeboy Industries has two obligations—succeeding in its social cause as well as making a profit.

Another obvious challenge for Homeboy Industries is that its strategy is not well defined or clearly articulated. Father Boyle has been rather opportunistic in leveraging the help available to him without a well-defined plan. Instructors may ask students to evaluate how Homeboy Industries decides on new business opportunities and resource allocations. It should be noted that the organization as a whole has very limited management expertise and very little in the way of structure or processes.

While Homeboy Industries is a remarkable story, what may be lost in enthusiasm for Homeboy Industries is that it is still very fragile as a business entity. It is not an idealab! or a 3M, to say the least. As the 2003 statements indicate, commercial activities generated only a small percentage of its revenues. One might argue that Homeboy Industries was more an ambitious social program taking an innovative approach than it was either a business or a business incubator. Students should consider how Father Boyle viewed Homeboy and the apparent differences between his thinking and that of Brother Holub in Milwaukee.

Another opportunity for a heated classroom discussion comes from the question of whether Homeboy Industries should continue to offer only entry-level jobs (e.g., Silkscreen or Maintenance) or add more sophisticated jobs as well (e.g., Merchandising). Some students may argue that the kids joined gangs in the first place to avoid low-paying, mundane jobs. This issue often becomes one of the discussion points on whether Homeboy should try to expand the merchandising business.

The instructor should ask students what they would do in Michael's or Father Boyle's situation. As the discussion unfolds, the following questions may be used to guide a classroom discussion:

- What are the goals and objectives of Homeboy Industries? What is Father Boyle's motive (based on his statements)? Is it just jobs? What kind of jobs? How important is profit?
- How would you rate the current performance of Homeboy Industries? What measures are you using to evaluate its performance?
- Evaluate the market opportunities for Homeboy Merchandising. What are your assumptions? Could Homeboy expand the business given its management and financial resources?
- Should Homeboy Industries offer only entry-level positions or should it also offer more value-added jobs such as merchandising and marketing?
- If you think there are business opportunities for Homeboy Merchandise, what can you do about Father Boyle and Ruben's concerns?
- What should Michael do about Homeboy Merchandising? About Homeboy Café? Which business should they start first? Why?
- Does Michael have enough information to make a decision? If not, what information could he acquire quickly and readily enough for his needs? What processes does Homeboy Industries utilize for evaluating new businesses?
- As business majors, how could you best help the organization?

Supplementary Readings

The following readings may prove useful in introducing the concepts of social entrepreneurship and the management of multiple bottom lines.

Bornstein, D. (2004). *How to change the world: Social entrepreneurs and the power of new ideas*. New York: Oxford University Press.

Brinckerhoff, P. (2000). *Social entrepreneurship: The art of mission-based venture development*. New York: John Wiley & Sons.

Choi, D. & Gray, E.R. (2004). The Venture Development Processes of Sustainable Entrepreneurs. *Proceedings of United States Association of Small Businesses and Enterprises (USASBE)*, January.

Hollender, J.H. & Fenichell, S. (2004). *What matters most: How a small group of pioneers is teaching social responsibility to big business, and why big business is listening*. New York: Basic Books.

Epilogue

While the case was being written, a homie working for Graffiti Removal was shot to death by a gang member. Shortly after, another Graffiti Removal employee was brutally gunned down. Homeboy Industries abruptly and permanently shut down the popular program.

Felipe Antonio, the disabled homie mentioned in the case, was planning to transfer from a junior college to the California State University system. He was preparing to major in social work to help children who needed supervision and mentoring.

Father Boyle's cancer was reportedly in remission and he claimed to be feeling much better. He was receiving a monthly checkup. Michael and Father Boyle were still trying to conclude the acquisition of a new bakery.

Phil Cook, the Jesuit volunteer at Homeboy Industries, wanted to expand the merchandising business. He was developing marketing material so that he could approach Jesuit universities in the United States. Homeboy Industries was putting only limited effort into building the division.

With respect to the Café option, Michael was waiting to hear more about the city's plan to build a rail line near Homeboy's planned location. Coincidentally, Father Boyle and Michael took advantage of a similar opportunity when Patti Zarate, formerly a cook for the Jesuits in Los Angeles, offered to work with Homeboy Industries to start Homegirl Café. Within a few months, the new restaurant was nearing profitability and employed seven homies.

Role of the Authors

Homeboy Industries and Loyola Marymount University, where the authors are faculty members, have had an ongoing relationship for many years. Homeboy Industries has offered a wide range of service learning project opportunities for students of all levels at Loyola Marymount University, from undergraduates to executive MBAs. Executive MBA students had performed a consulting project for Homeboy Industries in the past.

The authors found the story of Homeboy Industries fascinating and became interested in developing the case study for use in Entrepreneurship and other courses. They initiated the project, conducted the interviews, collated other data, wrote much of the case text, and identified potential exhibits. They reviewed, tested and finalized the case text, and prepared the teaching note. The authors also worked with Phil Cooke, a Jesuit summer volunteer, to develop marketing strategies for Homeboy Merchandise.

One of the authors truly "experienced" Boyle Heights while writing the case. During his first visit to Homeboy Industries, someone in an unidentified vehicle fired two bullets into the window where he and his research assistant stood.

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