

## GOODWILL BRANCHES OUT IN MANUFACTURING



Reina Castellon, foreground, and Ana Lucia Centeno sew safety vests at Goodwill Industries. The safety vests are approved by the Kansas Department of Transportation.

# Loan helps keep jobs

By **JERRY SIEBENMARK**  
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Dave Chadick, vice president for industrial services at Goodwill Industries, talks about the company's sewing operation that is independent rather than under contract.

When the recession hit the general aviation and business jet markets a couple of years ago, Goodwill Industries of Kansas started to feel it, too.

The nonprofit organization best known for selling used clothing and household items through a network of 15 stores in the state also has its hand in light manufacturing, such as cutting and sewing aircraft insulation and soundproofing for Hawker Beechcraft and building complex parts for Agco in Hesston.

At any given time, Goodwill Industries is working on 30 or more projects for private companies or government agencies. That calls for an average staff of 65 to 70 people.

That work, in addition to running thrift stores, keeps it fulfilling its mission of employing people who couldn't otherwise get employment.

Creating jobs for people who are economically disadvantaged or have a recognized disability is the primary mission of Goodwill Industries, officials said.

And the organization didn't want to be caught in a situation where it had to be laying off people instead of creating jobs.

"You have to be careful," said Emily Compton, Goodwill Industries' president and CEO. "If we hire someone, we want to keep them employed for a long time.

"So it is a balancing act." It was then, when work on many of its projects was slowing down because of the recession, that Compton and vice president Dave Chadick decided to pursue original equipment manufacturing: in this case, safety vests.

"That's kind of why we said we need our own project," said Chadick, Goodwill's vice president for industrial services.



Marie Hopkins, left, and Meagan Rowe trim stray threads from the finished vests. Goodwill Industries received a \$100,000 loan from the Fred C. and Mary R. Koch Foundation earlier this year.



Gloria Lopez works for Goodwill Industries' original-equipment manufacturing program. The program's goal is to keep people who wouldn't otherwise be able to work employed.

Since receiving a low-interest \$100,000 loan from the Fred C. and Mary R. Koch Foundation earlier this year, Goodwill Industries has been able to build that business. In five months, it was able to increase sales of safety vests a little more than 70 percent.

"It's significant enough that we can really up our game," Compton said of the loan.

### Importance of loan

For a number of years, Goodwill Industries has been operating in the role as a subcontractor to manufacturers. Four years ago the company sought, and received, a certification that many subcontracting manufacturers hold, the Industrial Standards Organization, or ISO, 9001-2008.

"We needed to have that same level of competence" that any other subcontracting manufacturer would have, Chadick said.

As work on its subcontract projects started to slow, Compton and Chadick began looking at ways to offset the decrease in work.

Chadick said Goodwill Industries decided on safety vests because the organization already had some experience and sewing equipment from an earlier federal government contract making aprons.

Safety vests also aren't too complex to make compared to other apparel. "People with all levels of disabilities can work on that contract," he said.

But the Koch foundation loan was key to making the effort grow.

Among other things, the loan allowed Goodwill Industries to purchase newer industrial sewing machines, hire a dedicated sales and marketing employee, and buy fabric in larger quantities and at a lower price.

"Right off the top, to purchase the large spools of fabric reduced that cost 18 percent, which is substantial," Chadick said.

The apparel business has six full-time and four to six part-time employees.

The loan itself was valuable, Chadick said, because it allowed Goodwill to take its safety vest business to the next level.

Buying larger quantities of fabric at a lower price allows it to compete with other safety vest makers that have overseas operations and can offer their products at a lower price.

Its clients include the Kansas Department of Transportation, Dondlinger & Sons Construction, Kansas Turnpike Authority, Butler County Sheriff's Office, and Goodwill agencies in Kentucky, Oregon and Washington.

### Terms of the loan

But as important are the terms of the loan.

While Susan Addington, community relations manager for the Koch Foundation, said she would not disclose specifics, the interest rate on the loan can drop and part of the principal can be reduced if Goodwill Industries reaches certain sales goals and adds jobs.

"Part of (the loan) can be moved into a grant basis if they hit their targets," she said.

It's the first time the foundation has made a loan to a nonprofit organization, Addington said, instead of an outright grant.

The loan idea for Goodwill came to fruition following a presentation at a Nonprofit Chamber of Service presentation a couple of years ago.

"(The loan idea) has instigated a couple of other nonprofits to think outside the box," Addington said.

And Goodwill Industries had to approach the loan the same as they would a bank loan. They had to present the foundation a business plan for the apparel business, "applying sound business thinking," she said.

Since receiving the loan, Goodwill Industries is moving beyond safety vests. It's also marketing, on a limited basis right now, safety vests for dogs made from the leftover scraps.

It also plans to manufacture medical scrubs, though it's in the early stages of that effort, Chadick said.