



case 4-226-073

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The Empowerment Plan (B): Developing Legal Structures for Growth at a Nonprofit Organization

This case is part of a series of four integrated cases about The Empowerment Plan (TEP), a Detroit-based nonprofit working to break the cycle of homelessness through training, employment, and job placement. Founded in 2012 by Veronika Scott, TEP recruited employees through homeless shelters and provided them with training, education, and full-time employment manufacturing sleeping bag coats. The specially designed coats were distributed free of charge to the homeless population.

The idea for TEP began as a design class project while Scott was attending the College for Creative Studies in Detroit. The class challenged students to design a product to solve a social problem or need currently affecting the people of Detroit. Scott chose to help the homeless population by providing them coats designed for people living on the streets in the cold Detroit winters.¹ The coats were warm and weather resistant and included an attachable “foot bag,” which turned the coat into a sleeping bag.

While distributing the coats, Scott received feedback from a coat recipient that what she needed more than a coat was a job. Based on the feedback, Scott modified TEP’s mission to emphasize hiring, training, and employing homeless people to create the coats, which would then be distributed free of charge to the homeless population.² (See **Case A** in the series for more details regarding the founding of TEP.)

In setting up TEP, Scott examined various legal structures, including both for-profit and nonprofit. One model she examined was similar to that used by companies like Toms Shoes or Warby Parker, which are for-profit entities. The companies developed a “buy a pair, give a pair” model, whereby customers were asked to pay enough for a pair of shoes or eyeglasses so the company could afford to donate another pair of shoes or eyeglasses to a person in need. In the structure, a part of the company’s profits was set aside to accomplish a social mission.³

As Scott examined the model, however, she doubted whether it would be the best fit for TEP, given that its core product was not for commercial sale. In the case of Toms and Warby Parker, the items customers bought were similar in design to those donated. The coats TEP produced were specifically designed for the

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