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**Section:**

FRANCHISE

**The New Con Job**

**Eight years ago, Ally and Scott Svenson started hiring felons to sta MOD Pizza. That turned out to be one of the best business decisions they ever made.**

There was a moment in 2011 when Tony D'Aloia considered his freedom to be a curse. In prison, where he'd just spent the better part of a decade, he could survive a full year on the \$100 his mom sent him twice a year, on his birthday and on Christmas. But now that he was outside and back home in Washington state, he needed money to survive—lots of it. He'd heard of job openings with warehouses and construction companies, but nobody seemed eager to bring on a convicted felon.

Then he finally found someone willing to interview him. A young Bellevue pizza joint called MOD was hiring a dishwasher. D'Aloia knew zilch about MOD and wasn't excited about the work. But it came with benefits and a 401(k), which was nice, if unusual. So he went in for the interview.

And anyway, he wasn't in a position to turn down work. By the time he was in his early 20s, D'Aloia had been arrested 38 times. Every time he was released, he'd go right back to jail. "I couldn't last a week on the street," he says. He'd get drunk and start a fight, or trespass after-hours in the park. But his big bust, the one that sent him away for more than five years, was on a conspiracy to distribute ecstasy. He needed two grand to pay off a DUI fine, so he agreed to drive 25,000 pills from the Canadian border down into Washington. The job was a sting, and D'Aloia landed in long-term lockup.

For some reason, MOD overlooked his history. The company met with his parole officer, and once he was cleared to work, D'Aloia was left to scrub dishes while water seeped in through a hole in one of his \$20 Payless shoes. MOD gave him a free pizza every day, which he traded on the street for bus tokens to get to and from work. If this was life outside, D'Aloia wasn't sure he was interested.

At the time, MOD still wasn't sure it was interested in him, either. But in 2011 the company was following a few early data points, having discovered that ex-cons could make great employees. That would keep proving itself out. MOD would eventually embrace what it calls impact hiring—people with backgrounds

of incarceration, homelessness, drug addiction, or mental disability—and credits the decision in large part with its rapid growth: In the years after D'Aloia's hire, MOD went from five stores in Washington to 367 spread over 28 states and the United Kingdom. It has nine franchise partners, and in 2016, the research firm Technomic named it the fastest-growing restaurant chain in the U.S. Last year, MOD hit \$275 million in sales, 81 percent growth over the year prior.

MOD's hiring practices would come to alter everything about the company. "We have no interest in just building another fast-casual pizza business," says Ally Svenson, who cofounded the company in 2008 with her husband, Scott. "We're building a business platform to make positive social impacts." MOD doesn't collect numbers on how many of its employees qualify as "impact hires," but partnerships with organizations like the Monarch School, which helps find jobs for people with autism and ADHD; Juma, which works with young adults in poverty; and Pioneer Human Services, which offers career counseling to the formerly incarcerated, implies that the number is substantial. "People go to job fairs [for impact employees] and hire two or three people," says Ally. "But we just hire that way."

Often, those hires prosper. From MOD's perspective, D'Aloia is no charity case. The guy is a slam-dunk hire who immediately appreciated his entry-level job far more than you'd expect from a strongwilled 32-year-old. In his first two years, he was promoted three times. Turns out, the ex-con was full of ambition.

That ambitious spark really began after he started at MOD, the day he got his first check. It was nearly \$800—almost four times what he'd lived on for a year in prison. He told his boss as much, who replied, "You earned that money."

D'Aloia took the cash straight to a shoe store. It was pouring outside, and he could feel water swishing up between his toes. As he stepped off the bus, a gust of wind caught the edge of his pizza box—that free daily pizza, the one he'd eventually stop trading for bus fare—and he managed to save it from flying down the street. Then he marched into the store, bought new shoes, and dumped his old ones in the trash. "Life was better right then," he says. "I could finally provide for myself."

MOD ISN'T THE Svensons' first food-industry rodeo. While living in London in 1995, the couple launched the Seattle Coffee Company, a chain they later sold to Starbucks for \$85 million. Then they served as board members for an Italian joint called Carluccio's, helping to scale it for an IPO in 2005. Afterward, they moved back to their hometown of Seattle and started playing with the idea of a fast-casual pizza chain. "Scott and I know what it takes to build a business," says Ally. "And it's friggin' hard. If we were going to put all we have into this place, it needed to be more than a soulless restaurant chain."

Impact hiring wasn't immediately part of MOD's mission. After launching in 2008, the Svensons spent three years refining their business model. They hired a few ex-cons, only because they were available and it seemed like the right thing to do. The real goal was to open a few stores, target different demographics, test the variables. When a store near downtown Seattle failed to hit its numbers, they shut it down.

By 2011, the Svensons had five successful stores and felt ready to scale and eventually consider franchising. They also had come to understand how their impact hires shaped the company's culture; guys like D'Aloia had become their most driven employees. So that became MOD's calling—to grow on the strength of the people that other companies overlooked. "After that first three-year period, the mission became very intentional," says Ally. "We started to describe our business as enlightened capitalism."

This has inspired franchisees to seek out all sorts of overlooked workers. Three years ago in Houston, for example, a MOD manager brought on a kid with autism to fold pizza boxes. The kid was good, and unlike the rest of the staff, he actually enjoyed folding boxes. So the manager, Mark Foley, hired another kid with autism. Then another. Today, nine of his 25 employees have autism, Down syndrome, or another developmental difference.

MOD's "enlightened capitalism" isn't just about hiring. As the company expanded, the mission expanded, too—becoming not just about the people it hires about but everyone it interacts with. For example, pies sell for a set price—\$7.67 to \$8.47, depending on the market, for an 11-inch pizza—regardless of how many toppings the customer requests. Employees are encouraged to improvise in an endless pursuit of service. If they drop a pie, they can offer the customer a milkshake while they make another; they can give someone a coupon for a free pizza. "That was empowering," says D'Aloia. "They were like, 'This is your house. Take care of it.' "

The company came to develop a term for these sort of acts: MODness. To spread MODness is to spread happiness.

A concept like MODness begins to inspire all sorts of, well, MODness. When a MOD employee in Sammamish, Wash., discovered that his work-commute bike had been stolen, his colleagues spread MODness by buying him a new one. Afterward, the company as a whole instituted the Bridge Fund, a rainy day account that staffers can access in times of emergency. (The fund currently holds more than \$350,000, according to MOD.) When floods hit Houston, the company put up its local employees in hotels, while staffers from across the country mailed gift cards to help their Texan colleagues get back on their feet.

Once, at a meeting in Portland, a MOD employee admitted to his managers that he'd been struggling with homelessness. Some nights he even slept by the Dumpsters outside his store. In the spirit of MODness, managers hit up some local connections to score him free temporary housing. That employee, Chris Wells, now oversees five stores, soon to be seven, and shares a three-bedroom apartment with his girlfriend and two daughters. He talks about MOD with the passion of a religious convert: "Their pizza sauce pumps through my veins."

To continue to inspire do-good innovation, MOD created an annual meeting—called the Meeting of the MODs—for general managers to gather in Seattle. Recently, Mark Foley, the manager who began hiring autistic employees in Houston, was invited to address his colleagues onstage. As he did, he found himself overwhelmed. "I was an idiot up there, crying," he says. "It was so emotional."

Crying managers aren't a typical scene at a corporate off-site, but they're welcome at MOD. "We're really big on sharing stories," says Sophia Arellano, a MOD recruiter who confirms the profundity of this year's tearjerking GM meeting. "We even have an internal employee Facebook page where people celebrate the good things they see."

To outsiders, all this devotion to MOD can sound like a cult. But the company chalks it up to a self-selecting group. The people who buy into MOD, as either franchisees or employees, are on board with the mission. "Culture is everything," says Ally. "Because we invest in it, it defends itself. It's taken on a life of its own."

MOD'S GROWTH arrives at a time when consumers are increasingly willing to support cause-driven companies. Recent surveys by Cox Business and MediaCom show that roughly two-thirds of consumers are willing to spend more money with brands that support social missions. From a business perspective,

that makes it increasingly easy to do the right thing. Companies that broadcast their values and then stand behind them are setting themselves up for success.

Though social-impact hiring isn't a new idea—Dave's Killer Bread out of Oregon has been hiring ex-cons for nearly 15 years, and New York's Greyston Bakery has been promoting no-questions "open hiring" for 35 years—it is almost nonexistent within franchises. There are likely many reasons why, but a big one, according to New York—based franchise attorney Harold Kestenbaum, is that it's generally in the franchisor's interest to give its franchisees as much hiring discretion as possible. In a 2014 "jointemployment" ruling against McDonald's, the National Labor Relations Board declared that a corporate office could be held liable for the people its franchisees brought in. "I counsel my clients not to make employment decisions for their franchisees," says Kestenbaum. "You can make recommendations, but I wouldn't go beyond that." (The joint-employment ruling was overturned by the Trump administration, but it's unclear what will happen in the future.)

Of course, MOD doesn't require its franchisees to hire any certain type of employee. It relies on its culture to apply a more subtle form of pressure—which means that the initiative is always at risk of falling off the agenda. Along the West Coast and in parts of Texas, MOD is good at finding impact hires. But in regions where the company's presence is still new, it has work to do. "We need to be really systematic about embedding our approach so that it's locked in," says Ally.

If MOD's culture-driven attempt to be the first major company to make impact hires at the national level is a success, it could have implications far beyond its 367 stores. "The scope and scale of MOD could bring more attention to the need to hire these people," says Hilary Young, a vice president with Pioneer Human Services, one of the organizations MOD uses to find employees recently released from prison.

Arellano, the franchise's recruiter, knows firsthand how important that "You're hired!" can be. At age 32, she was arrested and convicted of a nonviolent crime, and for her first six months at MOD, she had a tracking device on her ankle. What started as a transitional gig turned into a passion-driven career when she realized how many people like her were on staff. "They're not just employing people," she says of her bosses. "They're giving them a way to feed their families, a way to not go out and reoffend."

By that measure, when MOD comes to town, it's doing more than serving pizza. It's helping to turn crime-prone citizens into productive members of society. And in today's tight labor market—unemployment is below 4 percent—it might also be accessing the last bastion of untapped, hardworking talent. "It's good business to look wherever you can to find the best people for your organization," says Ron Cool, the director of corporate and franchise operations at Garbanzo Mediterranean Fresh, a Colorado-based franchise that, like MOD, works to hire formerly incarcerated and developmentally disabled employees. "These people come in with a genuine desire to better themselves. All they want is a chance."

D'Aloia remembers that feeling well. Now 39, he's a district manager who oversees six MOD locations in Washington. In his seven years with the company, he has flown to the United Kingdom to train managers and spoken at Harvard. "I've had all these opportunities I wouldn't have had if MOD didn't believe in me," he says. "Being able to do that for other people is really important. The best part of the job is helping people through the same situation I was in."

And there it is: the MODness culture keeping itself alive. One kindness begets another. As the company grows, there's no guarantee that the do-good spirit will stay strong. But it's sure worth a shot. "It's not a done deal," says Ally. "It's hard to make sure that our purpose will be protected and perpetuated in the places it's needed most. I feel like we are only starting. We are at the beginning of something."

PHOTO (COLOR): MORE THAN PIZZA MOD founders Scott and Ally Svenson are building impact hiring into their franchise.

PHOTO (COLOR): → A FIGHTING CHANCE After being released from prison, Tony D'Aloia found purpose and stability at MOD Pizza.

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