Two prison businesses show how for-profit enterprising can achieve philanthropic ends

By Ashley May
Wichita, Kansas, is one of America’s manufacturing hubs. Over 55,000 locals make things for a living. I’m meeting with a group of them now.

These are managers who oversee the assembly of complicated electrical harnesses in one locale, and build the Porsche of tractor seats at another nearby site. Most of them are lifers in manufacturing. I ask how they came to be employed by the unusual investment company—known as Capital III—that owns their factories, and why many of them have stayed with it so loyaly.

The most common answer around the table is “the culture.” One executive tells me he’s worked for several big, international companies. Then he saw a video of Pete Ochs, the founder of Capital III, explaining his unconventional approach to business. He was intrigued, and before long found himself in Kansas—working for a business behind bars.

You see, Ochs (wearing a blue shirt in the photo to the left) does serious business inside the Hutchison Correctional Facility. Between Electrex (the electrical harness maker) and Seat King (the tractor-seat company) he employs 194 prison inmates. A philanthropic mission keeps these firms inside razor wire. Lifetimes of business savvy on the part of Ochs and his staff make them succeed as economic propositions.

As part of its state prison system’s private-employer group, Capital III pays its inmate workers a “prevailing wage” that is set annually by the federal government. Right now that amounts to between $9.29 and $14.84 an hour, depending on the job. A quarter of all pay goes back to the state to cover room and board. The inmates have a mandated amount they must save, plus garnishments for things like child support or victim restitution if those apply. The remaining earnings go into a personal account the worker can spend in the prison commissary, draw on for things like phone calls, or use to send money “outside” to family and friends. Some employees end their prison terms with tens of thousands of dollars in the bank. More importantly, they leave with skills and disciplines built up in serious work. By the best count available, only five of the 77 people released from Hutchison after working for Capital III have come back for repeat crimes. Other prisoner-aid groups would drool for such results.

Meantime, between renting space in the prison and sending a quarter of payroll to the state, Capital III hands over a million dollars annually to Kansas. Since 2000 the Kansas private-employers group has paid almost $5 million in state taxes, and $53 million in room and board fees to the state.

Capital III does real business in this prison. Successful business. Every month, though, there are obstacles that need to be surmounted. For Ochs and other members of the Capital III team, the proddings of faith help them leap over challenges. Business executives operating successful enterprises behind bars will often need to draw on both commercial skill and charitable motivations to keep their businesses humming.

Work is positive
When I ask the chief of Seat King what I should look for when I visit the prison workshop, he answers, “Watch the pace.” It is a very efficient manufacturing floor, with a high rate of productivity, he reports. High-quality goods are being made and delivered on time. I’m encouraged to observe the assembly process, and sit in the finished products. I’ll understand once I talk to the guys—any guy, he says.

So I do. Tyler has long hair pulled back and secured by a black headband. He is the leader of one of the Seat King production lines, and right now he’s teaching a red-headed inmate how to assemble. It’s the trainee’s first day. This line is on track to build 192 seats before dinner time. It seems inappropriate for me to take up this busy man’s time, but he graciously steps back to chat for a few minutes while keeping an eye on his charge.

Seat King, he tells me, is “positive.” He gestures toward the prison dorm and

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are at their jobs. Many smile sheepishly and look at the floor.

Yet when I ask the other Capital III managers whether it helps this business to have a social purpose, I’m met with quizzical looks. This is an enterprise with an economic bottom line. If it doesn’t make money it will have to shut down, and the good it produces for workers and customers will disappear along with its profits. The best way for managers to make sure everybody benefits is to be certain the business is producing excellent products efficiently. And there are lots of hurdles that must be jumped on that path.

Prison officials require a 24-hour hold on all products before they can leave prison grounds, to prevent stowaways. They demand manic monitoring of all tools to make sure none leave the premises. Employing inmates provokes questions from business partners. Sometimes there is customer queasiness when they find out about the company’s labor force. Are they using “slave labor”? Can inmates be trusted to make a reliable product?

It’s not goodwill that quells these doubts. It is economic results. No one says, “It’s negative in there.” One of his main jobs, Tyler reports, is passing on the positive culture. Teaching. Leading by example. Helping people.

Tyler has been in prison since he was 21. He’s 27 now, and has two more years until he can be paroled. “I was a knucklehead,” he tells me. Working at Seat King has helped change that. It has taught him he can choose to walk away from bad situations.

He’s proud that he’s been able to send money to his niece and nephews on the outside, paying for clothes and other items that he didn’t have as a child. And his temperament has changed. “I let people hug me,” he says, chuckling to himself. Prior to Seat King there was “no way” he would let that happen; nobody dared touch him.

His supervisor A.J. had just delivered a hug that inspired this confession. A warm and enthusiastic man in a polo shirt, A.J. has been in manufacturing jobs his whole life. He is now the daily overseer of this humming operation and commutes into the prison each day. He points to whiteboards detailing production goals, and actual outputs, hour by hour.

Today there are three lines open, and the crew is aiming to churn out 576 seats. Each line has its own team of inmates, with a leader like Tyler overseeing quality and keeping folks motivated. A.J. is proud that each member of the line knows all the various steps in production, and can fill in for any other worker if need be.

No one is idle on this floor. “This is the test,” he tells me, walking away from the production area to talk to me in a corner near the packaging center. Everybody keeps working as if he is still watching.

“We have our challenges,” he tells me. The son of one of his employees died. Another lost his mom—he had hoped to get parole before she passed, so she could see and believe that he was a different man. “We cried,” A.J. says.

As we walk the floor, he wraps his arms around the shoulders of various inmates. He brags about how good they are at their jobs. Many smile sheepishly and look at the floor.

Of the 77 people released from the Hutchison Correctional Facility after working in a Capital III factory, only five have been locked up again—a rate other prisoner-aid groups would drool for.
will buy a product for its social purpose alone. The Electrex and Seat King products speak for themselves. If they weren’t good, the whole mission would come tumbling down.

**Using the power of business in new ways**

The next day, Pete Ochs is pulling tea out of his kitchen cabinet at home. A.J., he says, has a hard job. To succeed with these workers you must find the right person, with the necessary blend of managerial and pastoral gifts.

It’s not glamorous. Ochs jokes that many of his fellow investment bankers step into their private jets, fly somewhere for the day, and do a deal. He, on the other hand, climbs into his pickup truck and drives to prison.

“Gosh, I always thought I would be the jet guy,” he laughs to himself. Yet many of his deal-making friends say they envy his job, with its concrete results and crystalline purpose. Such is life. We’re never satisfied with the forage on our side of the hill.

Ochs originally expected that his path would be more conventional. He grew up on a farm in Hoisington, Kansas, but his mother’s side were all professionals, and it was her dream for him to become an orthodontist. So he went to the University of Kansas, but his mother’s side were all professionals, and it was her dream for him to become an orthodontist. So he went to the University of Kansas as a pre-dental student. In his junior year, though, he took a stray elective in finance, and it changed his life. Soon he loaded his schedule with business classes and made an all-out sprint to graduate on time with a different major.

Good thing, he jokes. “There’s nobody in the world who wants these hands in their mouth! These are farmer hands,” he says, swatting the air with meaty palms.

Ochs started his career in banking. He had promised himself, though, that by the time he was 30 he would be an entrepreneur. So at age 29 he quit his safe banking job and starting doing business deals.

Now 67, Ochs marvels that life brought him a new epiphany and consequent course correction about once per decade. He has been consistently good for many years at running his own investment bank—purchasing companies low, turning them around, and selling them high. His course changes have mostly had to do with faith. He had to learn how to take a Sabbath rest. He did a lot of thinking about the difference between ownership and stewardship.

One sea-change came in his forties. “I woke up and realized that I had been successful, but I was not satisfied at all.” He had zeroed in on making a lot of money, with one nice result that “my ten-percent tithe would be really big.” But “I had bifurcated my life. Christian life here. Business life there.” He wondered if those elements could be combined into a coherent whole. He worked with two mentors to figure out ways of applying Christian principles to business practices.

It wasn’t easy going. “My old ways kept creeping back in. Instead of the scorecard being how much money I made, the scorecard became how much money I gave away.”

Along with a small group of other Christian entrepreneurs he decided to cap his living costs and donate much more than ten percent. But Ochs says his pride stayed in the foreground. During the ‘90s he ran his companies hard to maximize profit, sometimes withholding well-earned raises from employees because he wanted to accumulate more earnings for philanthropy. The recipients of his gifts were benefiting, but not necessarily those employed by him, nor the communities where they worked.

Ochs had a good run in leveraged buyouts, but when opportunities dried up after 9/11, his business tottered. “I was angry at God,” he says. “I thought, ‘He’s a philanthropist,’ it seems to mean two things: He's rich. And he gives away a lot of money. But one of the greatest philanthropists in the world was Mother Teresa, right?” She was a kind of entrepreneur. And good business entrepreneurs can likewise practice philanthropy—directly through doing business.

Humans really thrive, Ochs argues, when they possess economic, social, and spiritual capital. “I define flourishing as having enough material provision,
having great relationships, and having a moral code to live by.” So his current mission is to create businesses that create and accumulate all three types of capital. Thus the name for his firm: Capital III.

Ochs doesn’t expect that social and spiritual capital will come from business alone. “The family is the primary driver for social capital,” he notes. “That’s where you learn to love and communicate and get along and procreate.” And “the church is the primary driver of spiritual capital.”

Yet business, in addition to being the indispensable creator of economic capital, can also contribute social and spiritual capital, if business people will make that part of their effort. “Our primary driver is to make money, but right alongside of that we have to encourage social and spiritual capital.”

Ochs sets economic, social, and spiritual goals for all of the companies he operates under Capital III. That starts with sharp management. Around half of profits, for instance, are invested back into the business to keep it healthy and growing. Then to meet his social and spiritual goals, Och’s prison businesses invest in character building. They bring in nonprofit partners to teach voluntary fathering classes, and personal finance classes. They sponsor seminarians who handle emotional crises during the after-hours of prisoners. They channel profit into furthering moral capital, either “external or internal” to the company. Some of that goes to charitable causes; other streams are focused on strengthening the employees of Capital III directly. “How do we love our employees as we love ourselves?” is how Ochs summarizes that work.

Getting philanthropic business rolling
Why don’t more people practice this style of business? There is lots of talk today about linking philanthropic purposes to the economic engine of business. Yet this is done in excellent, hard-headed, economically sustainable ways only infrequently.

There are structural obstacles. Even in an era where prisoners are abundant and civilian workers are scarce, the win-win possibilities of employing men and women in prison are complicated by bureaucracy and operational hurdles. It’s risky to run a business where the government can change the salaries of your workforce at any time. In Kansas, unions have lobbied hard to put strictures on prison work, claiming it takes away jobs from those outside. The state recently forbade private businesses from employing any inmates except those scheduled to be released in one to twelve years. The “lifers” working at Seat King were grandfathered in, but there will be no more.

There are education issues with inmates. Some don’t know how to read a tape measure when they start. And there’s stigma. Seat King lost one customer who wanted nothing whatsoever to do with inmates.

A prison factory brings other special challenges. Keeping track of the tools is hard. Going back and forth between the prison and the office is hard. Not being able to ship goods immediately after a truck is loaded is a disadvantage.

There’s also sheer competition. Staying alive in manufacturing is a struggle these days under any circumstances. Och’s son Austin, who now oversees both Seat King and Electrex, explains that their competitors are often billion-dollar companies with deep pockets for investment. So these can’t be charity operations. If the numbers don’t work, “we all lose our jobs.”

The Capital III managers seem well equipped to execute difficult manufacturing processes. This is not a staff of do-gooders who learned manufacturing so they could help inmates. They are sharp businesspeople whose work floor happens to be in a prison.

Ochs is helping other business leaders copy his model of enterprise stewardship. He hosts conferences and writes books on the “Hows” of his effort, and there is more interest and momentum now, he says, than two decades ago when he started on this track. Back then, “I got about 20 of my buddies together and said, ‘Let’s start a fund. Let’s acquire companies. Let’s run ‘em a different way.’ And they said, ‘No, we’ll just go make money and then give it away.’” Today, though, “this whole faith-work thing is just rolling.”

People who try to build social and spiritual capital without due respect for the importance of economic capital will fail, Ochs warns. Promoting “social impact” while looking askance at profit-making is counterproductive, and very frustrating to the businesspeople who toil hard to run firms that provide valuable paychecks, purpose, and community backbone. “Quit being so sanctimonious and perfect, and just go love those people by giving them a job,” is his advice to people who look down on business and entrepreneurs. “Our philosophy is that you lead with economic capital. You follow with social capital. And the doors to spiritual capital fly open.” Trying to make the flow run in the opposite direction is very difficult.

But entrepreneurs also think too small in many cases, Ochs warns. “We don’t understand the influence that we have as businesspeople, all across the board. That’s why our desire to create all three forms of capital is so important. The business community needs to understand the many ways they influence the common good.”

“If we would get that into our heads,” he says with urgency, “the Christian business community could change this country.”

“The purpose of business is to be a catalyst for flourishing,” says Ochs. So he creates businesses that produce economic, social, and spiritual capital.