ENTREPRENEURSHIP AND PRISONER RE-ENTRY:
A ROLE FOR COLLEGIATE SCHOOLS OF BUSINESS

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ABSTRACT

In the early 1990’s, it was proposed that small business and entrepreneurial training programs for soon-to-be-released inmates and for recently-released ex-convicts might increase their opportunities for self-employment and therefore reduce their rate of recidivism. At that time this idea was largely conceptual. Yet in the past two decades, political values and public opinion have changed, and the costs of the American prison system and of ex-convict recidivism to the taxpayer are now better recognized.

While they are still few in number and small in impact, a number of “re-entry programs” have been established in recent years throughout the United States. These programs provide instruction, workshops and mentoring, with the objective of preparing inmates and ex-convicts for both employment and self-employment. With a focus on self-employment, this article looks at the changes over the years, reviews some empirical analysis of prison inmates’ entrepreneurial aptitude, examines some current programs, and offers some proposals for collegiate schools of business to join in these efforts.

Introduction

On April 8, 2007, President George W. Bush placed his signature on the “Second Chance Act.” This legislation, which had received bipartisan support in Congress, for the first time authorized federal financial grants to government agencies and not-for-profit organizations to provide various forms of assistance and training to soon-to-be-released prison inmates and newly-released ex-convicts. The initial funding level was set at $165 million per year.
The President’s speech at this signing provided a good summary of the need for this legislation:

“The country was built on the belief that each human being has limitless potential and worth. Everybody matters. We believe that even those who have struggled with a dark past can find brighter days ahead. One way we act on that belief is by helping former prisoners who’ve paid for their crimes -- we help them build new lives as productive members of our society.

The work of redemption reflects our values. It also reflects our national interests. Each year, approximately 650,000 prisoners are released from jail. Unfortunately, an estimated two-thirds of them are rearrested within three years. The high recidivism rate places a huge financial burden on taxpayers, it deprives our labor force of productive workers, and it deprives families of their daughters and sons, and husbands and wives, and moms and dads.

Our government has a responsibility to help prisoners to return as contributing members of their community. But this does not mean that the government has all the answers. Some of the most important work to help ex-convicts is done outside of Washington, D.C...”

Background

The population of American prisons and jails passed the two million mark in 2002, and reached 2.6 million at the end of 2006 (the most recent data available) (usgovinfo, 2009). More than one in 100 adults are currently incarcerated in the United States (Reentry Policy Council, 2009). For certain demographic groups, the incarceration rates are especially high. For example, in the 25-29 age group, approximately 11.9% of black men are in prisons or jails, as are 3.9% of Hispanic men and 1.7% of white men (USA Today, 2006). U.S. taxpayers spend $60-70 billion per year on corrections. More than 700,000 prisoners are released each year, and about two-thirds return to jail or prison within two to three years (Eckholm, 2008; Prisoner Reentry Institute, 2006; Reentry Policy Council, 2009; U.S. Dept. of Justice, 2007). Since not all those who commit crimes are apprehended and convicted, the actual rate of recidivism is even higher (Grossman, 1985).

A primary cause of this high rate of recidivism is the great difficulty former inmates have in obtaining employment. Without employment, ex-convicts are three to five times more likely to commit a crime than are those who gain employment after leaving prison (Jackson, 1990; Reentry Policy Council, 2009). Yet ex-convicts find it difficult to obtain employment. Most
employers are wary of hiring such individuals, and federal and state laws often bar ex-convicts from certain fields of employment. The resulting costs of recidivism to society are enormous: public safety risks, a weakening of family and community ties, public health risks, and rapidly rising criminal justice costs (Prisoner Reentry Institute, 2006).

In the early 1990’s, in response to this long-standing issue, it was suggested that university-based small business and entrepreneurial training programs for soon-to-be-released inmates and for recently-released ex-convicts might increase their opportunities for self-employment and therefore reduce their rate of recidivism (Sonfield, 1992). At that time, this idea was largely conceptual. While a scattering of prisons around the country allowed local social services agencies or colleges to conduct job training or business courses within their walls, the focus of these few programs was generally to prepare inmates for employment by others rather than self-employment.

The Entrepreneurial Aptitude of Prison Inmates – Empirical Testing

Following up on the above-cited 1992 proposal, several academic researchers took this idea to the next step by conducting empirical testing of the entrepreneurial propensity of prison inmates using the Miner Sentence Completion Scale-Form T (MSCS-T). This test is a projective testing instrument which has been shown to validly measure motivational factors associated with entrepreneurial success. Furthermore, the validity of this instrument had been established among various criteria of entrepreneurial firm growth (Bellu, 1988, 1992; Bellu, Davidson & Goldfarb, 1990; Miner, 1997; Smith, Bracker & Miner, 1987; Smith & Miner, 1985). This testing of inmates was conducted in response to stories which some business school instructors brought with them out of prisons in which they were teaching: their perceptions that many of their
inmate-students (with no prior legitimate business or employment experience) seemed quite “business-savvy,” with a surprising understanding of the nuances of marketing, finance etc.

Although gaining entry to prisons for testing purposes proved to be very difficult, in the mid-1990’s the MSCS-T was administered to 59 male prison and jail inmates in three different states. The testing results indicated that the inmates scored higher on the MSCS-T than did comparable groups of “normative entrepreneurs,” “slow-growth entrepreneurs,” and “manager-scientists,” thus indicating that some prison inmates possess high levels of entrepreneurial aptitude (Sonfield & Barbato, 1994; Sonfield, Lussier & Barbato, 2001). See Table 1.

<table>
<thead>
<tr>
<th></th>
<th>I – Prison Inmates (n=59)</th>
<th>II – Normative Data for Entrepreneurs (n=135)</th>
<th>III – Entrepreneurs – Fast Growth Firms (n=50)</th>
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<td><strong>Table 1 - Mean MSCS-Form T Scores</strong></td>
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<td>TOTAL SCORE</td>
<td>8.83</td>
<td>6.81</td>
<td>11.32</td>
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<td>Self-Achievement</td>
<td>2.49</td>
<td>1.91</td>
<td>3.32</td>
<td>0.34</td>
<td>0.73</td>
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<td>Avoiding Risks</td>
<td>1.58</td>
<td>0.94</td>
<td>1.44</td>
<td>-0.28</td>
<td>-0.05</td>
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<tr>
<td>Feedback of Results</td>
<td>1.42</td>
<td>-0.20</td>
<td>0.50</td>
<td>-1.68</td>
<td>-1.15</td>
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<tr>
<td>Personal Innovation</td>
<td>3.01</td>
<td>2.99</td>
<td>4.06</td>
<td>1.64</td>
<td>2.24</td>
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<td>Planning for the Future</td>
<td>0.46</td>
<td>1.17</td>
<td>2.10</td>
<td>0.30</td>
<td>0.68</td>
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**MANOVA Test Significance Level**

*Prison Inmates vs. "Normative" Entrepreneurs* \( p = .000 \)

**One-Sample T-Tests Significance Levels**

*Prison Inmates vs. "Slow-Growth" Entrepreneurs* \( p = .000 \)

*Prison Inmates vs. "Fast-Growth" Entrepreneurs* \( p = .000 \)

*Prison Inmates vs. "Manager-Scientists"* \( p = .000 \)

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**Sources:**

*Prison Inmates: Sonfield & Barbato (1994)*

*Normative Data: Miner (1986)*

*Entrepreneurs, Fast Growth and Slow Growth: Smith & Miner (1985)*

*Manager-Scientists: Smith & Miner (1985)*

These results may not be that surprising. About 35% of all of all prison inmates have been convicted of drug trafficking crimes (Drug Data Summary, 2003). It is not unusual for a local drug dealing operation to have $100,000 in sales per week, a 90% profit margin, and 90% repeat business (Prison Entrepreneurship Program, 2007). Drug dealers, and their employees, often display the same entrepreneurial and managerial skills as successful owners and employees of legitimate business operations. If entrepreneurial “propensity” or “aptitude” is an attribute that some people possess to a greater degree than do others, and if a portion of our nation’s prison inmates possess this attribute, then *entrepreneurial or self-employment* training for soon-to-be-released inmates and recently-released ex-convicts would be a potentially valuable component of our nation’s social policy efforts, and might result in a lowering of recidivism rates with resultant benefits for society.
Program Proposals and Early Efforts

If entrepreneurial training programs were to be developed and instituted for inmates and ex-convicts, the design of such programs would be critical to their success. In early proposals for such programs, a variety of issues were discussed: inmate screening and pre-testing, criteria for inmate admission into the program, timing relative to release or parole, financing assistance, etc. With so many factors working against the post-prison entrepreneurial success of inmates, any programs instituted would have to be very carefully designed (Sonfield, 1992).

Working against the development and implementation of such programs in the early 1990’s was the political environment. Conservative political, social and economic values had grown significantly in the 1980’s. The American voter generally saw prisons as mechanisms to keep criminals off the streets; a place for confinement and punishment. The costs of such confinement were necessary, but the idea of spending additional tax monies on any form of training programs was politically unpopular.

Yet both the federal and state governments were willing to design, pay for, and establish self-employment training programs for displaced workers, inner city youth, and other underprivileged groups, and some of these programs proved successful, grew, and exist today, often working in conjunction with local colleges and universities (Entre-ed, 2009; Kugler, 2006). As the 1990’s progressed into the 2000’s, many private agencies began to see comparable programs for prison inmates and ex-convicts as worthy of their efforts. Many of these agencies had already developed similar programs for inner-city, unemployed, minority, and other low-income groups. Thus, in the 1990’s a handful of such programs were established around the United States.
Inmate-Targeting Programs Fifteen Years Later

In 2009, the situation has changed. Even the most conservative politicians now seem to recognize that the increasing costs of building and maintaining prisons have gotten out of control and can lead to rising taxes. And these conservative law-makers also now appear to understand that ex-convict recidivism is a serious problem that can result in higher taxes as well.

Fifteen years ago, “rehabilitation” of inmates and ex-convicts was scoffed at by conservatives as being “knee-jerk liberalism” and ineffective. Today the preferred word is “re-entry.” Republican Senator Sam Brownback of Kansas has concluded that “We’ve got a broken corrections system…recidivism rates are too high and create too much of a financial burden on states without protecting public safety.” He now supports programs to facilitate prisoners’ successful re-entry into society. He and other politicians, of all political persuasions, have thus joined in their thinking with the many experts and organizations focusing on criminal justice and the issues of recidivism that now see entrepreneurship and self-employment as a viable alternative to post-prison employment and as a means to reduce recidivism. Furthermore, the concept of assisting ex-convicts in re-entering society has been embraced by a wide range of groups and individuals, from evangelical Christians to liberal activists (Eckholm, 2008).

In the current decade, a small number of organizations in the United States have found the financial and practical resources to establish self-employment and entrepreneurial training programs for prison inmates and ex-convicts. The number of such programs is still small (perhaps 20 to 40 at most), and only a tiny portion of the potential target population can be served, but the trend is a positive one. Some of these programs also serve other target groups (displaced workers, inner-city youth, etc.) and other focus solely on prisoners and ex-convicts.
A small sampling of programs that currently exist in the United States and Canada (identified through internet searches, from Lindahl, 2007, and from Prisoner Reentry Institute, 2006) will give the reader an idea of the scope and nature of these programs:

- **The Five O’Clock Club.** Founded 1978. Skills training for employment and self-employment for incarcerated women at a New York City women’s correctional facility. The curriculum consists of a 10-week course to develop basic and advance business skills. More specifically, students are taught how to create a business plan, obtain economic and financial literacy, and develop marketing skill. Classes are taught during incarceration and follow-up services are provided after release (Five O’Clock Club, 2009).

- **Curry New Venture Initiative.** Founded 2007. In Winnipeg, Manitoba, Canada, this program provides participants with the resources and skills needed to launch a small business. The 13-week curriculum, in addition to covering basic business topics, also emphasizes the development of reading and math skills, as well as increasing self-esteem. Guest speakers, including program alumni, supplement the skills development (Curry New Venture, 2009).

- **Learning to Earn Project.** Founded 2006. Located in Cobb County, GA, and in collaboration with Kennesaw State University, this program’s curriculum includes “Exploring Entrepreneurship,” a six-hour class providing tools and resources to research a business idea and complete a feasibility study, and “Plan for Success,” a 12-week course focusing on business skills development. Follow-up consulting and mentoring services are included in the program. Almost half of those who take the six-hour class
continue to the 12-week program, with almost half of those graduating (Edge Connection, 2009).

- **New Vision, New Ventures.** Founded 1999. Micro-entrepreneurial training for economically and socially disadvantaged women in Richmond, VA, many currently in correctional institutions. The curriculum includes financial literacy, focuses on micro-enterprise instruction and creative thinking, and culminates in the development of a business plan (New Visions, 2009).

- **Men’s Employment and Business Ownership Program.** Founded 2004. Entrepreneurship training for low-income African-American fathers in Chicago, IL, 60% having felony records. The curriculum consists of the “Entrepreneurial Training program,” a ten-week training module covering the basics of starting a business, accounting and bookkeeping, marketing, legal and tax issues, and the development of a business plan. This module is followed by a technical assistance unit in which the student’s specific business needs (type of business) are further developed. Upon completion of the program, additional support services are offered, including substance abuse counseling, housing assistance, life-skills training, and capital access assistance (Lindahl, 2007).

- **Rising Tide Capital.** Founded 2004. Basic business planning and management training for low-income individuals, primarily women, minorities, and formerly incarcerated persons in Jersey City, NJ. A ten-session course in basic business management and planning offers hands-on training utilizing a business simulation (Rising Tide, 2009).

- **Coffee Creek Prison Project.** Founded 2006. Business planning and related training for women inmates in Portland, OR. The curriculum includes math fundamentals, basic financial literacy, and business plan development. Upon release, the curriculum moves
on to the refinement of the business plan, preparation of loan applications, and one-on-one mentoring and support of business operations (Mercy Corps Northwest, 2009)

Programs of this nature do not solely exist in North America. For example, similar programs also exist in the U.K., where the social policy issues of prisoner reentry and recidivism are comparable to the American experience

- **BRAVE Enterprise**, working in the Bristol, Avon and Somerset area in the U.K., with private corporate funding grants, is providing workshops and one-on-one coaching for soon-to-be-released prison inmates (This is Bristol, 2009).

- **The Reading Youth Offenders Institute** in the Reading Prison in England focuses on young inmates, providing them with the knowledge and understanding of how to start and run a business (Connect Reading, 2009).

Some of these programs focus more on in-prison efforts, other target just-released inmates.

While all have the objective of fostering self-employment, these programs also recognize the difficulty of achieving this goal, and the programs’ training contents also aid participants in obtaining traditional employment after prison, sometimes in conjunction with the early stages of self-employment start-up.

It can be seen that many of these programs have been recently founded, and that some are targeted specifically for women rather than for men, even though men constitute about 93% of all prison inmates (U.S. Dept. of Justice, 2007). The reasons for this disproportionate focus of programs on women are complex, but include the perceptions of the likelihood of success for women and the needs of women ex-convicts (perhaps more likely to have families to support).

Certainly the preponderance of male prison inmates would warrant a greater proportion of programs targeted to men.
One Program - In-Depth

To further understand the nature of these re-entry training programs, one can look in greater depth at the example of the Prison Entrepreneurship Program (PEP) of Texas, founded in 2004 (Prison Entrepreneurship Program, 2009). The components of the PEP program are generally similar to the programs more briefly discussed above. The PEP program’s mission statement reads:

*To stimulate positive life transformation for executives and inmates,*

*uniting them through entrepreneurial passion, education and mentoring.*

PEP’s program components include:

- **Participant Selection.** Applicants for the program are recruited from throughout the Texas men’s prison system – more than 60 prisons. After intense screening, selected pre-release inmates are transferred to a single prison, where PEP operates. Most selected inmates are either drug dealers or violent felons; most are repeat offenders; they average a ninth-grade education.

- **PEP Boot Camp.** Upon selection and transfer to the PEP facility, inmates participate in a four-month program of business education. The PEP instructional and support staff includes corporate executive volunteers and both students and alumni of top MBA programs. The inmate students receive a rigorous high-level business education, including, for example, the construction of detailed pro-forma financial statements and complex financial management techniques. They take more than 40 exams during the program, and they interact with more than 100 top-level business executives over the four months. The final exam consists of a
30-minutes oral business plan presentation in front of a judging panel of CEOs and venture capitalists from across the nation.

- **Prison Release.** At the time of the participant’s release from prison, the program’s staff is involved intensely and closely with the individual to smooth the difficult shift into the “free world.” Assistance is provided with regard to housing, clothing health care, family reunification, etc. While the participant works to start his own business, the program provides job placement assistance, utilizing the program’s network of business CEOs.

- **Post-Prison Component.** Upon release from prison, participants are required to enter the program’s “Entrepreneurship School” and complete a minimum of 20 workshops to further prepare them for self-employment and entrepreneurship. These workshops are hosted by the graduate schools of management at Rice University and the University of Dallas, and utilize the universities’ professors along with business executives and MBA students.

- **Follow-up Mentoring.** PEP staff and executive volunteers maintain close contact with program graduates. Participants receive pro bono consultations for everything from negotiation, marketing, web development, portfolio management and taxation. These contacts may also provide business opportunities for the graduates’ nascent businesses.

- **Start-Up Funding.** The program provides a $500 stipend for all graduates to assist in covering business start-up costs, and more importantly exposes these graduates to a network of accredited angel investors who are closely connected to the program and are ideologically committed to the program’s objectives.
In 2009, the PEP program received funding of about $3.2 million, and counts 370 graduates of its program. The recidivism rate is extremely low – less than 5%. More than 97% of the graduates were employed within four weeks after leaving prison, and 43 participants have successfully started their own businesses to date. PEP engages more than one thousand executive volunteers and more than four hundred student volunteers from twenty-two different MBA programs.

Obviously, PEP did not reach this level overnight. For PEP and for the other programs highlighted earlier in this article, the beginnings were modest. It takes time to develop a network of business executives and business school partners and find the right program design and content. Some partners drop out or prove ineffective. Furthermore, state prison and parole systems need to be convinced of the potential benefits of allowing outsiders entry to their facilities, programs, and personnel (Sonfield, 1992). And of course, external funding for such programs is slow to attract and build. For example, PEP started in 2004 only fifteen volunteer executives and 55 inmate program participants (only a few of whom completed the program), and with contributions and funding revenues of only $1400. By the end of 2005, revenues had reached $500,000, by the end of 2007 revenues were $1,750,000, and revenues of $3,200,000 were attained in 2009.

To date, PEP has experienced a cost of $13,000 per participant. This should be compared with the national average cost of inmate incarceration of $21,000.

**Future Directions and Opportunities for Academia**

With the passage of the “Second Chance Act,” and with politicians on both sides of the isle now supporting re-entry programs with the objectives of ex-convict employment and self-
employment, the opportunities for the funding of programs similar to PEP and the others described above now exist. Government funding is now available whereas in the past most of these programs looked for funding from the private sector. Also in the past, federal and state laws often barred or restricted ex-convicts from holding jobs or operating businesses in fields such as the financial, insurance, healthcare, childcare, transportation and aviation industries. Now the federal government and many states are softening these restrictions; therefore graduates of these programs will have more opportunities for employment and self-employment.

Opportunities exist for collegiate schools of business. Schools of business possess a variety of resources which may allow them to implement re-entry programs of the nature described above. Most colleges and universities have administrative offices and people with the knowledge and skills to apply for and obtain government grants, including those now available under the “Second Chance Act” (Reentry Policy Council, 2009). Furthermore, many schools of business have student field-work consulting programs, such as the Small Business Institute® program. One possible re-entry program model would be to utilize student teams to work with recently-released inmates, assisting them in developing business plans for self-employment endeavors. Another model might involve business school faculty members, either working directly with ex-convicts or in combination with student teams. Still another model, as used by PEP and other programs, would involve alumni of the business school. Involving alumni would bring in different skills than might be provided by student teams or by faculty members. It would also strengthen alumni-school ties and perhaps result in university development benefits. Of course, these various models (student field-work, faculty, or alumni) can work alone or be combined in various ways to suit the specific strengths and weaknesses of each collegiate school of business that wished to develop a re-entry program. And whichever model is chosen, the involvement of
the school of business in a re-entry program should provide positive public relations for the
school and enhance its involvement in the growing and often-cited academic discipline of “social
entrepreneurship.”

When a college or university has both a school of business and a school of criminal justice,
collaboration can be especially fruitful. Several hundred criminal justice schools exist within
American colleges and universities (UnivSource, 2009) and certainly the combined knowledge
and experience of these schools’ faculty and administrators can lead to the more effective design
and implementation of prisoner-targeted entrepreneurial programs.

Similarly, colleges and universities with chapters of SIFE (www.sife.org), Beta Gamma Sigma
(www.betagammasigma.org) or other organizations which promote student and/or faculty social
service outreach programs might collaborate with these organizations to facilitate the
development and operation of a prisoner-targeted entrepreneurial program. For example, SIFE
has chapters in hundreds of colleges in 41 countries, with more than 34,000 students involved in
some 1400 teams working to promote business and entrepreneurial skills in their local
communities. Here too these community outreach skills and experiences might be directed
toward near-release and recently-released prisoners to foster self-employment and thus reduce
recidivism.

Although the long-term future direction and success of entrepreneurial re-entry training
programs for prison inmates and recently-released ex-convicts are still unclear, these programs
do appear to be a growing phenomenon and now have the support of the federal government. If
the political climate and public opinion remain positively supportive of such programs and thus
foster continued and further growth in public and private funding, and if the existing programs
continue to demonstrate both cost-effectiveness and recidivism-reduction benefits, then we should see more programs of this nature, serving a greater number of inmates and ex-convicts. And collegiate schools of business should be prepared to join in these efforts.

References


This is Bristol (2009). www.thisisbristol.co.uk.


