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Franchising with a social twist

By JEFF BUCKSTEIN

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A socially minded program provides low-interest loans to franchise operators in exchange for job guarantees

Doug Moody has always believed in mixing entrepreneurial spirit with social justice. So when the owner of an auto and tire business learned how he could get a low-interest loan and at the same time hire people who might otherwise have a hard time landing a job, he was sold.

"I've always hired through various agencies in the past ... and enjoyed good success," says Mr. Moody, who operates a franchise in Barrie, Ont., of Active Green + Ross, an auto and tire chain.

Mr. Moody was able to secure a \$100,000 loan, repayable over five years, from Toronto-based Social Capital Partners (SCP). He used the money to start a second franchise of Active Green + Ross in April, and has so far hired four people under the SCP program for his two stores.

Typically, SCP lends money directly to the entrepreneur at below-market rates of about one or two points above prime. The business must then hire at least half its employees from agencies that help people who face employment barriers, such as those receiving social assistance or those who have a disability or low education.

SCP, which was founded in 2001, expanded into the franchise realm in 2006 as the result of a strategy devised by its president and founder, Bill Young, an executive who headed up telecommunications and computer companies before embarking on his latest career, which is aimed at showing how good business and a social conscience can work hand-in-hand.

"The idea is to finance businesses where the majority of employees are disadvantaged - to look for a new model as a way of solving a social structural challenge," Mr. Young says.

Instead of establishing a not-for-profit business with the goal of benefiting the community, an existing and profitable company is used to provide employment to people who might not otherwise be able to find it.

"We say, why not go one step further and actually give them a job in a real business and try to get that business to make money?" says Mr. Young.

The financing arrangement between SCP and the participating franchising businesses is a major part of its appeal, he says.

"We designed a program whereby we're willing to finance an entrepreneur who wants to own a franchise and provide them with the unencumbered capital [they need] to come up with, which normally they have to get from friends and family," explains Mr. Young.

The goal is to help people "who are on social assistance or outside the economic mainstream find a way to be productive citizens instead of having to rely on a government-funded training



program" to provide the skills they need, he says.

The program gave Rob Faulkner the chance to jump-start a career at Mr. Moody's Active Green + Ross franchise.

"It took almost two years to find a job I want to make a career out of. It's been so hard lately," says the 21-year-old resident of Barrie. Grateful for the opportunity, he has involved himself with as many duties as possible to learn the ropes of the automotive business.

Active Green + Ross became the first franchised company to participate in the SCP program, Mr. Young says. The chain had a store in Hamilton with a community-minded manager who wanted to buy a franchise. SCP met with him and worked out an agreement, he adds. "It was great because [the business] was already up and running and profitable - by the same person, only now he was an owner rather than a manager."

Five franchised Active Green + Ross stores participate in both the lending and hiring portion of the SCP program. (All 15 company-owned stores practice social hiring through SCP, although they have not borrowed funds.)

SCP "is a good funding vehicle for social programs," says Peter Steele, the Toronto-based general manager of Active Green + Ross. "They've done a phenomenal amount of work for us on the hiring side," co-ordinating dealings with multiple social agencies in the province, he adds.

Another franchisor is involved in the program, a Two Men and a Truck moving business in Oakville, Ont., says Mr. Young, whose goal is to expand the SCP franchise model nationwide. "Five years from now, I see us working with multiple franchise operations, resulting in hundreds of social enterprise franchises and thousands of jobs."

Before its expansion into the franchising realm, SCP provided financing to not-for-profit businesses across Canada, such as Inner City Renovation, a renovation and construction firm in Winnipeg that employs inner-city residents; and Renaissance, which operates thrift stores in Montreal that provide job training and employment to people receiving social assistance.

So far, SCP has invested about \$500,000 on its franchising program. Mr. Young is willing to earmark about \$2-million of internally raised SCP funds for the program, after which it plans to approach banks or other financial institutions for additional funding.

Beyond \$2-million, he says, the plan is to ask outside investors "to think with their philanthropy hat instead of just their investment hat."

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