

National Post

OUTSIDE THE BOX FUNDING

Monday, December 3, 2007

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Section: Financial Post

Byline: Derek Sankey

Source: Financial Post

Illustrations: Color Photo: Tyler Anderson, National Post / ROLLING OUT THE FRANCHISES: Ralph Chiodo, right, president and founder of Active Green and Ross, and Bill Young, president of Social Capital Partners, are working together to put qualified people with a desire to succeed into their own shops.

When Ralph Chiodo immigrated to Canada from Italy in 1957 at the age of 14, his possessions filled a cardboard box. He had no money.

"I went to work in a bowling alley setting up pins, but I wanted to be a mechanic and have a garage of my own," says Mr. Chiodo, who is now president of a chain of auto and tire centres in Ontario called Active Green + Ross.

Many years ago, someone offered him a chance to become a mechanic at a small garage and his entrepreneurial talent and technical expertise saw him spend the next several decades building up his chain of 74 corporately run stores.

"I was able to move along through the help of many different people and organizations," Mr. Chiodo recalls.

So it's not surprising that, with stores scattered around the province, he is willing to think outside the box when it comes to converting all his corporate stores into franchises, a move that he says makes the stores more profitable because "ownership brings a lot of responsibility and drive and desire to succeed."

"It requires about \$250,000 per location [to buy the franchise], so sometimes we find an individual who is qualified, who has the desire, but doesn't have the money," Mr. Chiodo says.

"We have to find a way to assist them with the financing so they can then get into business."

Enter Bill Young, a savvy businessman whose ship came in from his private sector endeavours and who subsequently formed Social Capital Partners in Toronto.

SCP lends money to would-be franchisors with viable business plans at about two points above prime on the condition that the owners employ at least 50% of their workforce from people who rely on social agencies, such as Employment Insurance recipients, and might not otherwise be offered employment.

"Hybrid companies -- those that try to generate both financial and social returns -- are a different and unique way to try and address some of our structural and social challenges," Mr. Young says. "We're trying to make these hybrid organizations part of the mainstream."

It's a formula that has worked well for Mr. Chiodo, who so far has franchised 54 of his 74 locations. Five

of those franchisors received funding for eight of the locations through SCP.

"This offers an opportunity for someone who hasn't got a lot of cash available to get into business," Mr. Chiodo says.

At the same time, it provides the level of oversight and hands-on management at each location that he wanted to achieve as the company bought up more and more corporately run competitors.

"You can't run this kind of business by remote control from head office," he says. "When there is an owner in place, [the stores] do much better."

Mr. Young has committed about \$2-million in financing for low-interest loans on such ventures with the intent of expanding it into the private sector as more interest develops with banks and other lending institutions.

"We try to finance things that most banks would finance," Mr. Young says. "Having said that, we're willing to take a different risk-return lens to how we finance."

SCP retains no control in the company, but it does enforce the 50% rule on hiring people from social agencies who can't find employment. The model he uses means the organization doesn't have to spend a lot of time managing the companies he invests in.

"We can scale this up and replicate it very, very quickly because of the inherent cookie-cutter nature of the model," Mr. Young says of SCP's current focus on franchises.

For people like Doug Moody, the opportunity made the difference between being able to buy his second Active Green + Ross location in Barrie, Ont., or not.

Mr. Moody received a \$100,000 loan from SCP to make the deal happen and the gamble paid off. "He took on a second location that was asleep and got it really cranking," Mr. Chiodo says. "It's tripled the sales."

There are similar models to SCP's approach, particularly in the United States, but "Canada lags a little in this area," Mr. Young says.

Looking back, Mr. Chiodo says all kinds of social enterprise models need to expand to open up more business opportunities for people like himself, who struggled against the odds to become successful

owners.

"I'm one of those people who received opportunities and assistance from someone who took a chance on me and helped me along when I had nothing," Mr. Chiodo says.