

FERNWOOD NEIGHBORHOOD RESOURCE GROUP (NRG)

Legacy Leadership Lab Case Study

AUTHORS

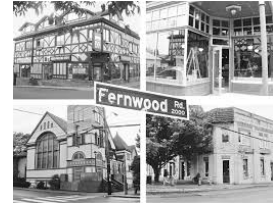
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Case Study – Fernwood Neighborhood Resource Group (NRG)



Victoria, British Columbia

The purpose of this exercise is to demonstrate the challenges and opportunities of conversion through succession as experienced from the perspective of key stakeholders. The cases represent a range of perspectives on successions through conversions, as well as the range of points along an enterprise's life cycle. This will include explorations of the conversion from the seller's perspective and the buyer's perspective, as well as of sustaining the converted business post-succession.

Introductory Statement

Fernwood NRG is a non-profit organization in Victoria, BC that provides services to the local community including childcare, recreational activities, and affordable housing. In 2005, Fernwood began acquiring local businesses. Needs aligned as both Fernwood and the small businesses were in need of support to generate revenue and become more financially resilient - these goals could be achieved through collaboration. As COVID-19 continues to disrupt communities across Canada, Fernwood NRG could use its social acquisition model as a tool to aid in the community's recovery. A key challenge will be selecting businesses that work towards the goals of the organization and generate stable revenue.

Social Acquisition: The process in which a conventional enterprise is acquired to create a mission-driven organization while maintain its revenue-generating ability.

Background

Fernwood NRG was founded in 1979 to provide childcare, recreational activities, and other programs at the local community centre (Fernwood NRG, n.d.-a). The organization primarily existed as a community program provider until 2004, when they held a visioning forum with the community to direct the future of the organization's work in Fernwood. Out of this visioning exercise came a list of values and principles which included ensuring neighbourhood control of local business, supporting neighbourhood employment, and working towards financial resilience (See Appendix A for the full list of values). Another major takeaway from this exercise was the need to rehabilitate the Cornerstone Building, a run-down and boarded up building in the heart of Fernwood.

In 2005, Fernwood NRG purchased and renovated the Cornerstone Building for \$1.28 million (Findlay, 2012). After this renovation, they were able to provide affordable housing, a new Cornerstone Café run by the organization, and less some space to other commercial tenants in the building. By generating revenue from both the café and the commercial leases, Fernwood positioned itself as an innovative social enterprise, working for community benefit. When the Cornerstone Café opened, it became a community hub, hosting regular community dinners and giving the organization a stable source of revenue (Leger, 2018).

The new revenue provided by the café and commercial tenants not only allowed Fernwood NRG to expand its services to better meet the needs of community members but it also built capacity to take on other community economic development projects. Several years after the opening of the café, they bought a local hair salon, the owner of which was planning to retire and sell the business (Fernwood NRG, 2018). Fernwood NRG leveraged its experience and capacity in administration (e.g. bookkeeping), while the previous owner stayed on as a salaried employee to manage the salon. This acquisition not only generated revenue for Fernwood NRG but maintained a small business in the community.

In 2018, Fernwood NRG similarly partnered with a local yoga studio. Fernwood NRG purchased the yoga studio under an agreement where the previous owner would stay on as studio director while they managed administrative activities (Fisher, 2019). They also moved the studio to a larger and upgraded space owned by Fernwood NRG. In the same year, Fernwood NRG closed the Cornerstone Café and began renting the space to another coffee shop that was looking for a new location after facing a rent increase (Leger, 2018).

In 2020, the Fernwood community was hit by the COVID-19 pandemic. This not only affected the work of the organization but all small businesses across the city. Fernwood's restaurants, which employ over 100 local residents, were particularly affected (Czemerys, 2020). Recently, restaurant owners across Fernwood came together to apply for patio areas onto public space (roads, sidewalks, parking, etc.). While this has helped them generate revenue, more recovery efforts will be needed.

Social Enterprise: A mission-driven organization (social, cultural, and/or environmental) that generates revenues.

Key Considerations

1. Fernwood NRG is run by a volunteer Board of Directors and relies heavily on other volunteers for operations.
2. Thus far, Fernwood NRG has provided administrative support while maintaining management leadership from the existing business throughout their social acquisition process.
3. The Fernwood community, including small businesses, has been heavily impacted by the COVID-19 crisis.

Current Situation

As COVID-19 spread across Canada, it has significantly affected Fernwood NRG's revenue-generating abilities, as it has for all small businesses across the country. Fernwood NRG's social acquisition model has been successful in the past but not every business they have acquired has lasted. Despite this, their social acquisition model may prove beneficial to the community during its COVID-19 recovery, especially the local restaurant industry which has been one of the hardest hit. It is important that selected projects align with the values and principles of the organization - but also contribute to stable revenue generation.

OPTION A

As a member of the Board of Directors, consider whether should Fernwood be using its social acquisition model to aid in the COVID-19 recovery efforts? Would the purchase of potentially struggling businesses be the best decision for the organization?

OPTION B

As a member of the Board of Directors, consider what would qualify a business to be a possible new acquisition for Fernwood? What qualities or characteristics should Fernwood NRG search out?

Appendix A: Fernwood NRG's Principles and Values (2005)

1. We are committed to creating a socially, environmentally, and economically sustainable neighbourhood;
2. We are committed to ensuring neighbourhood control or ownership of neighbourhood institutions and assets;
3. We are committed to using our resources prudently and to becoming financially self-reliant;
4. We are committed to the creation and support of neighbourhood employment;
5. We are committed to engaging the dreams, resources, and talents of our neighbours and to fostering new links between them;
6. We are committed to taking action in response to neighbourhood issues, ideas, and initiatives;
7. We are committed to governing our organization and serving our neighbourhood democratically with a maximum of openness, inclusivity and kindness;
8. We are committed to developing the skills, capacity, self-worth, and excellence of our neighbours and ourselves;
9. We are committed to focusing on the future while preserving our neighbourhood's heritage and diversity;
10. We are committed to creating neighbourhood places that are vibrant, beautiful, healthy, and alive; and, most of all,
11. We are committed to having fun!

(Fernwood NRG, n.d.-b)

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