Win-Win Capitalism

How social acquisitions will change the face of business.

Note: This is our experience and not to be taken as legal or financial advice. Or really any advice! This is our story, and we hope that you are inspired. We were and continue to be.

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Prologue: We are the best! A non-ego approach to business.

We've been taught that in business, there's no such thing as a win-win situation. But our team is challenging that idea. We believe that things can – and should! – change. We've found that win-win works. We've planted seeds of change and hope.

This is our story…

In 2019, the idea started with 8 people in a basement who had decided to investigate what it would look like to operate and own a social enterprise. They looked at all the different business opportunities that were out there and decided that caring for seniors was a great fit. They decided to investigate home care and as no one in the room had experience, they decided to investigate a franchise.

The charity investigated if they could do this and then bought the Victoria franchise. 6 months later they were offered the Nanaimo territory, they bought this as well. And they grew their business from $0 to over $1M in revenue in 2 years of operations. All owned by a charity. All putting people before profit.

Home care is when caregivers go into someone's home to support them with any needs from housekeeping to meal prep to getting out of bed to showering. It is a person-centred business – which a charity is ideally positioned for.

The founder of the franchise network decided to sell the national brand, Just Like Family Home Care. He had built the brand from just a Vancouver location to one that reached from British Columbia to Ontario. With the charity having grown the business so quickly and demonstrating great business practices, the founder approached the charity to see if they would buy the entire network.

A single, local charity was overwhelmed to fundraise the money to buy a national brand. So they reached out for support and found 2 other charities and 9 individual impact investors to solidify the purchase. In May 2022, this was the first social acquisition by a coalition of charities in Canada. This is where we came in, the Just Like Family coalition.

Just Like Family Home Care has continued to grow over its first 12 months of our new ownership. Within 12 months we had grown from 27 locations to 36 locations with an increase in both the number of women-owned and diversity of ownership across the network.

Every week had an insurmountable challenge.

But after all of what had transpired in 18 months, we asked the team what the biggest challenge was. They all said in so many ways, "the narrative and mindset". Seems like we as a society are still getting in our own way. People are so unused to the win-win approach that it is easy to mistrust it or to question if it is real. Our modern world has trained us to be win-lose…but we are proving there is another way.

The missing link to creating the world that we want to live in is examples of what it could look like. Win-win works. We are demonstrating that every day at Just Like Family and we are hoping that this story will inspire others to think differently about business and what they are investing in.

> "How do you become an agent of change if you ask permission to make the changes needed? Stop asking permission to change the world and stop making people ask you permission to change the world. Your teams need you to be a leader, even if your position might psychologically or socially make you feel like you are the bottom of the hierarchy. There's no harm in trying." – Alana, Operations Manager

This is the tip of the iceberg. Thinking HUGE meant that even if we reached ½ of what we sought out that we would be headed in a great direction.

We are not building a business; we are building a movement.

A few months ago, a social innovation expert in Canada told us that we had already reached "success" and that it was time to tell our story. So we started writing! An important part of change is telling stories.

So in this spirit, we begin to tell the story of our journey that is not complete. This is the tip of the iceberg. We're just getting started. And yes, it is already awesome!

> "For me this is the new way of doing business that will be taught in universities. This will just be as normal as adding two plus two, when people start businesses that they're looking out for the best possible outcome for everybody. And that it is a more collaborative environment rather than a top-down environment. I love that. We don't have this disparity between our lowest paid employee and highest paid employee. Not just from a point of remuneration, but from a point of respect and impact and feeling like they make a difference. Every time they come to work and be part of something big. Every individual is seen. And being seen as something bigger than themselves. It's making a difference on a cellular level in every individual that goes out to a global process." – Sarah, COO

Note: Language in business (and most professions) is just another way to create fear. Starting now we have added footnotes for any complicated business language[1] and made them approachable.

[1] Business language is shockingly approachable language that people assume they shouldn't understand so they put up a mental block up that makes it impossible to learn. If we don't think that we can learn something, our brains shut down and prevent us from learning (think about a difficult math class when you brain just stopped working). We believe that business should make sense. Just like in the movie the Big Short, if it doesn't make sense, it probably just doesn't make sense.

Part 1: The First Hurdle

Chapter 1: And so it began

Could a charity buy a home care franchise legally and how could this work? Was this even a thing?

Broad View United Church, a charitable entity, approached the innovation arm of The United Church of Canada (EDGE) with an idea in 2019. What would it look like to buy a franchise? Seed funding was found for the legal work to structure what a for-profit that is armlength from a charity could be governed without direction and control. They found out that it was possible and how to do it.

> "So, the very very beginning…how we started in Victoria. We had about eight people on the committee, and we knew we wanted to run a social enterprise that was aligned with the value of the local church.
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> We looked at a number of different options where we could make a difference. Socially and environmentally, what were some of the issues out there that we could solve. We looked at everything from tech to recycling, to environmental stuff and we decided that home care and the aging population was something that was really important. We decided that we wanted to look at a home care business. We had options at that point as to whether we were going to look at starting our own or joining a franchise model.
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> When it came to having started a few companies of my own, I realized that it's a long time before you can actually get to home care. When you do it on your own, you must come up with your own logo and website and there's a lot of cost and time that goes into it that isn't home care. You're working generally for at least a year before you're in the business that you want to get into. The franchise model allowed us to get to making a difference for people sooner. The capital requirements were relatively low. And it came with all the things that we were not experts - the website, the logo, the branding, and the sales brochures. We had a great base to start so we could just get to market quickly and get in front of people where we knew we could make a difference.
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> We chose Just Like Family Home Care because they were Canadian, they were local in British Columbia, and they were really relationship-based. They focused on that relationship that we felt had been missing so much in home care. It goes to numbers, it goes to convenience, it goes to all these other things in the traditional business, and we wanted to do things differently. We wanted to approach this matchmaking idea, where you had a caregiver aligned with the client with similar interests, or similar languages and similar skills. Not only could they look after each other and have the skills required to look after each other but they could enjoy their time together. It would move from surviving to thriving." – Sarah, COO

By January of 2020 Broad View United Church had officially launched their franchise with Just Like Family Home Care in Victoria BC. In addition, they had negotiated a *RoFR*[2] for Nanaimo BC. How did they know to do this? The entrepreneurs who had planned to do this work were savvy businesspeople who knew what to ask for, even if they didn't understand home care.

They received a *line of credit*[3] to scale the business and in the summer of 2020, they had to *execute the ROFR*.[4] This additional amount was done through a zero-interest loan.

Really it was a handful of visionary leadership to see this as a gamechanger and an experiment that was worthwhile to stick their necks out for. The understanding that we can't just use a non-profit and charitable mindset for all our work. That there is value in capitalism tools and bringing business savviness to the forefront for good. They also understood the importance of people's gifts and leadership.

Finding the right leader of this social innovation was the most important step. Sarah was a serial entrepreneur with a huge heart leading the business over the first two and a half years. They experienced phenomenal growth leveraging social capital in the community and business savviness to become the fastest growing franchise in the network and one of the top three performing locations in less than 2 years.

Although it felt quick and it felt unexpected when this opportunity came knocking, it really was all laid out and part of the plan. Still, it was not enough time for people to think that this was possible. Wasn't buying a franchise as a charity enough? Nope!

In December 2021, the idea to purchase Just Like Family Home Care National, the *franchisor*[5], was presented to Sarah who was running the Victoria and Nanaimo franchises. The first call was to Carla at The United Church of Canada to see if this was even in the realm of possibility. This was the first call that created us – the Just Like Family Coalition.

We were so excited that this opportunity that had been on the horizon and all of the hard work and all of the conversations with charities about this model was coming to fruition.

Then we stalled.

Fear is a funny thing. It shows up in so many ways. It can show up;

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[2] ROFR is a Right of First Refusal and is a legal term to indicate that if a future opportunity were to arise that the individual or organization is allowed a kick at the can first. This can be in purchasing a territory, more shares, a property or really any future opportunity.

[3] Line of credit is when a financial institution (typically) gives you pre-approval for a loan up to a specific amount, but you only exercise the use of the loan when you need it. So if you have cash in the bank and can use that money for something, you don't have to use your line of credit and don't have to pay interest on it. However, if you have a cash crunch and need to dip into your line of credit, it is there.

[4] Execute the ROFR is just the legal process of taking advantage of the opportunity that you had first right to. Typically, there is a formal process that must be followed in order to exercise the RoFR.

[5] *Franchisor is the corporation that has the right to sell franchisee territories and award franchise agreements. Think about a large restaurant chain, each location is a franchisee and the head office is the franchisor who builds the brand, the processes, and ensures consistency.*

- as bravado where we tell people all about our big plans that we are too scared to move forward with.
- as bragging about things that we have achieved because resting on our laurels is easier than exposing ourselves to more risk.
- once you've decided to do something and you don't know the next step to take.
- when you have committed to something and then allow your fear to second guess.
- in excuses of why you are procrastinating
- in excuses of why you are stalling.

We had a lot of excuses. It was Christmas time and holidays were about to start. We had questions about who was in charge and who was part of the team. It showed up when the holidays came around and everyone needed a break. It showed up in questions of whether we should do this thing. It showed up in other priorities to prepare for the year. It showed up in many discussions on if we were going to be able to structure this in a way that works for everyone. And the frozen in fear (also known as stalling and excuses) had almost stopped the experiment before it even started.

In the end, it took us over a month to get the *LOI*[6] signed.

The team that was trying to put this together was Rob, the founder of EDGE. Carla, the chief innovator at EDGE who also happened to be a business coach, two were the fearless ministerial leaders of Broad View United Church who had already taken the first leap of faith in buying the franchise, and the visionary leader Sarah who had already proven out the home care business model owned by a charity. Pretty formidable team. And still, these are the people who took over a month to sign the LOI.

> "If you have fear I think it's going to be easy to doubt every chapter in this book. Fear has been the biggest roadblock that I have seen for people. The worst part about it is that when you ask people what their fear is, they go "I don't have any". Yet everything they do or don't do has sprinkles of fear in it. Could be fear of failure, fear of believing in something that's unconventional but can be a successful path forward, fear of partnering with the wrong people, fear of not being perfect, fear of disappointment, or fear of upsetting the apple cart. The key thing, name your fear and be vulnerable. It's okay to have fear. It's not okay to hide the fear from your team. It's not okay to let fear determine your worth or value add, and it's not okay to let fear prevent you from being creative with solutions or giving up on yourself before you have even tried. Fear is not an excuse to not upset the apple cart, in fact when we upset the apple cart we often evoke the change required to make our business more functional. I want to stress here that it's not by challenging everyone in your path but channelling the "why" in situations when the norm no longer makes sense."
> – Alana, Operations Manager

[6] *LOI is a letter of intent, which is a legal document that indicates that you wish to further explore an opportunity. By signing an LOI you are committed to spending resources (time and money) and will need access to potentially confidential information in order to make a decision of whether to move forward with the opportunity.*

Fear is something that we think you should be tracking throughout this journey. It can be healthy, and it can be harmful. And the important part is understanding which you are dealing with. In the end, for the leadership team they were committed to doing things differently and they realized that if they expected or hoped to see the world differently, they were going to have to do something about it.

Once the decision to move was complete, that's when stalling was over! The clock started ticking on January 21st. Now this was a real thing, and the hard part was about to begin.

Chapter 2: An unlikely catalyst

The United Church of Canada has a history of being radical and trailblazing. In 2010 the denomination was brave enough to create an innovation arm to even test its own understanding of what church would be in the future. This new arm was called EDGE and was created as an arm's length entity that was empowered to experiment and work directly with churches (renamed 'communities of faith) to think about 'church outside of Sunday'.

> "Within the church there are those who are resistant to change. I have been told "This is the way we have always done things, and we will continue on this way until the last of us is dead, and the church has closed."
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> The stages of change management include shock, anger, acceptance and commitment. Those who languish in shock and anger tend to be unwilling to even consider having a conversation about doing things differently. Rather than contemplating how they might change themselves - the focus is what they could do to entice or persuade others to join them, particularly when it came to Sunday worship. The tendency for some was to think about bums in seats, rather than focusing on the difference they could make out in the wider community beyond the church doors. Church is so much more than Sunday worship.
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> Then there were those that accepted that society had changed, and they must too. Rather than thinking about what OTHERS must do, they reflected upon what THEY must do instead. How can we take care of others? What can we do that will leave a lasting impact on the lives of people outside our church into the wider community? What if we considered this new thing? What if we did something we have never thought of as church before - but will make a huge impact in the lives of others? Who can we work with on this? Where do we go from here? What must we keep, and what do we need to be willing to let go of? IS THIS CHURCH?
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> Just by accepting that there may be a different way to do church is a monumental shift in thinking for some, much less making a commitment to act upon any shift in that thinking. Not everyone has the willingness to try out new ways of thinking and doing, but for those who dare to dream? Possibilities are endless."
> – Lori, Partnerships

Innovation was focused on the understanding that society already has the ideas to move forward, it just needs a way to network the ideas to move forward. One of the first things was to reach out to all of the communities of faith and get their ideas and feedback on what was needed and what needed to be explored. This created two benefits; first trust was beginning to form across the network as it was a relationship and communication that was being fostered, and second the best ideas from grassroot organizations were being harnessed and responded to from a national perspective.

EDGE was responsible through relationships to build out a coaching practice, central procurement savings program and one of the most exciting social purpose real estate initiatives was launched. Part of the job of EDGE was to create an ecosystem that promoting innovation and to support innovation growth along a continuum, from ideation to sustainability of the ideas to even scaling them.

> Example: Kindred Works is a for-profit development corporation owned by The United Church of Canada to support communities of faith in redeveloping their land to create community space and rental housing across the country in community.

Ideation & grassroots innovation.
Pitch competitions for social enterprises started in 2015 and were often the first pitch competitions that the attendees would have ever been part of. The events provided very small amounts of seed funding to test early-stage ideas and mentoring. Really, they were about the network of people in the room that was there to support each other, excellent partnerships grew from this, and people thought differently about their businesses throughout the day.

> Example: Raw Carrot Soup Enterprise was the first winner of the Social Innovation Challenge which hires individuals with disabilities to cook nutritious and delicious soups. They landed seed funding to get their concept off the ground, build a website, and ended up growing to 4 social franchise locations. All 4 social franchise locations are based out of church commercial kitchens.

From 2016 to 2021 this fund supported over 700 social innovations across Canada. But grants weren't enough in the social finance continuum.

Growth & scaling an organization.

A huge gap for social innovations was the financing required to grow and get to a scalability position. This is not something that happens overnight, and it is even more complex to operate a social enterprise versus a standard corporation, which means that more unique ways of financing are required.

The existing financing tools included;

- **Grants**: These are often for specific projects or initiatives. There are grants for ongoing funding, but the granting landscape is moving away from this. That means that nonprofits and charities are needing to be really interested in the other social finance tools and starting social enterprises. Grants typically can pay for 3 years of funding but don't go beyond that amount.
- **Impact Loans:** The primary impact investment tool in Canada in 2020 was still a loan. Most community foundations and charitable organizations that dabble in impact investing look at loans as safer and more secured. However, it creates a burden on the loan recipient and a sense of us versus them, rather than a relational approach. Also, loans typically must be secured, which really means that the impact investor is

not taking on risk at all. One of the reasons why debt is the choice of impact investors is that there are nominal returns. Simply said, the returns are not considered to be high enough in the marketplace for social enterprises to justify the need for equity. Or so we thought.

A different type of finance was going to be needed. How do you get from three years of granting to being able to repay a loan with interest?

- **Pay It Forward Loan:** A zero interest loan with a patient lender approach that would reduce risk for a nonprofit or charity to attempt something new and grow it. Most organizations with zero interest loans have seen a high repayment rate.
- **Equity:** It became clear that equity impact investments would be required for true scale and growth. In the States between 2016 and 2021, impact investments have moved from being debt to being equity stakes.

"Noticing many such ventures being initiated by United Church social entrepreneurs, we developed a loan/grant/consultation support network for these adventurers. For our pitch competitions, non-faith-based organizations partnered and invited their own entrepreneurs. It became apparent that something larger was at work. Some questioned the coming together of church and business, but the conversation revealed the colonising roots of the charitable model in sustaining inequitable social strata.

Many of these ventures stumbled on finding and implementing a viable business model. When we first received the application for a United Church to purchase a franchise it seemed like a natural progression. Amazing missional alignment sustainable through a tested business model. The collaborative advantage of spiritual leadership and a whole faith community behind the venture seemed like a win-win for sure. Their success proved this right beyond our wildest expectations. Exciting? For me, all of this prepared the way for the mind-blowing opening."– Rob, EDGE

Chapter 3: What's in a social acquisition?

Social acquisitions can and will change the face of business. It is just a matter of if it is done in our lifetime or the next, and if a small group of people decide to do great things. A social acquisition is difficult but not impossible and we are proving that. In fact, small groups of people have been doing the impossible since the beginning of time, it is just our turn now.

This could be you. This could be now. This is how it is done.

The LOI.
The LOI process is straight forward (please don't allow this to be the part that holds you back).

An LOI is your formal intention to proceed on investigating a deal. It is a mutual understanding between the buyer and the seller that you are going to begin sharing information and formally going down the path of a future deal. LOIs can be for anything including a potential *merger* [7]or *acquisition*[8]. But they can be for *strategic partnerships*[9], joint ventures[10] or any business agreement that requires due diligence in advance of moving forward.

Typically, an LOI has general terms of what is being investigated, confidentiality, and the term in which the investigation will occur. There is usually something about costs and who incurs them and who doesn't if things don't progress, and some of them have a proposed next step if things do progress.

There is the saying of 'if I knew then what I know now", well here is what we wish we had known;

> Lesson #1: What we didn't have was a freeze on any major changes in the business during the due diligence period. This is never a good idea to leave this loophole open.
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> Lesson #2: That 60 days for a purchase of a business was ridiculous. Often this takes 6 months for this type of transaction. In fact, financing alone (if you decide to take on any debt) would take 90 days at the fastest with a track record <u>and</u> *balance*

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[7] *Merger is the legal process of two organizations (typically corporations) becoming a single entity. This will require the management of both organizations to work together of what a future together will look like.*
[8] *Acquisition is when one organization purchases the other organization. The purchaser will have a strategic plan and direction of what they see the two organizations doing together and how it will operate moving forward.*
[9] *Strategic partnerships are often formalized agreements of who two organizations will work together. Strategic partnerships can be short term or long term and come in all shapes and sizes. Frequently it will include some confidentiality clauses.*
[10] Joint ventures are when two (or more) separate organizations co-create a new corporation in order to achieve something together.

sheet[11] to support the debt. Remember, we didn't even have a company set up yet to buy this thing.

The moral of the story, sign the LOI. And get moving.

Due diligence.
No one is going to invest into something that they don't understand or think that the people presenting it to them have not done the extra work to vet if this is a good opportunity. The challenge was that the team had an excellent track record of starting things (remember, a bunch of innovators and serial entrepreneurs) but we didn't have the experience to buy something. We were starters, not necessarily buyers. The good news about being starters is that we had the confidence in ourselves to still be buyers.

Regardless, due diligence was necessary and is necessary when doing any business deal. Even more so with charities and institutions as investors, as with Boards and decision-making processes in institutions, they were going to be much more risk adverse than an individual investor would be. This would take time that we didn't have.

We reached out to an impact investment consultant who had supported multiple community foundations in selecting and investing in some of their deals. He was both reputable as well as having a finance background. In addition, his street credibility with the community foundations and charities throughout Canada would potentially reduce barriers or perceived risk in investing.

The saving grace for due diligence was the uniqueness of the situation. Typically, due diligence needs to be hyper vigilant as it is an external party that is buying the business. In our case, we had been two of the franchisees for 2 years. Our leadership team knew the other franchise partners, knew the vendor and his team, plus they had first-hand experience in running the business model successfully. Without this insider information, we most likely would never have gotten this over the finish line. It would simply have been too risky for any of the investors to consider with limited information and minimal further capabilities for due diligence.

Business planning & pitching.
Upon signing the LOI we immediately started business planning. We didn't have any time to spare.

Unlike individual investors who might ask for specific ratios, due diligence and a proforma, charities are completely different. Recognizing the internal decision-making structures of charities, their Boards, and management, we knew that we had to move quickly in setting up our preliminary presentations and getting information into the decision makers' hands.

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[11] Balance sheet is the accounting methodology of showing the snapshot of the assets, liabilities, and owner's equity at a point in time. But in this usage, we are referring to the balance sheet as being able to demonstrate to a financial institution that the corporation has enough cash and other assets for them to be a good organization to loan money to.

We had a single week to prepare for pitches to critical investors. Without most of our committed dollars, it was going to be impossible to get over the line. This is like fundraising for a charity. Most charitable goals are ½ way met prior to a large campaign or a gala based on large contributions from their largest donors. *Fundraising*[12] to purchase a business (not to be confused with fundraising for a charity) is similar. People want to be part of something that seems like it will be successful. And even more so in investing, people want to invest in something that other people already have confirmed is a good idea.

What was the preparation? We drafted *financial proformas*[13], *NDAs*[14], and *pitch decks*[15]. We created *sensitivity analysis*[16], *NPV*[17] to support valuation, and a full business plan. We created a list of over 100 investors. We reached out to every one of them all within the first week by email and phone. We had 10 people sign back an NDA to receive the materials and 7 requested presentations.

It wasn't enough. So, we went back to the list and reached out to more people. Every time we felt like we might not get over the line, we called and emailed 10 more people.

In the end we reached out to 187 potential charitable investors. And we literally spoke to everyone we knew about what we were doing.

Financing.
In all businesses there is a balance between equity and debt.

Equity[18] is invested cash that is paying for *shares*[19] and ownership of a *corporation*[20]. If an individual was to create a corporation, they might issue 1 share that is owned by the individual for them to own the entire company. When you have more than a single owner or investor in a corporation, you would need to issue more shares and divide these shares

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[12] Fundraising is used by charities and nonprofit when they get donations. For-profits also use the same term for when they raise money for acquisitions or new projects.
[13] *Financial proformas are financial projections of how much future revenue and future costs you can expect. It is business planning with just the financials and demonstrating how the financials could play out based on what is known today.*
[14]*NDA is a non-disclosure agreement which outlines what is considered confidential and how the parties involved in the NDA will behave with this information. This is often signed with an LOI, a partnership agreement, or any time that one party perceives that the information that they are sharing is confidential and could negatively impact their business. It is a best practice for NDAs between corporations to be mutual.*
[15] *Pitch decks is taking the story of the business plan and putting it into a presentation. The is a more common way to attract investors whereas a business plan is what financial institutions would ask for.*
[16] *Sensitivity analysis is when the financial proformas as testing on their assumptions by increasing the costs and decreasing the generated revenues to determine if there is risk in the plan.*
[17] *NPV is Net Present Value, a handy formula that allows you to take future cash flows of an opportunity and identify the current day value of that opportunity. For example, if you wish to run an AirBnB and are looking at a location to purchase, you could determine what your monthly income would be from renting it out, put in how much money you would like to make on your investment (say 10%), add in how much you would sell this in 2 years from now, and use NPV to determine the max amount that you would be willing to pay. Pretty neat.*
[18] Equity is the invested cash that is paying for shares.
[19] Shares are the representation of the amount of ownership that someone has in the corporation.
[20]Corporation is the legal structure of many businesses as it allows for multiple shareholders and has limited liability for investors (meaning that it is a separate legal entity and, in many instances, if someone occurs it is only the corporation that is considered at fault – not all cases).

amongst the owners based on the agreed upon ownership structure. People are more familiar with buying stocks (which is another name for shares) in large companies through the stock exchange or part of a mutual fund that they have selected, or their financial planner has supported them in.

For this social acquisition, we needed to have charities and impact investors become *direct equity investors*[21] (that's a mouthful!). They would have to own the shares in the corporation directly without being through the stock market. To protect people from scams and crooks, most governments worldwide require someone to be a bit savvier of an investor or to have other reassurances to do direct equity investment in something that is arm's length, this type of investor is called an *accredited investor*[22].

For someone to own shares in this social acquisition, just to make it more interesting, they <u>all</u> had to be accredited. That meant that we could only offer shares to charities with more than $150,000 of investments, individuals with more than $1M in assets, and individuals who knew the Directors of the company firsthand. And that when we had this commitment, everyone would have to sign an additional release that they fully understood what they were getting themselves into and that this was a highly risky investment (just what an investor wants to hear and sign off on before handing over cash).

Debt[23] is a loan. This is used in finance so that people that invest equity into a business own a larger percentage of the business than they would otherwise. For instance, let's say you wanted to buy a $1M business and you bought it all with equity. If your profit was $250,000 then the return on your investment would 25%. Let's say that instead of buying it with $1M of equity you used debt to finance half of the purchase, so $500,000 is equity and $500,000 is debt. The same profit of $250,000 would give you a 50% return on your equity instead of the 25% return. By using debt, you can get a higher return on your equity (this is called leveraging debt).

So why is debt appealing to impact investors? Debt has the first right to being paid back prior to any dividends being paid to shareholders. They have a guaranteed return at whatever the interest rate is, but they <u>don't</u> get to participate in the *upside*[24] if the business does well.

The most common way for a business to acquire debt is through a financial institution.[25] However, this can take 90 to 120 days to complete the financial institutions' paperwork and be approved via the credit department. Typically, they require that this is personally guaranteed or have some other sort of *collateral*[26].

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[21] Direct equity investors are individuals or organizations that own shares for non-public companies (not on a stock exchange) and who are not directly involved in the day-to-day operation.
[22] Accredited investor is considered a savvier investor as they have investment assets of over $1M and are considered to be responsible for their own investment decisions.
[23] Debt is a loan.
[24] Upside is the higher than expected or average returns. As the owner of the business part of the upside would be that you could make a salary and the net income. As an investor of the business, instead of having consistent interest rate payments you get dividends which are payouts to investors when the business has hit certain thresholds.
[25] Financial institutions are banks and credit unions that lend money to individuals and businesses.
[26] Collateral is the security that is in place to protect the financial institutions if you are not able to pay back the loan.

Getting financing as a charitable-owned business with impact investors, there wasn't a single individual who was going to be willing to offer a personal guarantee for the debt we were taking on. People only offer a personal guarantee on debt if they are participating in the upside of a project. And we were structuring this so that the charities were getting the lion's share of the upside. So, it would be reliant on the charities putting out a guarantee.

Next problem (of course). Financial institutions won't accept a charity's guarantee, as guarantees are only good if you are willing to collect on this. No financial institution wants to be the one to shut down a charity by collecting on a guarantee. In essence, a charity's guarantee on debt becomes useless. So, we weren't going to be able to get financing through traditional methods. Without financing, we wouldn't be able to create a model where the charities were the primary owners (the current point of this experiment).

> Example: A women's shelter wishes to use their property as security to get a loan. A financial institution would look at the security of the property and say that they could give a loan. The problem is that the financial institution is never going to take the physical building (which houses the women's shelter) back from the charity. The press, the outrage, the negative impact on the women and their children – it just isn't worth the headache for a financial institution driven by profits! So the security of the women's shelter is consider worthless. And the women's shelter is not approved for a loan.

This thinking has ripple effects across non-profits and charities worldwide.

This left us with private lenders as the only option to get this over the line within the timeframe available to us. This was going to make or break the deal and we didn't have much time.

Structuring.
Spoiler alert. We ended up figuring out the financing and raised the equity (hence the book and we'll explain how in the next chapter).

Structuring (not surprisingly) has quite a few pieces that need to be patched together. This was one of those areas that we had quite a few conversations about and some of the greatest number of disagreements.

First discussion is how the equity is going to be structured. With all the work that had been accomplished to get us to where we were in getting the 2 franchise locations off the ground in such a way that this opportunity presented itself, there were *founders shares*[27] issued. Founders' shares acknowledge the work that was done previously to acquiring or incorporating and that there should be a lower cost to buy in based on this previous work. Post purchase of these shares at a Founders' share rate, these shares were deemed as

[27] Founders' shares acknowledge the work that was done previously to acquiring or incorporating and that there should be a lower cost to buy in based on this previous work.

common shares. The remaining investors were awarded *common shares*[28] with equal voting rights. Often there are multiple *classes of shares* [29]including *preferred shares* [30], but we just kept it simple.

Next it is time to incorporate. Only once the shares are delineated and agreed upon, can you incorporate as the information regarding the number of shares and type of shares is required in your incorporation documentation and your Central Securities Registry, where you declare who owns which shares to support that all investors are accredited and that you have stayed on the right side of the line.

With the incorporation in place, we now have a legal entity that we can issue legal agreements with. This is when our lawyer had to get to work. With our private lenders in place, we executed *promissory notes*[31] based on the *business terms*[32] that were agreed upon.

With each of our accredited investors we provided a *shareholder agreement*[33], a *subscription agreement*[34], and they need to sign off on how and why they were an accredited investor. With all this paperwork in place, we could finally collect the money so that we could close the deal.

Instead of this money simply going into the corporation's bank account, you use your lawyer's *trust account*[35] to transfer the funds and hold in trust for the transaction to happen. This ensures that you have the funds available, you don't release the funds until the paperwork is finalized, and trust accounts are designed to transfer these larger amounts.

With the structuring complete and the funds collected, we were ready to close the deal.

Closing the deal.

Like everything else in a social acquisition, closing just doesn't happen. There are stages and components of this process.

Basically, this process is 60-90 days. Think about buying a house. We had signed the LOI for 60 days, but to no one's surprise we had to extend this for another 30 days. Extensions

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[28] Common shares are the more normal type of share that is issued by a corporation that has one vote for every share during the Annual General Meetings.

[29] Classes of shares refers to the different types of shares that are possible. There can be multiple classes with Class A shares being the ones with the most amount of risk and the most voting rights and other classes having less risk or decision-making powers or having a guaranteed dividend. The sky is the limit of how these are created.

[30] Preferred shares are shares that are paid out prior to a common share. So, they rank in being paid right after debt.

[31] *Promissory notes are the legal documentation that you would put in place with a private lender.*

[32] Business terms are the negotiated agreement between the two businesses. These business terms are provided to the legal team to legalise them.

[33] Shareholder agreement is the legal document articulate the terms and conditions that the corporation and the shareholders must abide by.

[34] Subscription agreement is the legal document that confirms the investment of the accredited investor.

[35] Trust account is simply a bank account that is custom designed to execute these larger business transactions and is controlled by a legal team.

are normal. However, you are at risk of losing the deal if you don't meet these deadlines. The key is keeping the communication open and building trust.

By the end of the LOI terms, you should have finalized what the next steps are in the purchase. You should have finalized the purchase agreement which can be either a share purchase agreement[36] or an asset sale agreement[37].

Once you are both clear on the terms, price and payment of the transaction and you are comfortable on everything through due diligence, then you waive your conditions. Conditions can include financing, due diligence, and really anything else that you are concerned about that could be a valid reason for the share purchase agreement to be invalidated.

Other agreements that are being prepared currently for the close are how you are the *transitions agreement*[38], the *non-compete*[39], and any *releases*[40].

Most vendors get panicky during the final stages of closing a deal (really everyone is on edge). The more conditions that you can waive, the better that the vendor is feeling but probably the more that you are feeling vulnerable. In our case, the vendor had had two potential buyers that fell through for various reasons. So, the vendor was even more sensitive to the conditions, specifically financing.

Once conditions are waived, you are stuck with the deal. So, you better be darn sure that you have your ducks in a row. At this point there could be some serious legally repercussions.

Based on this, we ended up collecting both the debt and equity in advance in the lawyer's trust account. The day came, the documents were all signed, and we close on the deal.

We were the proud owners of Just Like Family Home Care. And we all had a toast.

> "Operating a social impact venture like Just Like Family is difficult but extremely rewarding. There are many things to consider beyond the bottom line and the goal is to maximize or optimize stakeholder value, which are not just shareholders, but much broader like employees, patients, the community and beyond. It's a much more

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36 Share purchase agreement is the legal document that transfers the shares from one individual or organization to another. An SPA means that the operators of the legal entity that is a corporation change. The benefit is that typically all of the legal agreements and processes are already functional but various government departments need to be made aware including the CRA and work safe organizations. But if there was a legal liability on the corporation, this is transferred to the new owners.

37 Asset sale agreement is the legal document that transfers the assets of a company from one individual or organization to another. It is putting a value on the agreements, the equipment, and selling that as tangible assets to the purchaser. The advantage is that any liability incurred in the corporation doesn't impact the buyer.

38 Transitions Agreement is a legal document in addition to the purchase agreement that specifies the transition period including account receivable/accounts payable, communication, and support that could be incurred.

39 Non-compete is a legal document in addition to the purchase agreement that prevents the seller from competing for a period.

40 Releases are another legal agreement at the time of closing that releases both parties of any legal ramifications to make it a clean cut.

difficult task to operate a social impact firm given these various dynamics, however having robust operations combined with an intentional strategic plan can create long lasting positive externalities making true and effective change in society.

This ethos of Just Like Family permeates beyond just running and operating a business but is also core to how Just Like Family looks and values strategic financial partnerships, a key pillar in value creation. There are countless examples of meeting with bankers, financiers and strategic partners who claim to be supportive of a social impact firm but gravitate towards a singular view based on financial models focused on revenue, bottom line and credit worthiness. In many cases, these companies value the financial return over the holistic combined economic and social return that an organization like Just Like Family would provide. These organizations fall short of understanding the value proposition of Just Like Family and it maybe multifactorial - either they are set in their traditional ways of thinking, don’t have the right resources to support a different view or approach, lack clarity around the social impact value and a whole host of other reasons.

What is apparent, however, is that the byproduct of these discussions results in a further refinement and edification of Just Like Family’s priorities and values. It further crystalizes what is important to the organization as itself selects out partners that are not aligned and highlights Just Like Family as a unique firm that is leading the way in a new investment class category. Furthermore, and finally, through these strategic partnership discussions, Just Like Family, in many ways acts as a missionary, not only, spreading the “good word” of Just Like Family and its value proposition, but also, paving the way, as a leader, in changing other organization’s approach, view and perspective on social impact companies.” - Jeff, CFO

Chapter 4: The usual suspects are not usual at all!

We reached out to 187 charities. We heard “no” 184 times. But we persevered, and finally, we got three important “yeses”.

In the interest in supporting others that might wish to do this themselves, we hope to highlight some of the blockages and sabotage that might pop up. Plus, we learnt a lot!

Go with the energy.
From the get-go a large majority of charities and individuals had no idea what we were speaking about. In general, they thought that we were bonkers. They smiled, honoured our relationship, and sent us on our way. They were never going to invest. Move on quickly, do not pass go, do not collect any dollars, and move on to the next potential.

Don’t take this personally. If someone doesn’t get it in the first few minutes or have any follow up questions, they are not going to invest in the timeframe that you need them to. In business there is an adoption rate theory, that only certain percentage of the population are innovators or early adopters. You aren’t going to win them all, and you just shouldn’t try.

The sabotage here is that just because they don’t get it, doesn’t make them bad people. They simply don’t have the experience, insight, perspective, openness to risk as you have. But they want to support you by appearing interested even though they know that their organization will never invest. The best thing that you can do is get them to admit that and say ‘no’ as early on as possible.

Don’t slow down for (almost) anything.
One of the easiest ways for charities to bow out was by indicating that the timelines were simply too fast. And really, they were. We needed commitment and money in less than 100 days from when a charity would first hear about the concept. In normal change management for an institution, you are looking at 7 years to change a corporate culture and we were pitching an idea that was outside of everyone’s comfort zone.

If they are slow now. They will always be slow. If you are acquiring a smaller entity, you will need to be moving at the speed of business and not at the speed of charities. This will severely negatively impact your business in the long run.

There is no downside in keeping them in the loop and letting them know how things are going in case there is a second capital raise or another investment opportunity. It will just encourage them to be faster next time!

If you aren’t speaking with the investment committee, you are speaking to the wrong people.

Other than timeframes, the second most common ‘no’ were heard by initially interested parties was that it wasn’t strategically aligned.

Charities that have sufficient funds to invest most probably have an investment committee. The challenge is that the investment committee is focused on investment policies and typically has not been presented a direct equity investment. A charity will confuse the opportunity to be an accredited investor in a direct equity investment with their traditional programmatic requests. For instance, if a charity had a program for seniors, they could readily contrast a home care business investment opportunity with their seniors program.

The challenge is that these are apples-to-oranges. The apples-to-apples comparison is a home care direct investment with the return on a bond or a corporate stock. Most charities are still primarily invested in funds as they have a *fiduciary duty* [41]to the charity to preserve their funds and decide to allocate their reserves to some of the most conversative (and lowest returns) investments.

You can see if they are comparing an investment opportunity to a program that their retort will always be that it isn't strategic. However, when comparing an impact investment opportunity to a corporate stock, you will win over on strategic alignment every time (not to mention values alignment).

One of the most interesting and obvious sabotage moves was a charity that invented a new investment process on the fly. Instead of taking the investment opportunity to their investment committee, they promoted an individual to become a proxy of the CFO to determine if the investment was a good opportunity. Unfortunately, the proxy had zero start up or financial experience, albeit being a great marketer. With this being their first time that they were given the responsibility to evaluate an investment, they were set up to fail from the start.

Unusual charities

There were two types of Impact investors: the charities and the individual impact investors.

Charities were great. They are automatically accredited investors based on their charitable status and very limited investment assets. These is an interesting attribute of charities that make them ideal direct equity investors – they are legally allowed to do it! Obviously, they have their downside in terms of ability to move, decision making processes, and risk adversity. From our perspective this was all overcome due to relationships and leaning into putting people first.

For the ones that moved forward, we had some advantages.

- Our leadership team had relationships with literally hundreds of charities.
- We had a at least a ten-year relationship and in some cases decades old relationships.
- On our leadership team to assemble the deal, we had 3 ministers. This is a designation that has moral authority.
- We had supported charities in becoming more innovative and thinking differently, so we had stronger relationships with charities that wanted to push boundaries and move mountains.

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[41] Fiduciary duty is the responsibility of the investment committee to protect the assets of the charity and ensure that they are investing in a low risk fashion.

- We took the stance that charities role was to push boundaries and that investing in this was changing the world and challenging how things were being done.

We reached out to the ones that we thought would be the most innovative and open, the ones with good relationships, and the ones that good handle a sizeable investment to get this to an investment gap that was possible.

The top four potential charitable investors signed back the NDA and asked for more information. If we had landed 2 of them, we wouldn't have needed any other investment.

To mitigate investment risk, it was great news that Broad View United Church, the initial charity that was running the 2 franchise locations, wanted in. In fact, everyone involved and understood the existing franchise model first hand was interested in being involved. Without this commitment from people who deeply understood the investment, this would not have happened (you might get tired of how many things had to click together for this to have happened).

We were prepared, we were extremely conversative in our growth projections, and we had grassroots experience in the business model. Out of the most likely to invest, only one charity decided to invest. But with that one we had enough of a chunk covered that we could keep moving.

We had 2 charities prepared to invest a large chunk of the direct equity investment. For Broad View, they were already trailblazers. For the other, it was their first non-real estate investment and non-loan-based investment in 200 years of being in operation. This was a huge first ripple effect.

We realized at this point that charities alone were not going to get us over the line. Besides just emailing and phoning another 10 organizations each day, we needed to consider individual investors.

> "I think our priority is to provide the best as stewards of resources that have been entrusted to us. We are led to take care of people in various settings. Just not taking care of people but supporting them to become all that they were created to be. And I believe that this is one of the ways that we can do that.
>
> When you have an organization that built on those principles, it only helps what the organization does or why the organization exists. To continue to live in those principles. I think that's very important if we look at the world around us and what's happening around us, that level of care and concern is just not present to the masses." - Susan, Board Member

Unusual Individuals

Individuals that are both impact investors and accredited investors are a tad trickier. They either need to have over $1M in assets (not including their homes) or they need to have a long-term relationship with one or more of the *Directors* [42]of the corporation.

Once we realized that we needed individuals, every single person within the leadership team was encouraged and excited about investing personally. With the accredited investors, we needed to have affluent individuals and/or family members. Two family members signed up almost immediately. We are grateful for their trust.

The 11th hour

We were still missing just under 20% of the equity to buy the business.

Two charities were interested in learning more and would represent about 15% of that final amount. Both voted through the Board to invest. We were flying high. A week later, one of them backed out. This could have been the end but one of the members of the charity reached out and filled that gap that had been committed.

With just 5% left, we continued to speak to everyone and anyone. Who knew that people were listening! A social innovator speaking to her spouse who was an entrepreneur was telling him about the concept of a home care social acquisition. He said "let me see the numbers. Do you trust the leadership?". And wham! We reached out last 5%.

One more problem (you were waiting for it this time, right?). We still hadn't secured the debt. Many financial institutions professed how excited they were about the opportunity and about the social acquisition that was being done in such a novel way, but no one stepped up.

In the end, it was a relationship, deep understanding of the opportunity, and a walk. As one of our existing investors explained the opportunity to their spouse it became natural to them both that they would be the ideal private lenders to get the deal over the line.

There are no words for so many isolated moments that made this possible. You can already see how much hard work and that hard work is what creates the luck that got us over the finish line.

We kept on being told that deals get over the line in the 11th hour. We decided not to buy into that and be overly prepared, we had been through the wringer enough! We were dealing with too many neophytes (ourselves included) to rely on the norm. This also created additional expenses in creating a holding company, but that worked out for the best. Usually things do. And if they don't, we make lemonade.

We never thought it was impossible. It was only later that private equity and business consultants who do mergers and acquisitions routinely were dumbfounded on the timelines that we worked on. And this was exacerbated by the fact that we were working with charities and their boards.

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[42] Directors are the individuals who sit on the Board of a corporation and provide oversight on the CEO.

Apparently, it was supposed to be impossible. We just didn't know it.

In reflection we are grateful that we didn't know it was supposed to be impossible. And now, we're wondering what else is supposedly impossible.

> "No one easily trusts a paradigm shift, but here it was - on funding, the frontline workers, families' needs and communities around them, and post-COVID. My mom had nursed and coordinated palliative homecare, frustrated by government funding shifts and profit-driven impacts. In my leadership and also coaching others to keep integrity, I knew many people fight an undercurrent of "but it will never work, greed is persistent, being the good guy will hold us back." Except here each level was part of the plan and each level from caregivers and a dying person to the corporate connections, partnerships & governmental policies - any of us could feel in our bones the shift of this *prophetic* view, instead of a profitable one.
>
> What if we started from the questions: "what kind of care would we wish for our loved ones, and what kind of system could we live in together?" Each person/level can emotionally buy in to the vision for Just Like Family, and I sensed that the leadership circle that was forming had the social vision & connections to always drive the right conversation. It's not easy to maintain the vision- we can all feel cynical or fall back into patterns of self-protection in work, or distrust of others. The culture change is an everyday job at every level.
>
> Here at Just Like Family the big pieces were in place - corporate structure, leadership with social credibility, diverse voices, &, visions for a bigger, better future. This is changing the conversation, by honouring & giving voice to all levels to say "if it was my loved one, my job, my values at play here, here is the way I'd like this to work."" – Carolyn, Investor

Part 2: Building Blocks

Chapter 5: There is no such thing as a good deal.

We were the proud owners of Just Like Family Home Care. And there was more that we didn't know than what we knew. Over the 113 days from signing the LOI, we crept closer to the rabbit hole that we could not see into.

We didn't realize all the trials and tribulations that awaited us. We naively thought that the hardest part of the transaction was behind us. The good news is that we also didn't know all the positive ripple effects that would be possible. There were so many moving parts of this entity and this industry and this movement, that we could not have conceived of the possibilities. Even a year in, we still are finding new possibilities of impact that we hadn't even imagined when we had first considered this opportunity.

Did we get a good deal? Some will always think that or hope that that is the reason that things worked out.

But there is no such thing as a good deal.

At the moment in time that you buy a business, you have technically over paid. As you have paid more than any other person to buy that business at that point in time. Otherwise the seller should have logically sold it to the higher bidder. With this logic, there is no such thing as a good deal. The concept of buying means that you are paying more than anyone else at that moment in time. Now it is up to you to make it worth more and prove your point.

Although the acquisition was interesting, exciting, and something that people speak about. It is what happens after we (over) pay for the business that things get interesting.

> "I was introduced to Carla and within days we were learning how to invoice for royalties and the bookkeeping for a franchisor. It seemed pretty straightforward, but the processes that were in place needed to be rehauled. It was being done with a calculator! And I just thought, I can't do this with a calculator!! It was fun to figure this out and how to do this in a way that would work for us moving forward." - Serafina, Bookkeeper

Why people are selling a business
Hindsight is 20/20. It is only in retrospect that you realize that everyone sells for a reason. When looking at a social acquisition, there are a few things to recognize about businesses are for sale.

In 6 months we ended up buying 3 business (we'll get to the next 2 soon). In a very short time we were able to get deep insight into the various reasons why businesses are for sale.

<u>Seller #1: The exit strategist</u>

These sellers plan to sell from the get-go. They build their business to be appealing to a buyer and work very hard for a specific amount of time to reach the point of exit[43].

Some things to look for:

- Where did they sacrifice quality for growth?
- What was strategy and replicable versus what was luck?
- Where have they gone low on their expenses to enhance what their net income looks like?

Doing your due diligence should be showing you what you need to be taking into account in terms of where you will have to spend more money, where infrastructure needs to be filled out for future growth, focus on the scalability, and what new strategies will maintain the current growth projections.

Figuring out some of the pieces where it is a posture (or deck of cards) might give you negotiation backing to get a better price. However typically the exit strategist has been building their company for a specific number in mind.

<u>Seller #2: The burned out</u>
This seller is a founder who had huge dreams and started their business with the right intent and the sky was the limit. Unfortunately, over time the business has weighed on them. Most business owners have burn out at some point in time. Frequently they just need some downtime to rejuvenate themselves and come back to their business energized.

The founder that reaches burnout and comes to a breaking point where they wish to sell (usually immediately), typically has had this weighing on them for some time.

Some things to look for:

- Why do they have such a significant amount of burnout?
- Is that burnout root cause still part of the business? Is this something that you can overcome?
- Is it a skills gap? Is it something that you happen to have a strength in?

Especially if you are looking to scale, the burnout piece is important. It might not be you that is burnt out, but it could be your franchise partners or your staff that end up carrying this weight. How are you going to change or mitigate this downside? Will you be able to?

<u>Seller #3: The disappointed</u>
These sellers are a result of a failed business succession plan. Many entrepreneurs think about starting their business to create a family empire and the legacy will live on in their families. This is especially true for businesses that take a lot of hard work and dig in and grow to a certain size.

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[43] Exit strategy: The plan that an entrepreneur has to sell their business and cash out on the value that they have created. Often times an entrepreneur is working all hours of the day and taking very little cash out of the business, they might not even be drawing a salary. This is all of the upfront work for them to then sell the business and recoup at the end of all of the work what they deserve in exchange for the value they have created.

The challenge is that the children have grown up with their own dreams and very frequently it isn't to run their parents' business for the rest of their lives. The succession strategy fissles and they are forced to sell. This can take some type as they are in denial that the family members don't wish to do the hard work they have done for decades. By the time they sell, they have come to terms that this is the only option left to them. Now they are just hopeful for options.

This is more of a challenge in more rural areas where there are fewer potential buyers. But in these places are also an opportunity for a local charity or nonprofit to carry this forward.

Some things to look for:

- How much of the current success of the business (and how every many years of existence, as many of these have been around for decades) is tied to the deep commitment of the family members?
- How much of their net income is based on deep commitment by the family and if done by staff would significantly impact the net income?
- How and could a transition plan work that would retain the very long term clients and partners that are in place?
- Could something similar in the local context be created? Why is this a staple?
- What is the transition plan?

<u>Seller #4: The opportunist</u>

This seller might never have planned to sell, at least not in the near future. However with changes in the business environment (either negative or positive) they have realized that this potentially is an ideal time to consider selling.

Some things to look for:

- What are the triggers that have made them interested in selling? It is very negative that it has increased the risk of taking this one? Is it so positive that you are paying an extensive premium that might not pan out?
- How honest is the seller with you about the change in the environment that is causing them to sell? Or did you have to pry to figure this out? It there any cover that is happening?

The challenge with this seller is that they are fair-weather sellers which means that if anything goes wrong they will just take it off the market. So, you want to be extra careful on how much money you spend on this and also how you tie this up to protect yourself.

<u>Seller #5: The legacy builder</u>

This seller is motivated about making a difference in the world (they do exist!). They created their business because they thought they were doing something great and that they were the right ones to do this work, because they were going to do the best job of it.

They are highly motivated to find a buyer with similar values and also strengths to themselves (or strengths that are different that will support the business in getting to the right level).

Some things to look for:

- Are they really altruistically bent? Realistically this is a very attractive type of seller to appear to for a buyer. It would feel as though you are special and that the person is probably giving you a deal because they have ‘chosen’ you. Is this real?
- Vice versa, will they believe that you are real. We are hoping that business continues to change into win-win capitalism and that this type of transaction become the norm, but we are still eyes wide open.

Just because you like each other and have shared values doesn’t instantly make it a good business deal. Being smart and doing your due diligence, doesn’t make you a bad person.

As you can tell, we are trying to be helpful but there is really no way that we can give you all of the things to look for! Every single scenario is different, but this is a good sample of some of the things that we have seen.

Again, hindsight is 20/20. Most of the things that we are identifying are things that we might not have had full visibility to at the time that we purchase. In fact, some of these things we are writing about because we completely missed them.

Did we get a good deal? You get what you make of it and what you understand of the deal. You have to know that everything can change on a dime and we have seen that over the last 12 months of operation that every single week gave us a curve ball.

You can’t rely completely on your business plans and your due diligence, your research and your experience, and the only thing that you can count on is yourself and your people.

As a people-based business, we had to realized quickly that it was the people that were going to make the difference.

> “There are times that I’ve been nervous about the overwhelming amount of learning and pieces that we needed to get in order. But with the support of the team and the grace for learning, it was easy to overcome any nervousness. I always felt supported. We changed the tone of how things are done. We are relational first, rather than just transactional. We have compassion.” - Serafina, Bookkeeper

Chapter 6: Why do a social acquisition?

This is a question we've ignored thus far.

Why do a social acquisition?

The opposite question instantly arises – *why shouldn't you do a social acquisition?*

Here is why not.

Is this risky?
Yes! So much easier to not take on debt, shareholders, a new board, and a million other challenges. So much easier to have a job. The saying goes 'if you want money today, get a job. If you want to build something and have something at the end, start a business." It doesn't matter what type of business that you start, it is going to take time to build and cash flow at the start isn't instantaneous. With a social acquisition it is even worse! You start with shareholders that are expecting returns and watching your movement – and if you are buying a larger established business this isn't a small amount of money that your investors have put forward. They are watching.

> Note: Our investors are great and have actively informed us that they have patient capital and understanding that we are growing something. In fact, many impact investors are exactly as we would describe our own as patient, loyal and committed. We are very blessed to have these types of investors. This is more of a warning of a burden that you are taking on, even when your investors are fantastic.

Is this for me?
Maybe! This is not for the faint of heart. No business venture is. But we recognize that there was a lot of privilege to be able to explore the innovation work, relationships that were developed, and the culture that created the courage to take this kind of leap.

We hope that our success will blaze the trails for others. This kind of work will never be easy, but maybe we've made it a little *easier*. By reading our story, we hope you now know it's possible! And we hope that you can follow our model – adapting where you need to – instead of starting totally from scratch;

- You now know it is possible
- There is a model to follow
- There is a model that you can start to follow and then carve your own paths out of

What questions am I not asking?
Shockingly this is the most common question that we have been asked over the last 18 months.

When investors or partners ask us what questions they're not asking, we choose to use it as an opportunity for trust-building. Often this question comes from a lack of trust where they think that something is being hidden from them.

Instead to choose to interpret this question out of a place of trust. That people want to ask us what they aren't asking because they trust us to tell them. It naturally is leading to a relational rather than a transactional approach with them. We accept that!

<u>So why shouldn't you do a social acquisition?</u>
There is so much stress, pressure, and from what we have gone through it is harder to do as no one understands what you are talking about. People are just starting to understand what a social enterprise is (just starting!) and now we throw in a social acquisition. People just gave us strange looks.

It is risky.

It could be for you. But it isn't for the faint of heart.

You will never know all of the questions that you should be asking. And that will never stop.

There are lots of reasons to <u>not</u> do a social acquisition. But if you really think about it, we have to start doing more social acquisitions as the alternative is that the way that things are operating today are good enough. And they aren't.

Why do them?

Social acquisitions are the way to expedite the system change and impact that social enterprises are trying desperately to do. With the current need for change with climate crisis and inequities in the world, we desperately need to expedite change. Gone are the days of speaking about systemic change that can take 70 years to change the culture of a country. What we need is something that is revolutionary and undeniable.

At this point, from our vantage point, this might just do the trick.

Why do them? We really can't afford not to.

Social enterprise models
Just over a decade ago, people were still very much unaware in North America about what a social enterprise is and what a social innovation was. With the rise of social media, it just seems like another buzz word.

> "My first social enterprise in 2009 I had no idea was even a social enterprise. I had created a sales & marketing consulting firm that quickly changed into a Canadian-based telemarketing company due to the fact that most small businesses owners were having an impossible time hiring inside sales support and getting the results from them. Instead of them hiring someone full-time, they'd hire my firm to get their strategy under them, create their sales tools, and then hire on a retainer the inside sales for only 5 to 10 hours a week or solid work. We tested the sales calls, created the calls lists for business-to-business engagements and we onboarded the inside sales staff. Quickly we realized that this work could be done from anywhere, and we hired individuals in rural areas (often with mobility disabilities) and trained them to become professionals business-to-business sales people – a transferable skill that

they would never lose. Speaking to recruitment organizations including the government organizations that were seeking to employ marginalized individuals, this seemed like a logical person to employ. They had fewer opportunities in rural, were motivated to learn, we offered year-round work (versus seasonal), and our pay started at $25 an hour plus commission. The government was shocked that we didn't need subsidies, but our business model didn't need it. It took me 2 years to realize that we were an employment social enterprise. I simply didn't have the language. Doing good business the right way, just seemed the right way."
– Carla, CEO

With the far-reaching aspirations of social acquisitions, there needs to be some social enterprise context for us to be able to jump to social acquisitions which are the 5.0 version of social enterprise.

Note: Naming things as 1.0 and 2.0 is not diminishing the value and importance of some models over other models. All are used in different ways and different purposes. Social acquisitions are not the right model for everyone. The point is that neither is social enterprise 1.0 the right thing for everyone and we need to understand the difference. We need to expand our thinking to change the world.

<u>1.0 – The New Revenue Stream</u>
Example: Community hubs, Centres for the arts

Definition: This is something that non-profits and charities are doing anyways and have discovered that there is a new revenue stream that is possible out of this way.

Community hubs[44] are a great example as many existing, large nonprofits realized as the world started to change that they had gigantic buildings that were increasingly empty for the purposes that they were once built for. They started to get approached by community groups, other nonprofits and social enterprises that needed space for their programming. This because a natural social enterprise as the nonprofits realized that this was a new revenue stream that could be a 'room donation' or a 'social enterprise'. Both of which are code for a new revenue stream.

Pros

- You are already doing it!
- You can leverage your existing space and assets[45]
- You might actually find a second social enterprise due to trying out this first one
- You will build more relationships in the neighbourhood and community, which is actually the beginning of becoming more relational rather than transaction. And will lead to good things.

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[44] Community hub: A social enterprise model that rents space to nonprofits, charities, and other community groups in a neighbourhood. Many libraries and churches consider themselves as community hubs, especially in locations that don't have a publicly funded community centre.
[45] Assets: The business term for the positive cash, equipment, accounts receivable, and other tangibles that are owned in the business. These are compared against the liabilities (the loans and accounts payable) that the business has. The difference is the equity, or the value that the owners or shareholders have in the business.

Cons

- It is a Band-Aid.
- It often doesn’t result in the real mindset change that might be necessary for your nonprofit or charity to continue to grow and create impact.
- It could prevent further innovation as the organization feels like they have done ‘enough’

Social enterprises have been a leader in changing the mindset of society in thinking differently of how people, nonprofits and charities could behave.

<u>2.0 – Employment Social Enterprise</u>
Example: Cafes, building or contractor social enterprises

Definition: Putting people’s employment and skill development as the key outcome of the social enterprise’s purpose.

This has been differentiated from a social enterprise as something new, that is potentially adjacent and potentially not to the core programming of the nonprofit or charity. An employment social enterprise that is created to take advantage of the existing strengths of the organization is often better, as it is then more supportive of the mindset change around thinking more innovative of what else is possible. For instance, Raw Carrot Soup Enterprise leverages the kitchen of a church to create healthy and delicious soups. They hire individuals with different abilities as a social enterprise. Working with the church they were able to leverage the kitchen space (that could be part of a social enterprise community hub) and therefore it would be easier for the volunteers and community to understand that this employment social enterprise was part of a bigger possibility for change and impact.

The important aspect of an employment social enterprise is that it is about the social justice lens of a hand-up rather than a hand-out. A ‘hand-out’ is a traditional charitable approach where things are given to those that do not have, but they could potentially become reliant on the hand that feeds them. Rather an employment social enterprise is about the hand-up, where the tools and resources are provided for the individual to perpetually be a higher level than before with new skills and resources to maintain this new quality of life. It considers that everyone has strengths and can provide value. It isn’t about giving and charity, it is about opportunity and supporting them as human beings as they are built up.

Pros

- Employment social enterprise can provide a concrete example of the difference in their employees lives
- It is easy to measure and tell the story

- It can become system change as employment social enterprises are great recipients of community benefits funding[46] and social procurement[47] opportunities

Cons

- There can become confusion between supporting those with employment that are marginalized in some way versus just employing people. The margin is minimal and if one has a nonprofit structure it is easy to operate like a forprofit (not a social enterprise) that is not actually creating the impact it professes
- Employment social enterprise typically don't make enough profit to create additional revenue or other impacts with the proceeds. The main outcome (although 100% admirable!) is going to be the provision of a hand-up rather than a hand-out.

Employment social enterprises have created a whole new landscape of how to create impact and have fostered dignity and respect in the marketplace. The expansion of employment social enterprise has expanded the street credibility of social enterprises and its narrative.

<u>3.0– Social Enterprise as a Business Unit</u>
Example: Cleaning services

Definition : Armlength social enterprise from the core of what the organization is already doing and it circumstantially has responded to a market opportunity[48] that presented itself.

This new social enterprise as a business unit is still (often) housed under the nonprofit or charity and acts independently. It happens this way as the nonprofit or charity responded to the need and then its governance structure didn't get in the way of the leadership following the energy. Shockingly, this is one of the most successful types of social enterprise as it has leveraged the existing market (and capitalistic) practices by responding to a market need. Often the nonprofit or charity will describe this business unit as a shocking success. But upon reflection will see that it was based on what was needed.

> Note: There is the opportunity for a charity or nonprofit to create a forprofit entity from scratch that is fully armslength. It will still have the normal growing pains of a normal start-up and is just another way to legally structure a social enterprise as a business unit (3.0). This is what The United Church of Canada did when they created their forprofit development company.

Cleaning social enterprises often show up here as a nonprofit or charitable organization didn't intend to create a cleaning company – it just happened. One example is when this occurred in Eastern Canada when a large social justice organization that already had a café created a matching tool that matched unemployed individuals with tasks, and they found that

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[46] Community benefit funding: The additional funds that developers and real estate organizations contribute to the local neighbourhood as part of the planning process. Often these funds are attributed to enhancing the neighbourhood including upgrades to libraries, parks, and other public amenities.
[47] Social procurement: The decision of an organization to use their funds for purchasers, including the suppliers/vendors that they select, to support social enterprises. For example, deciding to use a social enterprise café to cater a corporate event has ripple effects.
[48] Market opportunity: A business opportunity that has arisen from a genuine need from either a group of consumers or a type of business.

the commercial cleaning jobs weren't being picked up. In response, they create a social enterprise business unit to handle the demand.

Another way that this can show up is as a shared platform[49]. Many charities build partnerships with nonprofits to act as their trustee for donations or grants to support them in fundraising which is also called a shared platform. But the ongoing form of a shared platform is providing the back office and additional support that a fledging social innovation [50]might need. Tides Canada is a great example of providing both shared platform and back-office[51] support for the social innovations that have continued to spring out of it.

Pros

- Leveraging capitalism tools and best practices results in better financial results
- Better financial results in the ability to focus on the impact
- Better financial results in the ability to invest in other opportunities as they arise or reinvesting in themselves for scale

Cons

- There is a risk of there being a disconnect between the entity and the social enterprise business unit, as it was random. The best way to organically scale is through adjacencies [52](business units and growth that complements and extends the existing programming).
- This type of business unit will most likely cause some change management issues and misunderstandings. But it could lead to some other ideas and opportunities.

Social enterprise as a business unit that is going well leads to Social enterprise *enterprise*.

4.0 – Social Enterprise *Enterprise*

Example: Dawn Enterprises

Definition: A collection of independent social enterprise business units housed under a single entity that continues to expand with these best practices.

Many large urban centres think that they know best about social enterprise. But the reality is that the most progressive and innovative social enterprises are living on the edges. With this insight, there should be no surprise that in North America it is islands on both sides of

[49] Shared platform: The intentional use of an organizational platform to support other organizations or initiatives. For example, many charities acted as a shared platform for neighbourhood groups that were fundraising to support Syrian refugees sponsorships in 2016.
[50] Social innovation: Innovation and ideation creation with a social impact. Often this is just the process and doesn't have an organizational framework around it, just a glimmer of an idea or experiment.
[51] Back-office: Providing the administrative support for another organization. Sometimes this can be structured as a percentage of the revenue of an organization or can simply be set up as a contractor (fractional versus full-time support). Administration, technical or financial support are the most common back-office supports that are included.
[52] Adjacencies: Strategically an adjacency is a program or initiative that is closely related to something core that the business or organization is already doing. By choosing to pursue an adjacency, the organization is able to leverage the learning or infrastructure that is already in place thereby reducing their exposure to new risk.

Canada that are and have been doing social enterprise *enterprise* for decades without thinking twice about.

Dawn Enterprises is based out of Cabot which is the more remote, rural and Eastern side of Nova Scotia (a Canadian province). They keep adding more and more social enterprises as part of their overall business model providing local jobs, economic development, and their own financial sustainability to afford to continue to innovate. This could also be a structure that has and will continue to embed social acquisitions within the framework that they started from scratch.

Pros

- Success breeds success. Once a single social enterprise as a business unit has proven itself and the leadership sees its potential, an organization now has the benchmark and management capacity to replicate this success.
- Improved ability to innovate and identify other opportunities.
- Backbone organization can begin to take advantage of economies of scale.

Cons

- There is a need for stellar leadership to hold to the initial mission and purpose of the organization. Social enterprise as a business unit and the emerging social enterprise enterprise model can begin to take over a business.
- Scale potentially has a limit with leadership capacity hitting a wall that can be based on the number of business units or based on the geographical capacity. But this has not been proven and historically nonprofits and charities have scaled to such significant scale that they shouldn't be written off.

Yes. We made up the term 'Social Enterprise *Enterprise*'. We have already written 20,000 words and couldn't come up with something better.

<u>5.0 – Social Acquisitions</u>

Example: St Elizabeth Healthcare

Definition: A charity, nonprofit, or a collection of impact investors that has elected to take the social enterprise as a business unit to the next level by moving it to a totally separate entity. Not only that, instead of starting it from scratch the charity has purchased an independent business!

Why make it if we can buy it? The failure rate of a start-up according to the US Bureau of Labor Statistics is 20% fail in year 1 and 45% in the first 5 years of operation (and that is taking into account the businesses that are federally registered and filled out all of the paperwork, not the ones with just an idea). Conversely, an existing business that has been in operation for over 5 years is only 20% likely to fail within the next 5 years. And the longer that it last, the less likely it is to fail. If it ain't broke, don't fix it?

With these stats in mind, we can start to question why we would ever start a social enterprise from scratch?

St Elizabeth Healthcare is a charitable organization that is leading social acquisitions in Canada. They have an innovation arm and a team that is specifically seeking out acquisition opportunities. Often the organizations that are doing some of the most amazing work are simply not shouting to the hills about it. They are just spending their energy on actually doing the work. It was their roots in social enterprise (home care as well) that gave them the foundation for this approach.

There is an entire social acquisition movement that is emerging as we begin to realize that the impact of the billions of dollars that are locked up in charitable savings, making slim to no interest, could possibly change what capitalism looks like.

Pros

- The initial failures and learnings have already happened by the time the entity is acquired. Sure – there is always more and the new owners have a steep learning curve, but there is cash flow[53] and intellectual property[54] already built up.
- The amount of growth from a larger entity is much more significant. For instance, if you start with zero dollars and grow to $100,000, you have $100,000 of additional potential impact (and a lot of stress and possibility for failure). With a social acquisition, if you buy an organization that is making $1,000,000 of services, when you infuse new leadership and values into the organization and grow it by 10%, you are making $1.1M in impact with the same incremental impact of $100,000.
- The rabbit hole and ripple effects cannot be calculated. There are so few social acquisitions and this is still such a new field that there are incalculable possibilities.

Cons

- It is risky.
- There are not a lot of people willing to do it.
- There are a lot of questions that might never be answered.
- All of the reasons not to do it will continue to eat at you.

As you can see there is a growing emergence of understanding the differences between these. More and more organizations are exploring beyond 1.0 to others that might be a better fit.

The most exciting part of social acquisitions versus other opportunities out there is the scale. So many nonprofits and charities scaled in the early 1900s. Think of United Way, Goodwill, and many denominations. It was a time of growth. It is the social acquisition model that allows for the scale in a way that social enterprises are often limited.

The scaling problem.

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[53] Cash flow: The amount of money in your back at any given time. Where cash flow management is the intentional planning of ensuring that sufficient cash is in the bank as expenses and investments are incurred.

[54] Intellectual property (IP) includes all of the unique ways of doing things that an organization has. This can be anything from your trademarks, logos, slogans, patents, packaging, business process, ingredients, software, and anything written that can fall under copyright. It is the combination of this IP in a unique way that is often the foundation of a competitive advantage for an organization.

Many social enterprises start from nothing. In fact, most social enterprises come from an existing nonprofit that has elected to explore alternative revenue streams.

However, there is a set of fundamental flaws to scaling a social enterprise from scratch. The main 2 challenges to scaling a social enterprise are;

Challenge #1: Risk increases with impact

Once a social enterprise hits sustainability, they could become hyper risk adverse. They have grown something to such an amazing point that by scaling further they could put all they have build at risk. The ethical dilemma is should I keep scaling to help more, but if I do could I impact the good I'm already doing?

The only ones that really escape this challenge are the ones that have so much financial success through their social enterprise that they give themselves the breathing room to think bigger and not expose themselves to this risk. This is unlikely, of course, as most social enterprises will refuse to charge market rate or select industries that have this potential upside in profits as it could be seen as misaligned with their values (rather than simply the smart business decision that it is). The most common social enterprise in Canada as identified by Buy Social Canada is a café or catering. The exact same business type that has the highest failure rate as a startup and has some of the lowest margins out there.

Challenge #2: Scale takes time

It takes so long for a business to grow to a place that is ready for scale and burnout is very possible or mission drift with this prolonged time. There is such a steep learning curve, so much work on marketing to get to a point where closing sales becomes easy, and to such a scale that the next level of growth is achievable.

For example, Just Like Family Home Care started in 2010 and didn't franchise until 2018. That is 8 years of learning to even get to a scalable size. In that time the business grew from $0 to $1M. From 2018 until we purchased the business it grew from under $1M to over $12M in half the time. And at the time of publishing we've just surpassed $20M.

Purchasing a business and infusing values into it is a way to expedite impact and avoid these 2 roadblocks.

When you think about the billions of dollars in endowment funds of charities, this is a huge amount of potential that could be released.

Chapter 7: Where are charities invested today?

> Note: Nothing in this book should be considered financial advice, just like we haven't provided legal advice. This is a story of conversations, considerations, and changing the world using what we've been given.

The #1 reason why charities professed to not invest was that they didn't see it as strategic. It is important to understand how and why charities are investing the way that they are today to understand the possibilities around social acquisitions and how they could be strategic.

Apples to oranges: programs to investments

As we already said, lots of charities turned us down. Some of them said that partnering with us wouldn't be 'strategic'. But they were confusing our investment opportunity with the programming they were used to.

Impact investments, specifically direct equity impact investments, are very easily compared with a charity's or nonprofits programming which are the day to day activities that a charity or nonprofit does. This could include summer camps for kids, soup kitchens, educational activities, a shelter, food bank, or any other commonly understood programming. A charity or nonprofits programming is custom designed within a theory of change[55] to create the impact that is aligned exactly with its vision. There is no way an investment should compete with that!

Now for the Just Like Family example and why it is so confusing. Home care as a business supports seniors, those discharged from hospital, or any individual or family that needs a little bit of extra support. You can imagine that this type of business has huge impact in people's lives, just like a nonprofit's programming has. There are many charities that provide seniors visitation (called pastoral care within a church context) or there are many hospices that are charities.

It is making a proactive impact (just like a program does!).

But investments make money and programs use money. A program typically costs dollars. Charities and nonprofit actively fundraise for donations to pay for these programs to be run. They are operating at a loss and it is only the donations and the 'charity' of others that allow them to be run. An impact investment is designed to make money and add to the charity's pot rather than require funds from it. And yes, it also happens to proactively make an impact.

But it isn't a program. It is an investment.

Apples to apples: Investment to investment

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[55] Theory of change: A framework used by many nonprofits and charities to have clarity on how their day to day work is contributing to their vision and mission. It is often considered one level up from a strategic plan, as it is about how all of the inputs, activities, outputs, and outcomes of an organization are contributing to the systemic impact that the organization is striving for.

Established charities and nonprofits (and their trustees [56]/ investment committees[57]) are actively protecting their existing assets. These can be in the form of endowments[58], trusts[59], reserves[60], and general accounts[61] for the organization.

As a foundation, they are mandated to disburse of 4% of their funds a year to fund programs to make the impact that they are striving to create. That means that only 4% of their funds are being used to make a difference in the world. What is happening with the other 96% (the investments) in making a difference?

The main outcome of investments for a charity or nonprofit is to support their financial stability for their continued operation to continue to deliver impactful programs.

Investments are considered when balancing risk and reward.

Risk

Risk can be viewed in many different ways surrounding investments (and yes, it is always important to consult with your financial advisor).

- Risk can be the likelihood of losing the investment. Is there security? Is the industry volatile? Is cash flow stabilized?
- It can be viewed as an opportunity cost comparing different investments and how else this funding could be used
- It can be viewed as not putting all of your eggs in one basket and having a diversified portfolio.

Reward

Reward is the financial return that you receive in exchange for the risk that you have taken on your investment. Typically the risk versus return ratio increases with the following types of investments;

- Guaranteed Investment Certificates (GICs): These are secured investments, which means that you get your money back that you invested but you have to commit to a certain amount of time that it is tied up.
- Mutual Funds: The risk in a mutual fund or a fund is reduced as it is a blend of bonds and stocks of various organizations in order to diversify the risk within the portfolio.

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[56] Trustees: This is a group of leaders that provide final oversight on the risk impacting a charity's decisions. They have final signing authority on financial decisions that could impact the charity.
[57] Investment committees: This is a group of leaders in an organization whose role is specifically to manage the investments of the organization. Often this group is put in place once an organization reaches a larger amount of investments to warrant this additional attention.
[58] Endowments: This is a type of fund that is part of a charity's investment decisions. There are often restrictions on how the fund can be depleted or used, often its inception was a large chunk of funding that was designed to be there indefinitely.
[59] Trusts: This is similar to an endowment, but typically isn't designed to be in place indefinitely. Again there can be restrictions and specific uses identified.
[60] Reserves: These are another type of funding allocation within a charity or nonprofit. Reserves are specifically allocated for a rainy day or if there is a turn financially for the organization. The amount of reserves and the duration that they are designed for can vary dramatically from organization to organization.
[61] General accounts: These are the actual accounts that an organization uses on a day to day basis. The endowment, trusts, and reserves are all cash assets that are invested in various ways.

- Bonds: This is the debt of a company that is issued. It is secured on the cash flow and assets of the business, and a bond is paid out prior to any shareholder receiving and funds if there is a bankruptcy or cash flow issue.
- Stocks/shares: These are the direct share investment in companies. These would be available through stock exchanges and are regulated in how they report earnings to protect consumer investors.
- Direct equity investment: This is the direct investment in a business without the intermediary of a broker or exchange.

How charities invest today
Charitable investments are inherently risk adverse.

There are regulations in place that mandate that trustees and investment committees making decisions on behalf of a foundation, charity or nonprofit must legally ensure both the returns while mitigating risk of an investment on behalf of them.

Many charities investment committees elect to go with GICs as a large part of their investment strategy, which on the continuum of risk versus reward is on the bottom.

Why? Because of the concept of fiduciary duty and the additional level of fiduciary duty that has been put on investment committees when considering a charity's investments. If the investments take an unexpected downturn, then the charity or nonprofit will have fewer funds to deliver their programming that is their vision and mission. GICs have a stable, regular return that will not expose an investment committee or a trustee to any fiduciary risk.

Add to this the consensus-based decision making that happens on most charities' boards. This is slower and often has a lower risk tolerance when deciding. There is no upside for someone to individually take a risk on making an investment decision that makes sense to them but will take time to convince others to participate in. They don't receive the return themselves, and they are at risk of losing significant social status or relationships by making a stand in a consensus-based decision-making structure.

Next, being on an investment committee for a charity is often a volunteer position. It is unfair in a volunteer position to expect someone to stick their neck out and offer an alternative investment strategy. Again, there is no incentive and system are promoting status quo. Innovation is dangerous regarding fiduciary duty.

There is a saying in business management that 'No one gets fired for choosing IBM[62].' The same could be said for investment committees investing in GICs.

But new things are arising…

The rise of ESG

[62] "No one gets fire for choosing IBM." The concept is that an existing, known organization that is typically affiliated with a brand is a safe bet for a business manager to make.

Environmental, social and governance (ESG) are screening mechanisms used for investments to ensure that potential causes of harm are averted. This is a new threshold, a standard of reducing the harm that our investments can make.

Everything else in terms of the types of investments and risk vs reward still holds, but we have narrowed the number of options that are considered with an ESG lens.

This is not actively creating impact with these investments, it is just ensuring that we aren't investing in things that cause environmental damage, don't consider themselves on the impact on people, and don't have good governance that could result in harmful management decisions.

Over time ESG has continued to push the envelope and move towards what an impact investment is, but it has its limitations based on its initial premise of reducing harm rather than making a proactive difference. It remains as being closer to the bare minimum.

The good news is that many charities and nonprofits have made this a requirement. The challenge is that when we can say that we've done this, we might stop looking around for what else is possible.

Impact investing

Impact investments are the next continuum of ESG. Rather than looking to reduce harm, they are proactively creating positive impact (as well as having the basics of ESG).

The challenge that arose for some time around impact investments for charities was the fiduciary duty around limiting risk to the charity. For decades this was a significant barrier that prevented many investment committees from even considering looking at these options.

But even without it, an investment committee can review the risk elements versus the reward elements and decide that an impact investment is a way to diversify their portfolio in combination with more traditional ways of charitable investing.

To make impact investments more accessible there are a few ways that they are happening today.

<u>Impact funds</u>

Impact funds have continued to pop up around the world. These are funds that do direct equity and debt investments in organizations throughout the world. Often they invest in environmental businesses or projects, infrastructure projects that will improve the lives for the people in a country, or some other social or environmental positive outcome.

The challenge with impact funds is that they all have great stories and they all can justify positive outcomes. But how do you compare them and know who makes the most impact?

Different to other investments that only consider risk versus reward, impact investments start to evaluate risk, reward, and impact. So you might take on more risk if the impact is bigger. Or you might decide that you need less of a return if the impact is bigger.

Comparing and understanding what you are investing in can become complicated.

Fund-to-fund

To reduce the complexity of deciding upon which direct impact fund to approach, there has been a large emergence of funds to funds. This is a fund that selects a handful of other impact funds that have different stories, lenses and impacts that they select.

Usually a fund to fund would require the impact funds that they have selected to report their impact in a similar fashion to them so that they can report this back to their investors.

This approach is quite common as it offers a diversified risk approach, creates a common way to tell the story, and can invest in different funds with different priorities.

This is one of the easiest ways for a charity or foundation to start impact investing. For a charity that needs their investments to be income producing, sometimes just moving from one investment into this is quick and income producing quickly.

Impact investments through debt

One great part of impact investing for a charity is to hear the stories of the impact that their investment dollars are making. When working through a fund or using a fund-to-fund approach, some of the direct impact and storytelling could be lost.

Though most impact investors do use the other vehicles, they might also wish to invest directly in an initiative.

Historically the most common way to do this is through a loan. A foundation would learn about an affordable housing project or a renovation that was required for a nonprofit or charity, and they would issue a loan on the security of the property or other assets.

Doing a direct investment like this has two hurdles;

1. There is a significant amount of due diligence that is involved for a charity to invest directly and many of these investments were small so that the due diligence costs can outweigh the investment benefit. Many charities ended up co-investing (investing together) so that they shared the due diligence or one organization would take the lead (one with more experience in impact investing) in order to support the others in starting to do impact investing.
2. Projects aren't just ready to be invested in. The timing of GICs becoming available or other impact investments paying back the investments don't often line up. There is a lot of coordination in this and it is important that charitable investments are always making some sort of return rather than sitting as just cash. This can be a barrier and takes extra work. Again, working together charities can be away of these opportunities and plan their cash flow and investments accordingly.

The great news is that the impact investors in this case are hearing directly from the horses' mouth of the impact that is being created. They aren't just in a fund and they aren't very arm’s length. They can get excited when the project is complete, they can get excited when they receive a loan repayment. They can feel part of it!

> Note: Community bonds are another type of impact investment that leverages debt. These are smaller bonds that can be issued to large and small impact investors, but they have to be issued by a nonprofit or charity (rather than a forprofit). Tapestry is an organization that is the backbone for many organizations in Canada that are looking to issue this.

These investments are still debt. They are loans from the charity as an impact investment to the organization that is doing the work.

Loans inherently are transactional in nature. They literally are an “I owe you”. They put the organizations into a power dynamic where one is needing to report to the other and pay them back. It is less relational then many charities might wish for.

<u>Direct equity investments</u>

Now the emergence of direct equity investments.

Yes, just like impact investments that are loans, require the necessary due diligence by the organization. And they don’t show up every day.

- Due diligence. We were blessed that we had first-hand knowledge of the business model through our investor group that had brought the deal to the table.
- Timing. This had been something in the works for 3 years to get it to the table.

There are significant hurdles in the way, but it goes to show that when these opportunities do arise the importance of hitting it when the iron is hot.

> “Charities owning the business really inspires me, because I believe that that is one of the major ways we do business differently. And I believe that the charity model is shifting with new generations. I don't think our younger generations are taught to think it's part of their everyday life. And so, how do we keep the charities running in the future? I love that the charities have a hand up rather than a hand out in the business. And so if we do have a business that is run by not-for-profits, but as investors, the dividends go to those charities and then that immediately goes back into the community and is a full life cycle.
>
> What is very exciting to me is that we are not paying for yachts or some mansion on an island. And that, this is a different way to contribute to the different areas of our community through the not-for-profit, while they are earning money through the home care.” - Sarah, COO

What differentiates this impact investment is the proximity of the investors to the impact, to the work. They know first-hand the difference in people’s lives and the rollercoaster ride of owning a business. Every month in the first year we sent an investor update on the stories of learning, the new unexpected impacts, the big moments, the huge learnings.

The investors were able to have a direct line of communication to the leadership to ask questions, to provide ideas, and to feel part of it. Conversely, the leadership felt supported, heard, and part of a huge team of champions that would make the vision possible together.

If a fund-to-fund was a sea, a fund would be a bay, debt would be two boats (one with the lender and one with the lendee), and equity would be everyone in the same boat on the sea.

Thinking in this way can ensure that an organization can make an even larger difference in the world. And feel part of it.

> Note: Program-Related Investments (PRI) was introduced by governments recently to support charities and foundations in expanding how they can consider their investments. A PRI allows a charity to make a lower rate of return as long as the investment is program-related. However many charities and their investment committees still don't know about it or how to apply this to their context, especially as something being program-related could be subjective. So fewer still leverage it.
>
> The opportunity is there. PRIs is an absolute blend of thinking about investments and programs together. If there is an investment that looks and acts like a program, fitting into your vision and mission as a charity, you legally can take on more risk or have a reduced risk vs reward ratio as it is determined that this investment is in line with your organization. Our point is that impact investing is possible without this caveat.

Being accredited
Being able to do a direct equity investment is a privilege. Not everyone is allowed to do this. In fact that is why it is in place, is to protect the average person from being swindled into investing in something that isn't a good idea (the stock exchanges and regulations are there to protect consumers and reporting requirements, which is there to allow the average person to buy a stock).

Outside of a stock exchange, we can only own shares if one of the following criteria applies;

1. Family & friends: You have a close and longterm relationship with one of the directors [63]of a company. This is assuming that as a friend or family member of someone part of a company, you would know enough about the investment opportunity to decide for yourself if this is something that you should do.
2. Accredited investors: You have been approved by legislation to take on the risk of due diligence yourself. You are trusted to make sound decisions around their investment and are technically outside of the consumer protection of the stock exchange here.

[63] Directors: These are individuals that are legally responsible for the organization. You can have directors of a nonprofit, a charity, a foundation or a corporation. In each instance, it is the Directors that make the high level decisions around the direction of the organization.

Most don’t understand that a charity is an accredited investor, what that means, and what that enables them to do. Just like the term says, this is a good thing. You have been given the stamp of approval. Who is accredited?

<u>Companies & Institutions</u>
Based on a threshold of assets, companies and institutions are not considered consumers and they have a team and the sophistication to do their own due diligence to protect themselves.

<u>Millionaires</u>
People with over $1M in investable assets (not their home) are allowed to do direct investment. They again are considered to have their eyes wide open on both the risk and opportunities.

<u>Charities</u>
Similar to companies and institutions, charities are considered at a certain threshold of assets to be able to make these business decisions themselves. Therefore a charity can legally invest in a direct equity investment.

So why consider a direct equity impact investment as part of your investment strategy? When looking at risk versus reward, direct equity investment should typically have a higher reward in its business plan, the risk is higher as you don’t have security like you would with a loan, but another part of risk is diversifying your portfolio. Having some of your investments at least open or considering this approach could be considered strategic.

Is this legal?
We can’t tell you how many times that we have been asked this.

A social acquisition that we have executed simply took the existing capitalist tools that were available, applied a values and people-first lens to it, and moved forward.

As an accredited investor, a charity can legally do a direct equity investment. That we just covered.

But the real question of ‘can a charity own a for-profit business?’

Charities already do own for-profit businesses. Every share, every company that has a large percentage of their shares owned by charities are examples of this. Albeit is a lower percentage, but the ownership is possible.

In many instances (and these numbers are rising as well), charities own 100% of a forprofit businesses. They need to ensure that they protect their charitable number by ensuring that the business does not have direction and control by the charity. A forprofit would need a separate governance structure and this needs to be in place regardless, but as soon as a charity owns more than 50% they are at risk of being accused of having direction and control of a forprofit business.

For our social acquisition, we had three charities invest where not a single one of them was over 50% by themselves, but collectively the own over 50%. So not a single one can be accused of having direction and control of the business immediately.

How big is this opportunity?
Huge. Absolutely tremendous on a scale that is almost incomprehensible.

Literally billions of dollars are sitting in endowments throughout Canada and the United States (and the rest of the world for that matter). Billions of dollars that have been donated and stewarded for hundreds of years to make the world a better place. Today only a small percentage (4-10%) of the endowment funds are put into programming every single year. In Canada, they just rolled out legislation mandating that foundations have to disburse 5% instead of the historic 4% that has been disbursed. This is the funding of billions that is making an impact today. This is in line with the average return that a charity is making today.

Let's say that we double that. Even with only 5% of endowments being committed to impact investing, we could double the impact of our charitable dollars. That remains 95% of our investment strategy can be on what we are already using it for.

But remember that impact investments can be funds, fund-to-funds, loans and direct equity investments. There are already diversification options within impact investments. What if we committed 10% or even 20% to impact investment vehicles? We could easily quadruple the impact of our endowment dollars!

Think about the impact on businesses. Our social acquisition could literally be the first of many. There could be charities buying other franchise networks, increasing the amount of equitable ownership, putting people first in business models, and literally changing the world. What if 10% of the world's businesses were owned by charities? What new collaborations would be possible and what could those dividends do for the sustainability of the charitable sector?

If you want to speak about making the world a better place, there is almost no comparison to how much change this would make in the world.

What was missing? The missing link!
You are probable reading this right now thinking 'why isn't this already happening?'.

People speak about systemic change. But sometimes people need to see it to believe it.

We were speaking to people about direct equity investments, but it was so abstract and there wasn't many examples to point to. So we had to do it, and then write a book about it.

The framework, the example, the experiment. We hope that this is inspiring…

Chapter 8: Franchising 101

History of franchising

Imagine you have come up with a great business. You have seen that the way that you do things is better than anything that you've seen before, you have employed your neighbours, you have purchased from other businesses locally, and you have rave reviews from your customers. You are committed to the amazing business that you have created and realize that your community has benefitted greatly from your good work.

Wouldn't it be great if your amazing concept was in other places? Would they equally benefit from the business concept that you have come up with? Why don't you just share what you've learnt with someone who is equally committed to the outcomes as you are? But you need to ensure that they protect your company's name and deliver at the same (or very close) level to what you are doing.

We generally believe that this is how franchising started out.

Charities and nonprofits should be very comfortable with this model as most large institutional charities have a similar structure that has a head office that manages the processes and strategy of the organization. It then works with the grassroots organizations in communities to contextualize to what the neighbourhood needs. This is almost exactly like franchising!

However somewhere things changed. There was a period where the concept of franchising, making it rich quick, and taking advantage of individuals who had limited experience in deciphering between a good investment opportunity versus a very poor one won out. There were times where people would have a business model that worked in one instance that had a very slim or poor chance of being successful in other locations. They would sell the rights and offer limited or no support.

Many jurisdictions moved in to protect potential franchisees[64] (purchasers of franchises) and treated this type of investment opportunity as a consumer purchase. Consumer protectionism legislation was put in place demanding that franchisors[65] disclosed information about the investment opportunity and had a cooling off period of at least 2 weeks in order to have a clear head when signing an agreement.

This changed the dynamic of franchising with a significant amount of regulations, processes, and professionals including lawyers and accountants in place to follow these and ensure that people were treated fairly throughout this decision making.

What remains within the franchising sector is a unique camaraderie. There is a collaboration between franchising networks and franchisors share their best practices and approaches

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[64] Franchisees: The independent business owners that own and operate the local organization. This would be the McDonald's restaurant owner.

[65] Franchisors: The central organization that trains and onboards franchisees, they own the intellectual property and processes surrounding the franchise brand. This would be McDonald's head office.

with each other. Conversely, franchise networks act as true networks where there is peer support and relationships between the franchisees. There is a general consensus that franchise networks only work when the franchisees are successful and supported. That everyone doing well is an outcome where everyone wins.

It is probably not a coincidence that this is a place where we were able to explore what win-win capitalism could work.

How franchise networks are structured

Everyone is familiar with McDonald's. This is where they have individual restaurants that are all operated by individual owners that follow the processes of the franchisor. The head office is the franchisor. The individual restaurants are the franchisees.

Franchise networks are the brand. It was once said that the most consistent things about McDonald's was the cleanliness of their washrooms, and that is just the start. No matter where you are in the world, you can trust that you will have delicious fries. In places where you are uncomfortable you can trust the brand.

The good news for franchising is that this is not the only example. There is Subway, Burger King, Tim Horton's, Molly Maid, Shoppers Drugmart, Pillar to Post, Dogtopia, Chipotle, and so many other household names as brands. It is a way to have a united brand with consistent quality.

<u>Franchisor</u>
The role of the franchisor is one of processes. In the end of the day, they are the guard of the brand. The brand will include;

- The tagline, the trademarks, colours
- How things are done including the processes and templates
- The training to get new franchisees up to a certain level quickly
- The monitoring of how the brand is currently being represented across different territories
- The collection of best practices and continuous improvement

Remember that the franchisees are considered to be consumers as investors. The legal process is a myriad of protectionism for them. Although this is true as they determine if they wish to buy a territory, the franchise agreements mostly lean towards the franchisor. This is important in terms of breach and infringement on the brand which can have huge detriments on the rest of the franchise network. As you can imagine, it is important that everyone behaves the same as one rogue franchisee will impact the positive brand name of numerous other businesses.

The franchisor owns the intellectual property of the franchise network as well as the agreements with all of the franchisees. Sometimes these are in the same corporate structure and sometimes are put in different corporate structures.

<u>Franchisees</u>

Franchisees are independent business owners that have to follow the brand guidelines and the requirements within the franchise agreement but beyond that, they are still their own bosses.

Franchising offers the beautiful blend of being self-employed with the independence to make decisions, but it is combined with the support of the franchisor and the wider network. In the end, you are able to run things the way you like while not being alone.

Just the opposite of a franchisor who focuses on processes and intellectual property, the franchisee is running the business and executing to these processes. Most franchise networks put the accountability of sales on their franchisees. Why? Because you can lead a horse to water but you can't make them drink. The accountability of revenues still needs to be on the franchisee.

Buying a franchise costs money. It is one of those times that someone who already has money is able to leverage their existing assets and create more. This is similar to accredited investors having more opportunities, and people with assets have access to more.

Typically when a franchise partner does well, you encourage them to purchase additional territories so that they own more. As a franchisor this reduces your risk and reduces what it takes to onboard them as they have already operated the exact same business in a different location, so you costs are reduced.

How do franchise networks work?

Most franchise networks are about growth, growth and more growth. In business, if you aren't growing you are often simply falling behind the competition. So it is important to focus on growth. One of the best practices in a franchising network is to continually report financials and speak about records, this keeps the momentum going and keeps a positive narrative. Often there are competitions for the biggest grossing territory, the most improved, the personal bests.

With a distributed model most of the franchise locations will have nuances based on the local context but also on the ownership. The key is trying to keep the important parts of quality and brand as consistent as possible. That starts with who are your owners.

This brings us to franchise recruitment, one of the most important processes within the franchisor's role. When you screen for the best franchise partners, the rest of your work is easy.

No sales process is logical. If we think that a sale is logical and we try to logic someone to buy, we have already lost to our competitors. Every sale is emotional. In franchise recruitment processes (called franchise development) the entire process is about emotions, addressing the fear of taking the leap to do the investment, and striking the iron when it was hot. We've heard time and time again about just getting someone to sign.

There are some tried, tested and true ways to do recruitment out there that franchising is famous for;

- Franchising tradeshows. They have them in almost every city where they showcase brands and speak to individuals that are interested in starting their own business.
- Franchise brokers. There are actually entire businesses that actively seek individuals interested in starting their own business that show them the various brands and help them narrow this down. They get referral fees once someone closes the deal and signs up a new franchise partner.
- Franchise directories. These are either newsletters or online portals that compete as a self-serve for franchise brokers and franchise networks simply pay for the leads as they come in.
- Franchise development websites that are featured prominently on the brand's website. Often times prioritizing franchise development over the franchisees getting new leads.
- Franchise development marketing which would look like a normal marketing plan.

Great. Now you know more about franchising than we did when we first started.

How did we approach it differently?

Franchising is so highly relational an interdependent, it was uniquely a way for us to apply the win-win mindset very easily. It is a network of businesses that only win if everyone within the entire network wins.

If one of the businesses isn't pulling up their socks and delivering at the level that is expected, it impacts the rest of the businesses and then impacts the franchisor negatively. When one business knocks it out of the park, they have now learnt new best practices that can be shared with the other businesses for everyone to raise the bar and improve.

Just how we picked franchise partners, and our recruitment process was significantly different. This started with calling it "awarding territories" rather than "selling territories". This put the entire model on its head. We focused on the person. We focused on the relationship. We prioritized the fit. How this showed up is that the entire process slowed down.

When a new franchisee comes onboard, it is them taking one of the biggest leaps of faith in their lives. They have decided to jump 150% into a new business venture and dive in. They are scared and alive at the same time. They are feeling alone and need additional support. We as the franchise network are there to welcome them with open arms, pick them up when they are down, and support them in being successful. Very quickly we realized that it wasn't just about the franchisor, it was about the wider network of successful entrepreneurs that were also willing to support each other.

When we onboard our new national staff (that's at the franchisor level), we would train them to become the biggest and best cheerleaders of the franchise partners. We would let them know that every day and every moment when they supported a franchise partner in online marketing, policies, training, coaching, or just a high five we were supporting them in reaching their own dreams.

Franchising as a business model is naturally win-win, which was a huge advantage in this giant experiment.

Part 3: Into the Rabbit Hole

Chapter 9: The edge of the rabbit hole

We always had a sense that the rabbit hole would be deep.

Working in the charitable and nonprofit sector is a different beast. And although it is an ecosystem that is designed to make a difference, some instances make it a lot slower and sometimes less ability to change.

As charities & nonprofits, we need to ramp up to the pace of business.

Governance is not the only roadblock, but it is a big one to us speeding up. Nonprofits and charities literally have multiple people on a board that is designed to make decisions. Everything is about crossing our t's and dotting our i's. Decisions are about discernment, double checking and reducing risk. This means that when you have an idea and when you want to try something out, you are limited in how fast you can try something. Whereas a small business, and especially a start-up, can move at the speed of light (or as we call it 'the speed of business').

We had an inkling that when we moved from the nonprofit and charitable ecosystem that there would be much that we didn't know. We knew that things would be forced to move faster. And we braced ourselves to find out what we didn't know.

We were on the edge of the rabbit hole.

The real closing[66]

In reality, the purchase was quite anti-climactic.

Every single detail in a close is a negotiation and something that could cause a hiccup. Often up to 50% of business acquisitions don't happen due to a single clause[67] in the final paperwork or misunderstanding of the business terms. New information that you get last minute or simple cold feet.

In the last month before the closing there were significant cold feet on both sides. The seller was happy to keep the business as usual as it was continuing to grow in volume since we had signed the LOI. He had been burnt before and started to question whether we could get it over the line. And we were being blocked from having conversations with existing staff, existing franchisees, and the existing vendors to support us in our planning purposes due to the fact that the vendor had cold feet. This meant that we knew when the transfer happened that we would have to work twice as hard and would be entering those first few days in a vacuum. If we didn't have cold feet before, this would have been enough on its own.

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[66] Closing: The process of finalizing a business deal. Think about the closing date in real estate when purchasing a home, it is the same thing.
[67] Clause: One of the terms within a legal agreement. A single contract can have 10s or 100s of clauses within them, and each outlines a business term that was agreed upon.

In the last few days before a transaction of any size, and definitely this one, is laden with fear. And people act strangely when they are scared. Think about the process of buying a large purchase from a house to a car to a vacation, you have lots of questions and need more answers to feel comfortable. In the last few days of the sale we ended up getting less information instead of more. This is not a best practice, but just what happened. For us we had to shove down any fear and trust that we had done sufficient due diligence and would be able to grow things.

> "I remember one of our investors texting me all excited about the closing date and reminding me to have some champagne. But it wasn't a go-to reaction. It wasn't the pinnacle. It was the start of a new mountain that we were about to climb."
> – Carla, CEO

The founder wished to inform all of his franchise partners that this transaction had occurred, and we then orchestrated a town hall (or "Family Meeting") to meet everyone and answer any questions.

The founder did a great job of reaching all franchise partners by phone. Each franchise partner had a 1-1 with the founder, one member of the coaching team attended these interactions and then texted the other coach for anyone who might require some additional support to better understand the impact to them and their businesses. It was a big hug. It was done in a relational way and was designed to reduce stress on all the franchise partners.

Then we had the "Family Meeting". This was designed for the founder to explain why he was selling and why they believed we were a good fit. The coaches were present and shared their own views. And then the new CEO introduced herself to the team to share some of her experience and background.

During the townhall one of the franchise partners raised their hand and asked the CEO directly "What is your experience in home care?". Her response "None at all." The focus was that the stage of the business needed focus on marketing and processes, and that is where her strengths lay. A full bio of the new CEO had been shared prior to the meeting as well as an overview of the new owners, including the Victoria franchise partner.

> "It was such a strange moment to wait and introduce myself after 5 people spoke before me about how great I was. Having worked in non-profit and charities for the last decade as a business coach, it wasn't a natural thing to own the room. I was the person who told the main decision maker, founder, owner, executive director what to do and then had to persuade them. I usually had the answers to questions on behalf of my clients, but I wouldn't butt in with them. Now was a time that everyone was turning to me. Really for the first 2 months, every meeting, every question, every Zoom call was focused on me. Not in a nerve-wracking way. But about authoritative power rather than the persuasive influence that was I was used to. The odd thing was that I was never nervous about meeting everyone. I probably should have been as I had no home care, healthcare, or franchise expertise. But as a business

consultant I had been put into situations needing immediate results in less time and knowing less about the situation." – Carla, CEO

Part of the plan was to show how things were going to be more supportive on day one. During the Family Meeting we came prepared to unleash the new Intranet that contained all of the of the company's policies, procedures and forms. These had been housed in an Operations Manual[68] that had been historically sent out as a Word document upon signing the franchise agreement. Although still available in that format but creating an Intranet[69] we could change things on the fly, add additional resources easily that might not fit in a stagnate Word document including videos and new training resources.

The room when quiet as a link for the new Intranet was shared and people started to dig in. Then there was an invitation for 1-1 between the new CEO and every single franchise partner to better understand the lay of the land. The CEO's open online calendar was shared and people started to book 1-1 times with her immediately, in fact her first ended up being 3 hours later. Both the Intranet and the calendar link was demonstrating in a single meeting that things would be easy, streamlined, and more efficient. As business owners, this was going to make a positive impact on their business, even if the CEO didn't have a home care background.

The business coach piped in, "Within 2 months, you are going to love her."

We could only hope. But hope is just a wish without a plan. Our plan included concrete management pieces in place to help with the transition. Here are a few things we did:

- Have a communication plan that was about putting the franchise partners emotions and fears at the forefront
- Being honest and transparent, even if it was uncomfortable
- Focused on a multitude of different communication tools for clarity and to manage different communication styles
- We had a team with existing relationships in place
- We showed a small win for everyone in the first day
- We focused on relationship building from day one

90 days later the same business coach who had supported over a dozen transitions let us know that it was the most successful that she had every seen.

We believe it is that we put people first every step of the way. Thinking win-win was a key to this smooth transition.

The house of cards

In general we realized that the hug approach to the transition had been quite effective. In the first 2 weeks of ownership we had 1-1 meetings with every single franchise partner. People

[68] Operations Manual: This is your how to guide on everything in a business, and is typically a critical document when selling a franchise as it is your Operations Manuel that should technically be holding all of your intellectual property (IP) and legally is referenced within the Franchise Disclosure Document.

[69] Intranet: As opposed to the Internet which is externally focused, an Intranet is a web portal that is for your team to store information and share.

were ready for us to effect changes that they had been asking for, but that had been delayed due to the transfer.

Each call was a chance to listen. We asked a few simple questions that were there for us to discover information that would support our decisions and start to create the corporate culture that we needed.

Question 1: What do you love about Just Like Family? Why did you join it?
We were a social acquisition that was committed to putting people first. We needed to ask this question to understand the motivation and values of the people that were now our business partners.

It was lovely. Almost every single franchise partner immediately spoke about the people they cared for and the impact that they saw in people's lives. They would speak about how when they spoke to other franchise networks when they first looked at buying a franchise, that they felt the warmth and the difference of Just Like Family right away.

This was what we needed to hear. It far surpassed our expectations that every single franchise partner felt this way and believed in this. It wasn't something that we would have been able to coach them on or change their value system. We were ecstatic with our starting point and probably would have had a much more difficult first year without this solid team as a foundation.

Question 2: What are your superpowers?
Coming from a charitable background, we had the value set that everyone has strengths no matter what those might be. This question was to draw this out and better understand our franchise partners.

Shockingly we quickly realized that everyone did in fact have something to offer. And that collectively we had all the answers and skillsets that we needed as a network, we just needed a way to make that self-evident.

After 1/3 of the 1-1 meetings with franchise partners, we came up with the idea to have advisory teams in Marketing, HR, training, and Operations/IT. The next 2/3 of franchise partners we tested this idea of what we had heard and received very positive feedback.

We continued this approach throughout all of our interviews. We'd listen, co-brainstorm an idea with the franchise partner who identified a gap or challenge, then we'd share this idea with the next 3 franchisees to see if it had legs or adapt it. By the last 1/3 of the franchisee interviews, we were more validating that we had already heard and socializing our plans and roadmap.

Question 3: What is the biggest challenge?
Easy enough. This is where we would find out the lowest hanging fruit to making a difference. At least in the franchise partners perception. This is where we would need to expediate spending or at least show that we were in the process of learning, even if we didn't have the answer.

> “Being a business coach for 15 years, I knew that oftentimes what people think that they need versus what they need is very different. For example, most small business owners believe that they have a problem with their closing. But where they often are dropping the ball is in the sales funnel parts that come way before the closing. I remember one client that I worked with that was a marketing company. They were asking me for support in their closing, but when we reviewed their sales funnel[70] we realized that they hadn’t been reaching out to prospective customers. Ironically, they were doing their own marketing to get awareness of their business to get to the closing stage!” - Carla

Asking our franchise partners what they perceived as the biggest challenge, but then still actively listening to what other challenges that they were having was going to help to identify where the true changes and investments could be made.

We would implement the changes that were being sought after quickly to support positive momentum <u>and</u> we would really be implementing the changes that were needed for sustainable growth and future opportunities at the same time.

<u>Question 4: What do you do in marketing? What is working?</u>
The last three questions were more tactical. We were seeing first-hand what some of the franchise partners were concerned about and were being jittery about.

The number one thing was the website. Heaven knows it had room for improvement.

Franchise partners had been creating their own websites to avoid using the main website in their online advertising. In franchising this is bad news. You don’t want multiple websites fighting against each other on search engines and you don’t want there to be different branding or flow for different websites. As a network, we should be learning and then implementing best practices. We needed to fix the website to get conformance to the brand.

The conversations were fantastic. Some franchise partners professed to be amazing at marketing, others had tons of ideas, and many were excited about the new ownership and the changes that we might make. Some franchise partners didn’t have a clue about marketing and found it to be an upward battle. Others simply didn’t think they were doing any marketing and that magically customers were coming to them through word of mouth.

<u>Question 5: How do you handle recruitment?</u>
Recruitment is something that has been a hot topic within healthcare for over a decade. Especially with COVID-19 and essential workers being bombarded with need, there was a significant need for having new staffing entering the workforce.

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[70] Sales funnel: The formal process that businesses track of how new customers are aware of their business, become interested in their business, and how they eventually buy from them. The good sales people understand their sales funnels, how potential customers (called prospects) move from one stage to another and they will even know the percentage of customers typically see move from one stage to another. The best sales people understand that the sales funnel doesn’t stop at the close, and it is important to track follow up and retention as well.

Some of our franchise partners had new ways to do recruitment, some were still struggling, and some were even having a hard time landing new business as they were worried that they wouldn't be able to staff the new clients that they landed. Something needed to be put into place to support those struggling.

Question 6: How do you handle retention?

Arguably it is more important to retain once you recruit. Here is where we saw convergence of the answers – which was another amazing sign for us. Caregivers seemed to like working better for our franchise partners than the competition. The people-first approach and authenticity were already showing up in our network and the ripple effect to our employees was showing up. This was another exciting moment for us.

Question 7: What else should we know?

The audacity of thinking we knew everything was not our problem. In fact, coming into the franchise network actively assuming and professing that we knew nothing was probably one of the best (unintentionally) things that we did.

We were able to ask questions and actively listen without any assumptions or preconceptions. And we included space and time for people to expand our thinking with this final question.

What else did we learn?

- Everyone was using the IT and business processes slightly differently. And two different back-office software was being used. We needed everyone on the same platform to streamline things. This was going to limit our ability to provide consistent quality of service and following best practices.
- People deeply cared about the 'family feel' of Just Like Family. The culture was there and had room to grow.

The fantastic news was that our deck of cards was full of characters. We had our queens, our jacks, our aces, and our jokers throughout the network. At the end of 2 weeks when we interviewed and interacted with every single franchise partner, we came to one conclusion. They all deeply cared about making a difference in people's lives. We had good bones to start building a new foundation for growth.

Question 8: Any questions for me?

> "The question about my lack of home care experience was never asked again. It didn't seem important to them once I asked all these questions. We simply had great and open conversations. I was there to understand their concerns. And then suggested different ways that we could address what I was hearing." – Carla, CEO

Change management was key in these first days. Some practices we lived out were;

- Being human and admitting what we didn't know
- Taking the time with everyone as relationships are formed at the speed of trust
- Listen first
- Repeat what we had heard for clarity
- Receive feedback

- Act on what was heard

The changing guard
The challenge in an acquisition of a business is that no matter how much you don't want it to be, the existing set up won't always fit the direction of the future business.

Why?

Reason #1: Getting ready for the sale
You might be at a different stage of business than the previous owner was. Often this happens as the seller is preparing the business for an acquisition. A seller makes more money if their expenses[71] are low and their revenues[72] are high, as many forms of business valuation[73] are based on EBITDA[74].

Paying employees performance, giving raises or promotions, forming strategic partnerships with long term agreements, and investing in future growth will all reduce the price that a business will get upon selling. The motivation to do any of these things is removed. By the time that we bought the business, they had been speaking about a new website for almost 6 months and had started to gather information from vendors but were nowhere close to deciding on what direction to take.

Reason #2: New strategy
It is a rare day that a new business owner takes over a business without some aspirations for growth. For us to get the investors onboard for the acquisition we had drafted up a business plan with three different methods for growth.

Each strategy had an approach that would require further investments with partners or team members. Each strategy would take some time to explore, and each avenue was significantly different than the direction that the organization was headed.

Reason #3: New culture
No matter how much you try to keep the existing culture, something is going to change with new ownership. Especially in small business with the owners exude the corporate culture[75] that will form around them.

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[71] Expenses: These are the costs in your business that you typically would have as a monthly expense. In your first year of an acquisition you would have acquisition costs which are additional legal and accounting fees. However, what you want to understand is your normalized expenses.
[72] Revenues: This is how much money you are making before you pay anyone anything. This is considered your 'topline'.
[73] Valuation: The formal process of reviewing an asset (in this case a business) and assessing how much it is worth. Just like there are valuators for real estate and jewellery, the same can be assessed for your business. But just like anything, there can be a determined amount that something is worth. But at the end of the day, something is worth what someone is willing to pay for it.
[74] EBITDA: This is a very long acronym for Earnings Before Interest, Taxes, Depreciation, and Appreciation. The simple calculation is revenue minus expenses other than the ones listed.
[75] Corporate Culture: The 'je ne sais quoi' of an organization. This entails the values, vision, mission, practices, rituals, and the overall feel of an organization. For instance, Google was known for its campuses with chefs, ping pong tables, and bean bag chairs. Whereas you would expect a Deloitte office to look really different. There is not a 100% defined way to create a corporate culture, it is a way of living is management and as a team each and every day that creates the corporate culture.

For us, the main new culture was a relational approach. We reached out to all our suppliers to learn better about how things had worked in the past and what wasn't working. We expressed to them all that we wished to move from a transactional interaction to more of a long-term relationship.

> "Reaching out to the existing suppliers could only be described as hysterical. I remember emailing one of them who couldn't understand why I'd want to have a phone call with them. Another supplier didn't even have a phone number where I could reach them. One supplier even tried to cancel the service they were providing 2 weeks in as the old credit card number had been cancelled and they didn't believe we would pay them. Trying to navigate and piece together which suppliers were a fit and where we need to find new ones was quite a ride all by itself." – Carla, CEO

In the beginning not a single supplier thought of themselves as a partner. Most of them had never met each other or had a phone conversation with the organization before, why would they trust us?

<u>Reason #4: People don't like change</u>
Putting people first doesn't mean that we were going to please everyone. In fact, putting people first often means that it wasn't going to work for everyone.

The way that the founder had grown the business, built the culture of the business, and then exited the business was going to be a normal way of operating for the existing team and suppliers. The changes that we were going to put in place were not going to fit everyone and that was a growing pain that we were going to have to face.

Chapter 10: The sum is greater than its parts

Impact we knew about (the giant experiment)
We knew from the get-go that we were on to something and that this was a giant experiment that was going to reveal new ways to create impact as we grew and learned. Here are a few of the impacts we're seeing.

Impact #1: Direct equity was part of impact investing
We believed that direct equity as an impact investment was important part of the social finance continuum. But raising equity as an impact investment tool wasn't something that people were speaking about. In Canada, there were no impact investors including foundations, community foundations, and governments speaking about debt. Most CDFIs[76] in the States were loan based versus equity as well. And it was only in the last 5 years that leading impact investors in the States had started to shift to equity over debt.

By raising equity with impact investors, specifically charities as accredited impact investors, we had proven that this was possible. Since doing this acquisition, we are now speaking to other social entrepreneurs who are thinking similarly.

Impact #2: Social acquisitions had scalable impact quicker
We knew that social enterprises have a scaling challenge, and that social acquisition was worth exploring to overcome some of those barriers. We believed that to get a social enterprise through seed funding to sustainability to a place where it was ready to scale had too many barriers to have the impact that was needed today.

Most of the largest charities are decades old in order to have reached the scale and impact that they make. In our first 12 months we had increased our impact by over 35% from when we had first purchased the business in terms of number of staff and seniors we supported.

Impact #3: New ownership and governance models of social enterprises
We knew that it was legal for a charity to own a for-profit business if it was armlength for direction and control. We had seen this in the creation of Kindred Works, a for profit development corporation owned by a charity. We saw this in working with other social enterprises like Buy Social Canada, Furniture Bank, Blood Services, ReStore, and GreenShield[77].

But we created a whole new for-profit social enterprise with the ownership being shared with multiple charities and impact investors. We don't all have to own everything!

Impact #4: Social capital works
We believed that social enterprises potentially had a competitive advantage of being able to leverage their network and connections to grow faster and more sustainable. The Victoria franchise had grown quickly as it was owned by a charity and had 100 champions in the

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[76] CDFI: Community Development Finance Institute or an organization that can act as a lender using their lending dollars to create impact locally or within their defined scope.
[77] Successful social enterprises in Canada: Buy Social Canada's directory of social enterprises provides access to the growing number of social enterprise across Canada.

community from the first day of operation. A business starting from scratch would take at least 5 years to garner the social capital that a social enterprise can grow in weeks.

We saw that we could expand that understanding and find new ways to partner and build a network of champions. We continue to find unique partnerships and relationships that are easier by being a social enterprise.

<u>Impact #5: Seniors' quality of living</u>
The home care industry itself had significant direct impacts that we could make. The interdependence of individuals being cared for, with their families caring for them, and with Just Like Family as a blended care offering was a different way of providing home care. We were (and continue to be) focused on supporting those thriving in place not simply surviving. By doing the things that people love for longer makes a difference. And home care businesses simply weren't thinking this way. By thinking about home care differently we believed that we would be able to raise the bar of home care across North America and this became our vision.

We have worked with multiple non-profit and cooperative run home care providers, finding ways to advocate and support each other.

<u>Impact #6: Family members' peace of mind</u>
For-profit organizations always speak about their target market. Nonprofits and charities don't speak about a target market, they speak about the stakeholders[78]. They have a wider understanding of who they are serving and who they are communicating with. It isn't just the individuals that they serve, it is the volunteers, the donors, partners in organizational donors, advocacy, and the entire community is often considered.

As a social enterprise, we focused on the stakeholders rather than the target market (even the words 'target' market sounds aggressive). We changed this to a more wholistic view of who was impacted by the home care supports that we provide. We realized that we were making an impact in the families' lives as much as the person who we were supporting directly.

Daughters were being daughters, sons could be sons, and spouses were spouses again. The additional support of loved ones had ripple effects on the entire family unit!

<u>Impact #7: Better quality jobs for caregivers</u>
Seeing people and knowing the story has an incredible impact on someone. In care sector where caregivers are often taken for granted, we knew that having amazing franchise partners who drove their caregivers to work, hosted appreciation events and provided thank yous, and even having nicer clients that treasured their relationship with their caregivers was all something we believed would have massive ripple effects.

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[78] Stakeholders: Unlike shareholders that own the shares of a company. Thinking about stakeholders would include all individuals and organizations that the business interacts with as being important and worth considering your impact and relationship with them.

Speaking about and encouraging living wages and health spending accounts mattered. But so did having an organization that cared about you. This type of organization could genuinely make a difference in the lives of our caregivers' lives as much as our clients and as our franchise partners.

The unknowns in the rabbit hole

A rabbit hole from the outside looks like any other hole in the ground. Often the entrance isn't even that noticeable and it could be between rocks, a pile of wood, or the root of a tree. In fact, just looking at it you can identify that it is a hole, but you wouldn't fully appreciate that it is an entire home and network of holes to keep the rabbit safe. This is the rabbit's den, so much more than a hole. It would only be if you could enter the hole, learn all the passageways, get into the den, that you would understand how complex it really is.

This is the same as the impact that we understood, because in each instance it was simply the entrance to the rabbit hole.

In the end, each of the impacts that we knew about were each their own rabbit hole.

<u>Impact #1: Direct equity was part of impact investing</u>

We simply didn't understand the profound relationship that comes from equity versus debt. People are just different when they are moved from you owing them something to them being invested <u>with</u> you on something.

> "I'll never forget when I took a road trip to visit one of our investors in Cleveland, Ohio.   It is about a 5-hour drive from Toronto and I travelled on a rainy day that turned ugly. On my drive home, three of our (equity) investors called me to see if I was okay. How many lenders know the travel plans of management staff? And how many would bother to see that they have travelled home safely? With debt, they know they are secured and will get paid back no matter what happens to the people involved. In equity, that security isn't there. And more importantly, many equity investments are investing in the people running the business. Equity as an impact investment literally flips what relationships look like when financing a company." – Carla, CEO

Throughout this journey, we had the opportunity speak to many other impact investors and people thinking as big (and often bigger) than we were. In one of these conversations with Acumen, a huge internationally renowned impact investor, we discovered that the shift from debt to equity was new but not completely a one off. The shift had been happening quite dramatically over the last 5 years prior to our social acquisition with the allocation being historically 80% debt impact investments to having switched almost entirely in the other direction to 80% equity.

One thing about innovation, is that it often doesn't happen in a vacuum and when the timing is right for the innovation there are often multiple people discovering the same thing at the same time. This shows up time and time again when you look at the history books. There were multiple people tinkering on the first telephone, but Alexander Graham Bell won out with his patent by just a fraction. It wasn't the Wright Brothers that discovered flying by themselves, it was many people experimenting in different ways with the technologies that were available at the time. The same can be said for equity as an impact investment. When multiple people are seeing the patterns and possibilities at the same time, perhaps that means that that timing is right.

Once we were in the rabbit hole, we continued to delight in the new co-conspirators that we hadn't been aware of before we had jumped in with two feet. SE Health is a fantastic Canadian charitable example of a charity creating a social enterprise and financial sustainability around home care, and then leveraging their proceeds to purchase additional businesses as social acquisitions under their investment portfolio.

We didn't know that by sharing our story how quickly others would respond. Within the first three months we gathered a group of over 20 charities that wanted to discuss what else was possible together.

Within the first 12 months we were approached by 9 private equity firms [79]that wished to expand into the home care field. And 2 of them explained that they had a social lens and wished to make a difference in the home care field. Again, another example of us being on to something at the same time as others.

And the big ripple effect, that our dividends[80] and the possibility of the returns that we were forecasting was fostering new strategic conversations with the three charities that had invested. There will be many ripple effects to come, many of which we will never hear about.

<u>Impact #2: Social acquisitions had scalable impact quicker</u>
We knew scaling was a challenge for social enterprises, but we hadn't formally separated scaling the social enterprise versus considering the scale of the impact when we started at a larger size to begin with.

Entering the marketplace as a large social enterprise that had a unique ownership structure that had never been really heard of in Canada had us speaking to many parties we normally would not.

- A VP at one of Canada's largest banks had a 1-1 sit down to better understand our business and what we were up to. They spent resources connecting us to other services within their organization that could support us better.
- We were invited to be a speaker at Canadian Franchise Association's national conference where we lead a conversation called "Doing Business and Doing Good." Imagine speaking at a national event like that within the first year of learning anything about franchising!
- We worked with advocacy teams for home care and small businesses under CFIB (Canadian Federation of Independent Businesses).

And the bonus is that we were still invited to communicate with nonprofits. Being invited to for-profit tables allowed us to start some important bridging work.

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[79] Private equity firms: Entities that do direct equity investment on behalf of a collective of accredited investors. They create a firm with the investors as the core or they create a fund that follows their investment thesis and parameters.
[80] Dividends: The paying out of profits to shareholders.

Next, what we bought mattered. We saw quickly that we had a tremendous buying power that could extend beyond our existing suppliers but also who we hired, contracted with, and how we lived out doing business. We had to keep being in touch with existing organizations to support them in thinking further and bigger. Selecting local suppliers was important. We are exploring partners that are more environmentally friendly and have a social lens.

Impact #3: New ownership and governance models of social enterprises
Being a franchisor with a financially sustainable and growing franchise network is a whole new ballgame. The decisions around awarding territories are strictly in your hands, and that decision making power can be used for good.

We had the possibility to completely overturn what ownership structures looked like, not only at the franchisor level but at the franchisee level.

How we recruited franchise partners would turn up different franchise partners. By deciding not to go to franchise development tradeshows we would find a different type of person. By working with referral partners that were rooted in community, we would have a different type of relationship with our potential recruits from day 1. We quickly understood that we would have more diverse ownership based on how and where we were doing our engagement.

At the same time, updating our recruitment policy would have us looking for a different type of franchise partner and change who we were awarding franchises to. Prioritizing heart, grit, and alignment with our values was going to turn up people who were a fit with the culture. We were committed that we could train technical and business skills, but we couldn't train caring. We recognized that this could possibly become a capacity issue with the skills that we were going to have to provide additional support on, but that if we were committed to a different type of ownership and more diversity, it was important to understand how we could ensure this new ownership would be successful.

> "When we show up for ourselves and for others, our hard work is only hard because we are changing people's mindsets and realigning them with business owners' values. This is where the grit comes in. You have to have grit especially when people look at you like you must not know what you're talking about because it's too good to be true. The grit is your persistence to show them the evidence of how this works." – Alana, Operations Manager

One ownership structure that we are still expanding upon is our franchise territories being owned or co-owned by charities and nonprofits. If our franchisor is owned by impact investors, and this opportunity was discovered by a charity that was owning a franchise territory, could we replicate this *ownership structure*[81]. What could we further learn to expand this thinking?

[81] Ownership Structure: Governance of a business can have significant impacts on how your company is viewed and most importantly who and how strategic decisions are being made. There are many different structures to choose from including a sole proprietorship, a partnership, a corporation, a nonprofit, a charity, a cooperative, and there continue to be new structures that are developed (including ours that is a for-profit with 50 ownership by charities).

This approach to ownership structures and models, learning how to do it differently has changed our interaction with our partners, with nonprofits and charities, and even with universities and colleges that are intrigued with the potential *systemic changes*[82] of our experiment.

Impact #4: Social capital works

In small business the most sustainable businesses are the ones that create a network of 100+ champions. With a nonprofit or charity purchasing a business, the social capital is already there. This could take a for-profit start-up over 5 years and often more to gain that type of connection. Whereas it is almost instantaneous for a social enterprise.

For us as a social acquisition, we very quickly realized that partnerships were a competitive advantage. We had no idea the government model of being 50% owned by charities but as a for-profit would give us the nimbleness, credibility and value set for long-term growth and stability.

When we speak about ‘people first’, other people want to work with us. It is an attractive attribute, and with the change in the business landscape it is becoming increasingly attractive.

But we didn’t realize the scale of this approach. How many larger organizations and businesses would be swayed by this compelling story.

- We will be the first for-profit social enterprise listed on government directories
- Large nonprofits saw synergies in our vision and values. Our equitable ownership models [83]and experiments for systemic change is a way to do the same good work differently.

Finding alignment in our partnership conversations first, never approach with an agenda is something that our entire team is learning to do. As we gain confidence in our approach, we are more convinced that holding to our ‘why’ and our values in every conversation is supporting that change to a win-win approach.

Impact #5: Seniors’ quality of living

It was fantastic that we knew nothing.

> “I thought that how we treated seniors with dignity and respect was normal. Only a year later and finding out that our competition doesn’t pick up the phone, only fills shifts, and still doesn’t show up. If I had known that was the bar, I might have not believed it. By not thinking that that was the bar to reach, I’m convinced that we simply reached for a higher bar that we have now reached.” – Carla, CEO

[82] Systemic change: When something changes that is a foundational piece or the underpinning of a network of other things that are in place. Once changed this often has a lasting impact.

[83] Equitable ownership models: Equity versus equality is the first part of this. Equality is everyone being treated the same, but equity is understanding that some have more privilege than others and that equity isn’t always equality. For equity you need to provide additional supports. And then you extend this to who owns what.

Every week our franchise partners surprise and delight their clients.

One of our team members hosted a surprise party for their client with dementia. 14 of her friends showed up to surprise her, there was cake and balloons, and smiles were flowing everywhere.

Another team member always likes to ask during his in-home assessments where they were in World War II and he professes that he is now an WWII expert. The stories that he hears about their lives back then and how they overcame things is always inspiring and bring them right back to those times. It also provides him insights of things that they love and hold dear, so that he can add that to the care plans and really overachieve.

Another one has started Storytime where every single day for the last three years they read a single chapter in a book online together and they will have 8-20 people in attendance. Sure, it is the story they come back for. But they always have a joke of the day and can check in with each other. One of the attendees is now 106 and they have an online birthday party for her.

We have realized that not only are we going above and beyond, but our franchise partners glorify in ways that they can continue to get even better. When we have calls together, they often share stories of the impact that they see they are making in families and their loved one's lives.

<u>Impact #6: Family members' peace of mind</u>

Doing an in-home assessment for a home care company is a requirement by law to ensure the health and safety of the workplace. It is almost humorous that every home care company treats it like it is a marketing tactic and a free thing to be offering (okay, we hopped on the band wagon). However, it does make us wonder if people think it is a marketing tactic [84]rather than something they legally must do.

Alternatively, we have used it as a huge opportunity to add value to families even when they may never engage with us. By being a for-profit owned by charities, one of the first things that we did was create a theory of change that guides our activities and what we measure when it comes to outcomes and outputs. With our guiding light to change the narrative around aging and believing that raising the bar of home care was an integral ingredient of doing this, we treat our in-home care assessments differently. They are an opportunity to do a fall prevention assessment, we can support family members in the conversation with their loved ones about accepting and asking for additional support, and we are there to be a navigator of other resources that will be a wraparound and hug for them throughout the aging journey.

How do we do all of that without even sending an invoice or signing a contract? Well, we simply treat everyone that we interact with from the get-go as one of our customers already.

[8484] Tactic: A strategy is a decision and plan for something that is on a fairly high level. A tactic is more of an activity under a strategy.

> “When speaking to Toronto’s Community Health Manager about her work, she simply shrugged and told me that she just assumes that everyone is already our customer and treats them accordingly. She said to me once, ‘I’ll treat them like my customer until I’m told otherwise.’ I’m assuming she meant when the potential client told her otherwise, but in case she was referring to me…. I’ve stayed quiet ever since.” – Carla, CEO

When we first had our monthly provincial calls with our franchise partners it was all about the numbers. It was celebrated each month who had made the most amount of money and who had grown the most. We still talk about numbers but is no longer the first thing. Culture follows the practices, rituals, and what gets measured gets done. Accordingly, we speak about impacts that we have made on families and their loved ones. It is what we speak about and what we celebrate. It is who we attract and retain.

You can imagine that a team of aging navigators that puts people first in every step of its business model would create peace of mind for a family. We are unapologetically human.

<u>Impact #7: Better quality jobs for caregivers</u>

Who you work with matters. Why they are working with you matters more.

We have continued to attract the type of people who wish to make a difference in the world. When they first become part of the team, they often doubt that we could possibly be authentic in what we are professing to believe in.

Our first two full-time hires both expressed that it was the best interview process that they had ever been through. We drilled into values, their motivation, and we equally shared back with them on our answers to the same questions so that they would have a feel for the team.

The first full-time hire had 100 resumes for the position, and we quickly interviewed 12 of the people with a follow up with 4. We hired them on the Friday not wanting to let the weekend go without them having the offer in their hands.

The second full-time hire had 300 resumes for the position. We had become more unapologetically human in our approach and our values. Confidence that thinking in a win-win way was attractive to the type of person that we wanted on our team. Again, we spoke with 12 right away with 2 rising to the top and making the offer on a Friday. The team made the decision based on values and the ‘why’ being aligned.

> “Why should we hire you? What can you bring to the company? These questions are the most common interview questions that one should prepare for. Before my interview with Just Like Family Home Care, I went though the answers in my head over and over again. And surprisingly, none of those questions were asked in the interview, instead they asked me this ‘Image you are at your 80th birthday, what do you want to say to your friends and family?’. I had never been asked this question in my whole life, not to mention during an interview. The whole conservation with Alana during the ‘interview’ is like talking to a friend, we were open, honest, and vulnerable in the conservation, we got to know each other's values, our thoughts on different

> matters, and our motivations in life. I remember Alana said that it feels like we have known each other for 3 years after the talk, I felt the same.
>
> There was this instant connection with them during the conversation, as there was a mutual understanding of each other's values. I feel like they are trying to get to know ME, not just my professional background or what I bring to the table. This is special, I thought, and I am truly excited if I can be part of the team in Just Like Family, knowing that I will be collaborating with like-minded people towards the common goal. Four days after the interview, my journey with Just Like Family began.
>
> Why Just Like Family? If you are spending 8 hours a day on something until you retire, where do you want to use your time on? If I am going to work 8 hours a day till 60 years old, that’s 70,560 hours! I would love to use the time on doing something that is meaningful. Like how Disney calls their staff ‘imagineers’ which they are in charge of dreaming, designing, and building Disney theme park to bring a dream-like experience to visitors. In Just Like Family, we use our area of expertise to help others to achieve their dreams, we are like dream catchers for those who are brave to step up and go for their dreams. And we are also making a difference in people’s lives and in society.
>
> As a marketer, the fun part is we are constantly inspired by the creative, new emerging technologies and ideas from others. But before getting into this part, there were the guidelines, templates, procedures, and testing. It isn’t a quick solution. An important note for reaching a dream is that it takes time. Small steps and actions taken can make a difference over time. We can keep on learning along the way.
>
> It has been nine months since I started this journey in Just Like Family, and my excitement only grows. I am thrilled to contribute to something meaningful, making a difference and looking forward to the future that lies ahead.” - Stephanie, Marketing

We have rolled out the practice of understanding people’s stories and their personal motivation as early as possible. We have designed questions and trained our franchise partners to have full clarity on why and how they are asking values questions. By starting with this basis, we have a hire bar of caregivers from day one. People who are committed to the vision and mission, people who are open to be part of an organization who genuinely cares about them.

Our franchise partners all have stories of driving caregivers to shifts, knowing our caregivers’ birthdays, giving positive feedback, and standing up for them, worrying about the fit with clients for the caregivers as much as for the clients, creating work life balance for the caregivers, ensuring a safe environment, and implementing policies and processes to improve this, and offering professional development and growth opportunities.

When we came in, we launched an appreciation program called The Notables. This is based on the premise that a care organization would recognize that their caregivers have gone above and beyond through their care notes. Yes, our franchise partners and their staff review all care notes every single day. But the nominations that we get each month from our staff could never have been attained through care notes alone. It is the deep relationships that they have with their staff and their genuine understanding of how the caregivers have gone above and beyond is where we are seeing these nominations coming from.

If we were just filling shifts, none of this would be possible. It is a small thing that ends up being huge.

<u>What we hope….</u>

When someone does the impossible, it becomes possible to others. There are no more excuses that it is impossible, that no one has done it before, that people can't understand it, or any other placating barrier to thinking differently. When someone does the impossible, it is no longer impossible to anyone.

That is the story that we are telling. The unexpected impact we are starting to expect.

> "I remember when Carla first reached out to me to discuss the possible acquisition of a Homecare franchise. Going through the challenge of caring for ageing parents, I was only too aware of how important finding good support is. I knew there were various homecare organizations out there, some national and many that are regional, some for profit and some not for profit, but there was no consistency in terms of offering, and their values. I was curious to learn more about Just Life Family (JLF) and how exactly it was going to change the homecare landscape.
>
> From the start JLF worked with charities to participate as shareholders in the company. This indicated that the company was focused on similar values of compassion, caring and empathy. I appreciated that charities wanted to invest in JLF because they also believed in the model of JLF and what difference it is and can make in providing homecare services. The alignment between the company and its investing shareholders is so important to ensure current and future decisions remain focused on its shared core values. And what a breakthrough for these organizations, to invest directly in a company they believe in, versus putting their monies in funds and other investments where they don't know exactly how they are being used.
>
> Secondly, JLF as a franchisor has a different way of attracting new franchise partners. Right from the beginning of the discovery process, understanding what is important to the potential franchise partner and what their goals are, is uncovered to ensure alignment to the company's values and vision. Wanting to make a difference and providing a holistic approach to homecare is the foundation of what JLF is about, and it is important for each of its franchise partners to share in that common goal. And when this is done well, success is achieved, but not just success measured only in bottom line, also success in making a difference in each community where JLF has a presence, including providing sustainable work for caregivers in a company that really cares not only about its clients but also its staff. In addition, the JLF way extends beyond its clients and caregivers and goes out to the community where partnerships and relationships with organizations are developed who also share with similar values of compassion, caring and empathy for not only the ageing but all who require homecare.

As the national business coach working with the home office team and the franchise partners individually, I am privileged to help build the bridges between today and tomorrow. Starting with pushing through preconceived barriers, around what a company can do, the difference it can make, and how success can be measured. To providing training and support to map out a plan focused on increasing each franchise partner's success. Always respecting the importance of getting out into the communities, attracting and retaining clients, caregivers and developing partnerships with organizations who appreciate working with a company that truly cares about people and making a difference."   - Eloise, National Team

Chapter 11: The first 90 days

Arguably the first 90 days for new leadership are some of the most critical days to establish how you are going to lead, and more importantly if you are someone that is worth following.

But it is a vicious circle…

You don't know enough to make changes.

You don't have the trust to make changes.

If you don't make changes, you won't earn their trust.

If you don't earn their trust, you won't be around long enough to know what changes to make.

So what is a good leader to do? Here's what worked for us.

The team

You can't teach caring.

The first two weeks left us with a sense that there was a foundational 'why' for our franchise partners and our staff. Caring about the why meant a few things automatically for us.

<u>Accountability[85]</u>
When people care about things and are motivated by them, they are going to do what they say and when things are working out, they will automatically take ownership to fix it.

<u>Values alignment</u>
Their own business & individual values being aligned would reduce conflict. When you are a people-first business, that most likely means that you have to work with people. People and community are messy inherently, so we would naturally run into conflict.

However, when you have values aligned to your shared 'why', you don't have an irreparable barrier to working through the conflict. You have a rallying point that you have shared agreement on that you can overcome technical differences.

This continues to be pivotal in a growing network of people.

<u>Commitment</u>
They were invested. They wanted to be part of decisions. Again, when tied to your personal 'why', your accountability is fixing things when they go wrong. Commitment is moving in a positive direction when things go right (okay, commitment is good with both positive and negative).

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[85]Accountability: The person who gets fired if the work doesn't get done.

These were three tenets of the team that we were ecstatic about.

Validation: Did we hear what we needed to hear?

Beyond the clear sense of 'why', we have a clear sense of:

- The *low hanging fruit*[86]
- The parts of marketing and recruitment were barriers (perceived and otherwise)
- The major decisions that needed to be made over the next 6 months.

Instead implementing those things immediately, we recognized that we would need to do more socialization and change management prior to making an investment. We received a lot of initial feedback through our interviews, and we continued to test our ideas and assumptions in every phone call that we were having.

> "Picking up the phone was critical. No matter who it was, what they were concerned about, or when it was, I always picked up the phone. In fact, in the first 6 months, the 1800# only went to me 24/7. I received customer inquiries, caregiver inquiries, complaints, and everything under the sun. This was about trust building and accountability. I wasn't going to ask someone to do something that I wasn't willing to do myself." – Carla, CEO

At the end of 30 days, we had spoken to everyone. We found that most of the comments fell into four categories: values, website/ marketing, HR & training, operations & business tools.

Advisory Teams

The next 30 days was about taking all the decisions that had been highlighted under the 4 categories and getting the experts (aka the advisory teams that everyone had been agreeable to) to then make the decisions that needed to be made.

The national team worked hard to gather the information that would be necessary to have 1-hour decision-making discussions with the franchise partners that had been identified to have a skill set in the specific area. The thought was that if the most knowledgeable franchise partners around business processes decided around IT/Business processes that it would be more acceptable.

<u>Marketing – 1 hour</u>
The 2 franchise partners that wished to switch both wished to come to the marketing advisory team. Obviously, we had a full house based on how important this felt to all of our franchisees. In a single hour we made progress.

- Refreshed website approved.
- Social media content approved.

The website needing a rehaul was the #1 thing that the franchise partners agreed upon. And we were with them. It made it easy to have something to complain about collectively to rally us all together. Unfortunately, we didn't know enough about the suppliers and

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[86] Low hanging fruit: The easiest and most impactful thing that you can implement.

franchising to do a complete overhaul in the first few months, so we committed to an immediate refresh instead. We were moving the needle but giving ourselves some space for a heftier investment soon.

<u>Operations – 1 hour</u>

There was a lot of conversations surrounding healthcare and technology. But home care and technology were not really a conversation that was happening.

Home care has been following legacy business practices for years. Many home care businesses at the time of acquisition were using binders in people's homes for care notes and for tracking staffing. This was a tedious process and open to data privacy issues as well as a lot of additional travel and time to verify shifts, update care plans, and ensuring privacy legislation and compliance in communication with the staff and office.

Operations had the vast number of franchise partners with a myriad of business backgrounds. They were interested in making decisions that would optimize our individual businesses but also understood that there were some common systems that we would need to make for our scale.

In less than 20 minutes we reviewed the backoffice options and decided to choose the one which only 4 franchise partners were using. This would mean literally 1000s of hours would need to be committed to this backoffice system to structure it to start to create our sustainable competitive advantage as a network.

<u>HR – 1 hour</u>
HR wasn't as straight forward as the other areas.

As a people-first business, we needed to have more for our staff and support of the franchise partners for our staff. This was an area that we not as universally highlighted as marketing (the website was bad and an easy enemy for us to rally against), but it was something that we could investigate.

There were a list of policies, support and challenges that were being faced. Each franchise partner was able to articulate the last time they had a question or challenge, but there wasn't a cohesiveness to this understanding.

Our outcome was to list the challenges and create a prioritized list of which ones to investigate and allocate resources to. This was a starting point.

<u>Training – 1 hour</u>
Franchise partners were approaching onboarding and training of their staff in very different ways. In franchising, it is very clear that employees are not the franchisor's employees and that there is a divide in training that needs to be in place. The employers need to be the ones to manage the training programs.

The outcome, we were to investigate learning management systems that could support our network. It was a great support for us to do centrally, meanwhile it was something that could be managed locally.

The first advisory boards were a huge success. Everyone felt heard. There were decisions or a direction on each part.

Values

We validated that this was consistent across the organization. This was a trust building with what we heard, what we later identified is that many of our franchise partners didn't know each other. Us validating the shared values was the beginning of the trust with us, but also with each other. Later in the year we rolled out 'upgrade training' that re-taught the existing franchise partners on how to pick up the phone the 'Just Like Family" way. We rolled out a significant amount of upgrade training to ensure consistency of quality service across the country which was integral to the brand. When a franchise partner in Vancouver realizes that the franchise partner in Burlington also cares about making an impact in a loved one's lives, it changes the relationship and the dynamic of the organization.

We ended up having the board of advisors meeting every quarter. They were always presented with the latest questions for feedback and advise. It was always the most qualified on the topic that was part of the conversation. And the franchise network trusted this.

The roadmap

At just over 50 days, we called another Family Meetings and announced the decisions that had been made through the advisory boards. We took any questions and were able to transparently explain how discussions occurred for each advisory board. As there were representatives from each advisory board, we continued to build our street credibility as they could see their conversation represented in what we reported back. This allowed them to trust the reporting back from other advisory teams.

> "We almost did it perfectly! I remember seeing head nods at the Family Meeting and qualifying questions rather than anyone disagreeing. Then the day after the Family Meeting one of the franchise partners called. I remember her saying to me 'this is your vision, not my vision. I just need to understand your vision for this.' My response, 'this isn't my vision. This is our vision. Do you believe in the vision that you just heard?' Not surprisingly she said, 'well yes, but maybe you should have spoken to people about it.' Just another gentle reminder that there is no such thing as over communicating." – Carla, CEO

Two days later we signed 9 new agreements with vendors to roll out all the things that we had heard. We can't tell you everything – we are a for-profit with some secrets. But yes, we signed.

- A website refresh contract
- A social media contract
- An HR help line contract
- A learning management system contract

- A multi-year strategic partnership with our backoffice software

From day 60 to day 90 we planned the roll out of all the new pieces. Everything was based on movement by month and there was a person highlighted as the person who was the lead for responsibility for each piece.

Here is what we tackled:

- Website had an immediate refresh with us de-prioritizing franchise development and really focusing on the growth of our franchise partners. New copy, new images, local customization, and reactivating the blog.
- We had weekly posts for social media sent out to every franchise partner every single morning. Anyone who didn't have social media or know how to post it, we coached them on how to get this started up.
- Common backoffice was selected and the multi-year contract got us on the radar of more senior staff. We spent 100s of hours to customize our settings and create customized processes surrounding our communication, carenotes, and care plans. We have since spent 1000s of hours to roll this out effectively with all of our franchise partners now at a ¾ or better in their usage of the backoffice.
- HR call centre has been a huge support for all of our franchise network. Our first year saw 1 phone call a week to this vendor for supports. We now use this organizations training for cyber security for all new franchise partners to further protect our clients' information.
- We have rolled out the learning management system that everyone was skeptical about at first. A year later we have doubled our usage and are actively leverage our integrated learning management system with our back office as a competitive advantage. And it is.

We listened, we verified, we acted. We gained trust.

Chapter 12: If it was easy everyone would do it

Ha! You thought that this was a happy ending and that all was good in the world.

We have just been showing you a single plot line of the franchisor and the first acquisition that we orchestrated and then got our feet under.

As the chapter indicates, this was not easy. Every single week we had what we began to quote as the 'insurmountable challenge of the week'. Even as we write this book every week is showing us new challenges and opportunities, and we are grateful that we have decided that the cutoff for this book is the first 12 months.

Difficult situations that impact people, don't always destroy them. Oftentimes, difficult times creates resiliency in people. We like to think that that was what was happening. And it has just made us stronger and ready for the next challenge.

50 days in…we received a phone call right after 8am.

The second social acquisition

One of our largest franchise partners wanted out.

They had bought the franchise as an investment. They never intended to run the business for too long, and with our social acquisition they thought the timing was right. They had achieved their revenue targets, brought on new staff, and could see that they had created enough value that they could sell. Add to that that we were the new franchisor and would be a likely buyer.

Remember that people don't like change. It is a natural thing for people to opt out during a time of change. In the short term this often will feel unexpected and overwhelming, but in the long term they are usually right to leave.

For us, we were only 50 days in. This was the short-term! You can imagine our shock and utter surprise. We had just completed the first social acquisition by a coalition of charities in the country. And 50 days later since the official close, we were being asked to purchase a second company. Yikes!

The speed of business is so much faster than the speed of nonprofits and charities that it really shouldn't ever even be compared. Sales of new franchisees and sales of existing franchisees to other franchisees or new owners was quite common. If you see the growth of the company, they had literally sold 1 in 2018, then 7, then 10, then 11. It was nothing for them to close a deal and at the same time there were sales amongst the franchisees. Franchise networks have this natural attrition, and the good franchisors look at this change as an opportunity to improve their franchise networks. Any franchisor should consider 10-15 churn in their franchise ownership in a given year (if it was lower than that, that would mean that the average franchisee owns a territory for longer than 10 years).

Just because it shocked us didn't mean it wasn't normal.

The franchise agreement had a clause that the franchisor had a right of first refusal to repurchase any of the existing franchises. And our franchise partner had the core ‘why’, the same values around care and making an impact. So we leaned in and started due diligence all over again.

Delay tactics

We were overwhelmed; just barely treading water. We had just accomplished something that we’d been told was impossible. And now we were facing the possibility of a second acquisition.

The obvious answer would have been ‘no’.

We weren’t in a rush. We had already taken a huge leap and we didn’t need to do something else to disrupt those possibilities that we already had before us. Like the social enterprise that is concerned about how scale will impact the existing business.

We ignored it. The board wasn’t over the moon excited about exploring something new. There is often a statement in business cases through business schools where they speak about management capacity and how important that was. And it is! You can’t navigate all of the newest in multiple places.

But the Board recognized the need to consider this against all odds. The social justice lens of a single individual owning the size and scale of the business territory that was available was going to be detrimental to the growth of the region and if it was under franchisor control could be a great growth mechanism. We began to see that we needed to consider this as a social enterprise that was invested in doing things differently. It was part of our vision to at least consider this.

> “Running a telemarketing company in my late 20s taught me many lessons, but one of the most important lessons is that as a business you need to pick up your phone and at least listen to business opportunities. Although everything in my body panicked at the idea of buying a second business 4 months after buying the first, it was important to stay open minded and at least investigate it.” – Carla, CEO

Being the franchisor has its privileges. All franchise agreements are paid for by franchisors and are drafted by lawyers on behalf of franchisors. You shouldn’t be surprised that all franchise agreements would therefore favour the franchisor. In this circumstance, there was a clause in the franchise agreement that gave the franchisor 30 days to execute the right of first refusal. There aren’t any requirements to go through with anything when you execute the right of first refusal to explore what a purchase could look like. It is just a name for an LOI (which we learnt all about earlier) but based on an existing relationship. We have a privilege contractually to investigate and be considered for this opportunity first.

Even better, many rights of first refusal allow the party to investigate things. Put out an offer and if it isn’t accepted but another party’s offer is the same or worse, the party who has the right of first refusal can still scoop in. There wasn't a lot of downsides in exercising the right of first refusal, so we did.

Just like the LOI, you do you due diligence. Again, just like with our first social acquisition we had access to information that a third party outside of the network would not. For instance, when you do due diligence for purchasing a business you need to ask for all the information that you'd like them to share with you. Instead of them sharing everything that they think is relevant, you literally must ask them for what you think is relevant (even though you are outside of the business and really don't know what is relevant to ask. This goes back to the concept of buyer beware).

For us, we knew their revenues. As the franchisor, we have the revenues for every single franchisee is reported to us monthly and we keep track of this information. In addition, we understood the operating costs and how to operate a business. Both of which a third party would not have access to.

All these circumstances added up to a third party naturally thinking that the business is worth less than we might be willing to pay for it. We were the preferred buyer based on our inside information, our ability to transition the business, the lower barrier for due diligence, and our ability to recoup the cost of the sale by reselling the extremely large territory into more manageable territories.

It was an aspirational purchase but not something that we really thought was possible.

What's possible without a box?

Most people like to say, "think outside of the box".

We say, "What box?"

The idea being that even thinking that there is a box that we think inside of or outside of can limit our creativity and thinking when we are striving to disrupt systems.

We looked at what the seller wanted and decided to throw out the box.

We created options that were at least part of a discussion;

- sale pricing that was based on what we would pay today
- what would we pay for further support
- what would we pay for hitting targets over a 6-month period

We've said this before, but it is worth re-stating. Everything is possible in structuring businesses and acquisitions. The important thing is to have clarity in what you want the business acquisition or structuring to look like, and then the lawyers can write it up. We probably understated how important this approach was to the first acquisition. If we hadn't thought in this way, existing ways of structuring businesses would have stagnated the discussion with the founding investors. Liberating our thinking and getting rid of the box is what made the first acquisition possible, but even more so the second.

Let's break down the options.

1. <u>Sale pricing that was based on what we would pay today?</u>

How would this work?
Most businesses have an external valuation when they decide to sell so that both parties are satisfied with the sale price. The price is based on today's value and usually is surrounding the EBITDA at some multiple. This doesn't consider any future opportunity, changes in the environment or any other external factors. Of course, most purchases don't consider too much of that as that is the upside that the purchaser is going to have to work hard on realizing.

Why would we do this?
This is the most common price to be paying. It is often hard to argue with accountants about opportunity and upside. If the seller tries to go through, most accountants will walk away and suggest their clients do the same.

Why wouldn't we do this?
As the buyer, this is typically what you are pushing. But remember that every single sale is emotional. This is no different when we look at buying a business. Buying a business can become even more emotionally and once you are hooked on buying a business it can often increase your willingness to pay for something. And at the end of the day, that is what the business will be worth.

Final thoughts
If you think that you know something that the seller doesn't know or if you think that there are synergies in other things that you also own that could realize synergies with this thing, then you might be willing to pay a premium[87].

2. <u>What would we pay for further support?</u>

How would this work?
We would pay a slight premium for an additional 3 months of operation by the existing owner based on maintaining the business at the current levels or higher and giving the new management more time to learn.

Why would we do this?
Management capacity was at a premium being only 4 months into operating the business. Our preference was to delay the purchase to a closing day that was at the 6 or 7 month timeframe where we would have the time to focus on running the franchise and transferring it. We still hadn't rolled out the new initiatives we have spoken about at the Family Meeting and we hadn't even yet explored how to do franchise development. How could we possibly take on this?

Why wouldn't we do this?

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[87] Premium: Paying more for something anticipating that there will be more upside.

Oops. Think we just answered that. Obviously, the downside of purchasing, learning a new business, and being accountable to run a second business at the same time was a HUGE negative.

Final thoughts
Doing a social acquisition 4 months after the first one really was the last thing we wanted to take on. Any support to do this was going to be necessary.

3. <u>What would we pay for hitting targets over a 6-month period?</u>

How would this work?
The base rate that we are willing to pay based on the EBITDA valuation would be included or below as the baseline. This amount for the purchase price could be included for the effective sale date. However, there could be a contingency that is a after the sale that is dependent on hitting future sales targets. This would be tied to the previous owner supporting the transition of the business into these future sales projections that they would like the price of the business to be valuated on. Upon hitting these targets, a bonus or contingent amount would be allocated to the price.

Why would we do this?
This would be having our cake and eating it too. We would be able to have more management support for a longer period of time, and it is a win-win. If the sales projections are met, the existing owner would get the premium price that they were looking for. If the sales projections were not met, the base price at the existing valuation would all that would be paid, which was something that we would be willing to do anyways.

Why wouldn't we do this?
It is really giving a bonus to the existing business owner that is not fully deserved. The value of the business is technically what is worth on the day that you provide that. The additional contingency is going to be higher than if you simply paid them to stay on for that duration, but then their motivation wouldn't be tied to the success of the business.

Final thoughts
Anything is possible legally in a transaction. You just have to start with what are the business terms that you are negotiating on and then decide what all parties agree upon. It is critical to remember in all negotiations that you are almost never just negotiating the price. People are negotiating on many other things that are important to them including time. The more that you understand what is important to them, the more leverage that you have on the price. Just remember, the same is true for them negotiating with you. One of the strongest negotiation tactics is the willingness to walk away from a deal.

Learning two things at the same time is more than twice as difficult. Having just bought the franchisor, this wasn't going to be an easy learning curve.

Lightening sometimes strikes twice

We were very close to not purchasing the territory.

At the end of July (still within the first 90 days of owning the first company) we exercised our RoFR. And began our due diligence process on our second social acquisition.

To get the deal over the line, we needed three things that were all going to be difficult.

Step 1: Board and investor approval

There was no way that we thought our investors thought that this was a good idea. They had all just gotten over the excitement of being the owners of a brand new business, and now they were going to own two?!

This ended up being the easiest part.

The social justice lens of a single individual owning one of the largest markets was not something that they thought was a good idea. They believed that this was an opportunity for us to divide the wealth of such a territory and to focus on new models of ownership that would be easier for us to do.

We explained our business plan, the strategy, and what we thought it would take. There were questions and nodding of heads. And then we had this signed off on the proceed.

Step 2: Someone had to run it

Management capacity was clearly at the forefront our concerns. Looking at our team we thought that there were a few individuals in the network that might be able to take this on so that the CEO would not get swamped with this second business.

Unfortunately, once the paperwork had been signed for the purchase, this plan didn't end up panning out. By then it was too late. We immediately posted a job posting for a Community Health Manager for the location even before the deal had closed. This caused some panic within the existing owner in case her staff caught wind of this change.

We ended up hiring a Community Health Manager/Scheduler to start 5 days after the closing date of the purchase. We literally were hiring this person prior to the effectively ownership date. No time like the present.

Step 3: Financing (again)

The existing investors had just put out cash. They weren't interested in us raising more equity or handing out more cash on something that was untested.

We had just raised all of the capital (direct equity investment) with the plan that the charities would own over 50% of the equity. If we raised equity outside of the existing investor groups (and we only had 30 days) then we would be diluting their equity and the charitable ownership would drop below 50%.

For us to get this over the line, we were going to have to raise debt. And add to the existing debt that we already had in place.

> Note: Legally there are mountains of information that we are not sharing due to confidentiality and private information. Please note, when we declare learnings – they are deeper than we can articulate. Please read into them.

We were about to stretch our management capacity beyond its limits.

The straw that breaks the camel's back

We were officially seasoned at purchasing by this point. We anticipated the cold feet, the nervousness, the last-minute emotions that would come out. We were used to people holding their cards close and already knew that we were going to find out things that were not overtly shared in advance.

We weren't surprised that we weren't allowed to meet the staff. We hadn't been allowed to meet the staff the previous time, why change things up this time?

The win-win approach that was so natural to us was still something that was quite uncomfortable and surprising to others. It was so uncommon, that it almost made us less trustworthy. We were now acclimatized to sellers.

The first month of purchasing the territory, Google AdWords stopped working immediately. The phone went ghostly quiet. Literally in the first 4 months of ownership, 6 of the clients passed away and another 2 went into long-term care. We had to learn about all the new clients, the caregivers, the grassroots business, and the existing relationships that were in place.

Nothing was straightforward or easy. Even to transfer the bank account took over 3 weeks. We had issued our first payroll before we had access to our own bank account associated with the incorporation.

With all the growth, mistakes, learning, the hardship, the victory, the…. this was the straw that broke the camel's back.

> "I remember the day that the weight of what we were trying to do finally broke over me. I was speaking to Eloise, our business coach who I'd known and trusted for over a decade. And a I broke. How could we have overcome such hurdles, accomplished an acquisition that was supposedly impossible, to only have our second (smaller) acquisition fail due to a reduction in calls from Google? Eloise reminded me of all the pieces that we had been putting in place, how we did the work, how when things weren't working, we would double down. Hope without a plan is just a wish. But we had a plan. So, we had hope. The camel's back would be okay." – Carla

Two companies are better than one?

Based on this second purchase, we realize how well the first one went. We hadn't awarded or negotiated the 29 franchise agreements that were in place when we purchased the franchise network in 2022, and it is these people and those relationships that are the key to being able to grow a successful franchisor. It is the people. Our franchise partners were so committed to the impact that they were making in people's lives. Without that foundation, we would have had a lot more difficulty and turmoil.

Although the 2nd purchase had its fair share of hurdles and arguably took up an unfair proportion of management's capacity in the first year of its operation, there was a lot of strategic advantage to buying it. Primarily we have treated it like our R&D department. It is a great training ground.

We have rolled out new services, new marketing practices, new orientation processes, and we have gained our fair share of humility and compassion for our franchise partners as a national team to be better cheerleaders for them and having the confidence of the support that we are offering them.

It might take a few more years before we call this second acquisition a good idea. But it was the right thing to do, and we can hold our heads up high that we did the work that needed to be done.

Part 4: Doing Things Differently

Chapter 13: Culture eats strategy

“Culture eats strategy for breakfast.” – Peter Drucker

Lots of people say this. We had an opportunity to live this.

> “I had been working in marketing and technology for a long time, and nearly two decades in the C-suite but the longer I went on – particularly in advertising – the more I began to question the utility of investing hours, resources, creativity and brain-power to simply feed the endless cycles of consumerism.
>
> I must say that over my career I have had the blessings and good fortune to work with some extremely progressively-minded leaders and colleagues. They opened my mind to the way a company can hold tightly onto its shared values, while remaining profitable and effective. Nonetheless, even as we were using our corporate footprint as a sandbox in which to model a microcosm of the society we collectively wanted to live in – a community based on inclusivity, nurturing, supporting and shared growth – the output, the work we did, the impact we had on the world around us was, in the grand scheme of things, negligible. At best we’d helped an arts organisation launch its new website, or a bank raise awareness about mental health. But much of the time we helped sell more units of coffee sweetener, or barbecues or mortgage insurance…
>
> In mid-2020 with the Pandemic in full swing and my own personal anxiety and aimlessness in full swing, I was given the opportunity to temporarily retire from the rat-race and really figure out what the next stage in my career might be. One thing was clear: I was done helping companies with meaningless missions make more money for corporate shareholders.
>
> Then I learned about EDGE and their mandate to encourage, support and invest in grassroots social purpose initiatives and my mind was opened to the possibility of impact investing. This is also when I met Carla.
>
> During my time working on contract with EDGE I was struck by the way folks treated each other: how they made space for others to show up, how the language that was used was mindful and geared toward inclusivity, how even a monthly status update meeting could make space for reflection and introspection. This has become for me the gold standard of what business interactions can and should be.
>
> A while later, about nine months after Carla had left EDGE and began her journey with Just Like Family, we were having a catch-up call and Carla was eagerly telling me about the work and mission she was engaged in. I was struck by how many pieces were fitting together all in this one organisation.
>
> Addressing a vital (and much-neglected) aspect of North American society? Yes please. Putting people first and running a values-led organisation? 100%. Putting technology and innovation in service of social impact? That’s right. Thumbing one’s nose at Bay Street and Wall Street and Silicon Valley? Striving to disrupt the current capitalistic mainstream culture? Boldly daring to find alternative roads to fund a profitable social enterprise? Where do I sign up?!?

> I remember interrupting Carla during the video call and saying “Wait. WHY the heck am I not your CTO?”
>
> And Carla answered with a laugh: “I have no idea.”
>
> And that was that.” – Tom, CTO

More than vision, mission & values.

There is no wiggle room on what you believe. Absolute clarity around this and then showing that you are more than just talk about it. How does the vision, mission & values show up in every single interaction, decision, and strategy.

> “I think what people forget when developing a company or developing a team is that the team you choose is now your community. You are a product of the 5 people you are in contact with the most and this means your work team counts! This team should ooze the values, should be the values and should view this job as not a job but a place where they and you belong simply because your only role is to make people's dreams come true.” - Alana, Operations Manager

You can’t force culture. And it isn’t a quick thing. The average organization that attempts to change their corporate culture typically takes 7 years of consistency. And that is if they are successful, most corporate culture adjustments simply aren’t. Having a great culture and team when we first started made our job so much easier.

You can’t force a new culture. We really listened and then articulated what we heard back to the franchise partners of their ‘why’ and the values that were inferred through those driving motivations.

<u>Vision: Changing the narrative around aging</u>

Often, we say ‘changing the narrative around home care’ as that is more readily understood, but we really are focused on changing the narrative around aging. We believe that home care is the way to change the narrative as it is offering a new way to age in place.

It takes the weight off the family. The weight that was put there through previous systems where mostly female family members who were raising families were also responsible for supporting their parents as they aged. As the world has changed with women entering the workforce increasingly equally to men, blended care is becoming increasingly important. Blended care changes the narrative around this being a ‘burden’ that one person is responsible to carry. This is something that everyone has a part in from the person themselves in being empowered, the family, the friends, the community groups, the neighbours, and the organizational care providers. This is a collective circle of care approach.

Not as many people move to long-term care as the existing narrative would make you believe. It isn't 'normal' as a natural stage of aging to move into long-term care. It is an option, and most studies show that it is not a preferred option for individuals. We talk about it so much that we would think it is.

Creating a new home care approach that is more accessible and about being a blended care model is a way to disrupt this narrative of how we are to age. This is the vision.

> "I first encountered Carla in the virtual realm, but I immediately sensed a deep connection and shared values. Her unwavering commitment to driving meaningful change within the franchise industry resonated with me profoundly. Carla's unique perspective paved the way for me to become a franchise owner, and without her guidance, I doubt I would be in the fortunate position I find myself in today. I am eternally thankful for her invaluable support." – G.Lin, Franchisee

Mission: Being people-first in all interactions.

Everyone should feel this tangibly. They should feel important, seen, and heard.

This doesn't just impact our clients, their loved ones, our caregivers. This needs to encompass our partners, our conversations, other stakeholders.

We know we are on to something when we hear the following;

- "This is the best interview I've ever been in." We heard this when we first interviewed our first full-time hire and then our second. The fact that they both said this and had space in an interview to even give us this feedback was telling.
- "This is the best interaction I've ever had with a home care provider. It is so relational." We met the General manager of this senior residence at a networking event that they hosted, we had a great first call focusing on what would be supportive for them, and then we delivered. Recently our local franchise partner has shown up at the senior residence to decorate a Christmas tree for the holidays with the resident.
- "I decided to buy a franchise because of the core values that you have." This is one of our newest franchise partners. We have been working with them to grow their business and we are delighted to see them growing at the fastest pace of our newbies.
- "We would never partner with another home care organization like this as we have such aligned values." We are honoured by this and so excited that we recommended a conference where this charity showed up with 5 of their senior staff and carved out new ways of doing their work.

We don't have specific measurements on this. But we are constantly listening.

Active listening and curiosity are core in us treating others with dignity and respect. Not knowing that this is uncommon has probably saved us.

> "Just a couple months in when we'd been doing caregiving and we'd ramped up quickly. And I knew we were going to make a difference with all the clients, I knew

that our caring ways were going to make a difference. What was completely unexpected was the transformation that we brought to the caregivers. Shifting their world and having a place where they were respected and treated with respect. And that the business was approached with integrity. That was the part that I realized we're going to impact a lot of different lives here. That there's this whole industry of people being treated really poorly.

Yeah, we can change that. And we hadn't even done anything special for them in that month. In those first two months we were trying to find out which way was up and yet it was such a dramatic difference for them without having done all the things that we've put in place since that was astonishing for me. That we're really going to change the way business is done." - Sarah, COO

How to do this well? Don't take it for granted. Keep reminding ourselves that we can do better. This keeps us humble.

<u>Values</u>

Values are the foundation for both the vision and mission. Without the underpinning of the value set that the organization is committed to, the vision and mission don't matter. And won't happen.

The underpinning values that are articulated are;

- Respect & dignity
- Integrity & authenticity
- Curiosity & open mindedness
- Empathy & compassion
- Grace
- Joy

We can't take these for granted.

"From the get-go I knew that this was an organization that I wanted to be part of. From the first time I met Carla and learnt about what Just Like Family was about and the direction it was going, I knew it was totally aligned with my values. During the lockdown our seniors were the most vulnerable and least cared for, for Just Like Family is about care and companionship which goes beyond just keeping them safe." - Serafina, Bookkeeper

The values that we established were the strategic core three that we would lift up were;

1. Collaboration: If you want to go quickly, go alone. If you want to go far, go together. Focusing on listening to each other and communication skills, we are able to bridge differences and find unique ways to work with other organizations. Having collaboration as a value has quickly turned into a formidable competitive advantage. Learning to show up to spaces without an agenda of our own has created new opportunities.
2. Learning: No one knows everything. Everyone has a superpower. And together we probably have the answers, but we have to be willing to be vulnerable and learn

together. This was really easy for us as we came into an ownership and leadership position knowing less than everyone else. What was incredible to us was by simply actively listening and knowing how much we didn't know, we were able to leapfrog and gather best practices to add value across the franchise network in 60 days. The posture of learning and admitting when we don't know things has enabled us to dramatically improve all of our processes and policies across the board. We look at not knowing something as an opportunity rather than a threat. Really it is the mindset that we are able to look at a challenge and something new. Tying this with collaboration is truly powerful.

3. Empowerment: A place where it is encouraged to work together and celebrated when we help others is fertile ground for empowerment. Add in learning as a value, which basically means that failure is just an opportunity to learn, creates a culture of courageous experimenters. This is empowerment on steroids that the National team lives out, ripples out to the franchise partners, their staff, our partners, and our caregivers. Rolling out the Notables Awards, where we recognize staff that has gone above and beyond, we are literally celebrating nationally when our staff has demonstrated empowerment.

The value set can't be taken for granted. It needs to be pervasive in your business practices and decision making.

We speak about these values in almost every meeting. We retell stories where these values have shown up.

> "When I practiced occupational therapy, there was always the hope that things can be done differently. Because my lived experience was that. Everybody didn't get the same quality of care. Not just the people who we were sent to care for, but also, us as workers. The training wasn't there. The level of intimacy that it requires to work inside somebody's home wasn't there. How to handle certain family situations, that training wasn't there. And sometimes it felt like, either you totally threw yourself in because of your own family experience or you totally wouldn't because you did not have that family experience. And so you worked with the person as if they were a stranger. and it was always my hope that that would change.
>
> When Just Like Family Home Care came about, I was excited to see that it would be a call out for that change. It will start out being the change and not have to grow into that. It will start with the level of care and concern and training that it requires to work within somebody's home. I think only one home health care agency that I worked for in all my years was one that had a little teeny bit in terms of allowing the workers to also be part owners and to also have a voice, but it was a tiny voice.
>
> It wasn't really anything magical to have leadership responsibility where everybody is actually their leader in their specific areas of what they're doing because they are the example. And so if you don't have the training, you can't be that. If you haven't been empowered to do what they know to do. That is so important. Rather than harnessing them and trying to have them fit into your mould. They have the skill set to do it and so for me, that was just an exciting moment to be a part of organization that empowers people to do what they know to do and provide the adequate resources. Because those

two things where you empower people but they don't have the resources to carry it out in an excellent manner then it changes everything. But to empower them, and to equip them. That's what's exciting for me." - Susan, Board Member

Rituals & practices are what people remember.

"What gets measured gets managed." – Peter Drucker

Back in May 2022, every meeting started with speaking about the numbers. Who made the most money and who grew the most. Every month it was hammered in about who was successful, and therefore who wasn't. Financials and speaking about financials are a healthy part of a franchise network, but not when it no longer is motivating and not if that is the only thing that is being spoken about.

In June, we started to speak about people first. The homework assignment for the provincial calls was simple;

"What are you proud of that happened in the last month?"

Wow. Every single franchise partner shared a story. Not a single story included their financials as something that they were proud of, even though 1/3 of them had hit record months.

They told stories of people. They told stories of impact.

Here is a sampling.

- One shared that their first client who they had supported for 2 years had just passed away and they had supported them through end-of-life care. They were proud of the care and support they had provided and that they had been there in the end. The team shared moments they had had with that client and the impact they had had on their lives.
- One shared that they had rolled out some technology workshops to support seniors in technology adoption and they had received great feedback. They were proud of how they had been thinking creatively and it had been appreciated. This franchise team ended up doing a video memoir of one of their clients so that the family would be able to continue to hold them in their memory the way they were.

Our rituals and practices were reset to be human first. How to take out what we think people expect of us as 'professional business owners'. In our industry it is way better to show up authentically.

We started to highlight the best stories, the best caregivers, and the personal bests of our franchisees. We still spoke about numbers, but it wasn't the only thing that was being measured anymore.

Months later when we rolled out "upgrade training" to support our franchise partners with ensuring consistent service delivery, we started the training with asking everyone to share the personal 'why' of being part of Just Like Family Home Care. The most common answer:

'Making a difference in people's lives.'

People are everything, all the time.
People-first business and industry means that you have to actually put people first. Not just sometimes and not just some people.

What does this look like?

<u>At The National Level</u>
We actively align job descriptions and job titles based on people's strengths and passions. Yes, there is work that needs to be done that we need to have capacity to do. But, there is some wiggle room to adapt things to what people love. We actively pay attention to what works gets done quickly and what is procrastinated on. We then have conversations to better understand our team and ripple effects of this behaviour. What does this mean? How could things be adapted?

When we onboard new staff, we train them that their main job is to catalyse our franchise partners' dreams. That every time they interact with them, they are improving their businesses. It is great to see the impact that that makes on our franchise partners who have a team of cheerleaders and champions for them. But what is also does it improves our teams' commitment to the organization as well. What a great job to be catalysing people's dreams every day!

> "One of the things I'm proudest of in management is my ability to hire and retain good people – we used to call them "talent", but that's a pretty inhuman way of thinking about your new colleagues, reports or teammates. Hiring is one of my favourite parts of the job: you have this incredible gift you can bestow – the gift of gainful employment, meaningful contribution, career advancement, and the opportunity to become part of an awesome team, working for a good purpose.
>
> And the gifts keep on coming: you also have this opportunity to present lovely gifts to your beloved existing team – a new colleague to share the load, a new mentor with new lived experiences to learn from, sometimes even a new best friend! Finding that new human being that will augment and delight your team is like finding that puzzle piece that fits perfectly and unlocks a whole new section of the puzzle!
>
> Taking this second opportunity seriously also makes hiring a challenge: while you're deeply engaged with evaluating the candidate's ability to meet the responsibilities required, and trying to ascertain that your organisation is a fit for them, you're also trying to get an accurate sense of what impact hiring them will have on the dynamics of your existing team (which is hopefully a tightly-knit, mutually supporting and highly effective one)!
>
> People talk about hiring for *culture fit*. I try not to use this expression because it describes an exclusive, not an inclusive hiring practice. We should always strive to hire for *culture add*. We should see each new hire as an opportunity to increase our diversity, our breadth of experience and perspective, our exposure to new cultures, new ideas and new ways of being.

We just need to make sure that we add the *right* things to our culture - and so making time and space in the hiring conversation for an exploration of each others' values becomes critically important.

I have mostly been responsible for hiring technical talent – coders, developers, information architects, and so forth – and yet I spend the larger percentage of time getting to know the person behind the mask rather than deeply probe the extent of their technical capability. Technical skills can be learned by the right people with the right attitude and support, whereas values are much harder to change.

And so I tend to hire the *person,* not the *role*. Even if that means the person might not be able to accomplish everything that the job description lists out. Filling a role satisfies a business need but filling out a team satisfies the business *and* the team, and provides potential new opportunities to grow and expand in unexpected ways. I have sometimes pushed hard to hire a candidate without having a clear match to an existing resourcing gap – just because I *had* to have that person on my team. We'd figure out how they can best contribute later on, together, but the team was immediately richer for the hire." – Tom, CTO

At The Franchisee Level

Changing the recruitment policy for franchisee recruitment was critical for the growth and direction of the culture of our organization. We needed clarity on who would be the future fit of this corporate culture and recruit accordingly. What did we prioritize?

- Coachability
- Grit
- Ability to learn
- Accountability
- Aligned values and personal 'why'

We also wanted to make sure that our existing franchise partners felt a hug. Text messaging, regular communication, access to the team, 1-1s, Family Meetings, and tracking who is falling through the cracks is all part of our regular cadence as a team.

"The way that I became part of Just Like Family was truly serendipitous. I was working temporarily in a restaurant, right after the hurricane that hit Southwest Florida in September 2022. Carla sat in my section, in one of the only outside tables on that chilly December afternoon. By the time I handed her check, her words were along the lines of : "You have skills that I am looking for someone to manage my upcoming project in Florida," while handing me her business card. I was a little taken aback, but open to hear her proposition. I wanted to assure her that I did have the education and experiential background for Just Like Family, so I instantly sent her my resume. After watching a series of videos and seeing her involvement as the CEO of a home care company, it was further confirmation that I wanted to hear more. We met for coffee the next morning, and I was very intrigued to hear the way she wanted to revolutionise home care health. She started to tell me the statistics about the growth of the company in the time she had taken over. How the people that are part of the organisation are people who too have similar values. People who are diverse by breaking a mold that has long ago been out of date. Upon officially onboarding with Just Like Family I have come to love and support it

> more with the days that have gone by. Not only, are we here to support clients who are receiving the care ; we are here to see the advancement and growth of the franchise owners that are a part of what Carla calls the "paradigm shift."
> – Maria, Franchise Coach

At The Caregiver Level

Getting the right people from the start for all roles within the organization will continue to build from a solid foundation. We ask similar questions for all roles within the organization.

> "Our first appreciation night for our caregivers was an amazing experience to get to know them and have some great conversations about what they saw in the industry and what they were hopeful of. Our second appreciation night was even better when people shared their stories with us and even some of their hopes and dreams." – Carla, CEO

Asking our caregivers about their motivation and their personal 'why' has continued to attract the team members that we need. Providing career opportunities and growth within the organization, is a priority. Answering the phones on weekends, providing opportunities to become a scheduler or coach of other caregivers, and even becoming a Community Health Manager not only provides motivation but also stable income and opportunity.

Our franchise partners have all driven a caregiver to work. Not only to make their lives easier, but just another opportunity to have 30 minutes in a car with them to have a good conversation. Showing up to do an in-home assessment to support your caregivers as much as the families. This is rooted in the values of dignity and respect, but really lives out putting people first.

> "When your caregivers feel this "hug" they can see that they contribute meaningfully to clients and families, which translates to our clients having literally the best care. This is just one small glimpse into how I know JLF is different." – Alana, Operations Manager

Walking a mile in someone else's shoes gets noticed.

Empathy is different from sympathy. Sympathy is when you feel bad for another person. While empathy is when you put yourself in their shoes and understand how they feel. Both of these can evoke compassion.

Sometimes we fear people will take advantage of us if we are compassionate. But we think it is worth the risk!

We are a for-profit social enterprise; this doesn't mean that we give hand outs and we are still very accountable to our shareholders. It just happens that we put people before profits, and therefore it is the long game. This doesn't mean that we say 'yes' to everything and we do things just to be nice. It is just when we say 'no' or decide to go separate ways, we have the open conversation about why things are working and why we need to go in a different direction. We don't shy away from making the right business decision, and that doesn't mean we can't do that with compassion and empathy.

In our onboarding training for new franchise partners, we spend the time to look at various viewpoints of case studies. Who is impacted in what way? How would you confront this? How might there be another side to this story? How can we protect ourselves and the business? How could we offer some grace?

A big part of our training is creating resilient franchise partners who have the confidence to take another deep breath when things seem to not be going their way, and to think through why something might be happening with multiple viewpoints. This stance typically has seen better outcomes for everyone.

> "I had a visual of our organisational chart and rather than being a normal family tree, I'm visualising a sphere that's going out in each direction. It's like a ball bouncing, it may dent on one side as we hit some pushback, but it will bounce higher because of the structure of the ball of the sphere. It is not dependent on the top, like a family tree, whereas the ball has resilience and can turn and pivot in different ways." - Sarah, COO

Leadership and culture go hand in hand.

The thing about culture is that it isn't random. It is kind of like word of mouth that way.

Word of mouth [88]is not random either. Word of mouth comes from;
- Good customer service acting as marketing when people speak about you
- Consistent good customer service is operations supporting marketing
- Asking for referrals is making it easier for your customers
- Training your staff to about your business is HR and good onboarding

Culture is also not random.
- It is about consistency
- What the leaders say and do, that they are walking the talk and being authentic in their leadership
- How the leader takes accountability
- How the leader communicates
- How the leader prioritizes and empowers staff to prioritize
- How the leader makes decisions and empowers staff to make decisions
- How the leader is humble and continues to stay humble
- How the leader lives out the values of the corporation every day

Culture eats strategy for breakfast. But only if there is a strategy to how you build your culture.

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[88] Word of mouth: The concept that the best marketing tool is when people are organically telling others about your business. Yes, this is a great place to be. But it is a common misnomer that 'word of mouth' is an independent marketing tool. Word of mouth can only get started with your other marketing tools working together for this to be possible. Asking for referrals, creating great customer service processes that result in customer delight, and communicating your value to your existing customer base including through reports, follow up calls, or your newsletter are all marketing tools that make word of mouth possible. Word of mouth is not random.

“In the current employment climate dominated by impersonal job boards, “AI-powered” recruitment, automatic skills matching and 1-click job application, it’s more critical than ever to approach the hiring process with compassion and humanity. Candidates are forced to play the numbers game because so many employers (and recruiters) are sacrificing human connection for so-called efficiency. Technology promises to tighten the hiring cycle on the employer’s side by providing candidate filtering, automated skills testing, templated rejection emails and yes, even values matching. But for all but the lucky few who make it through, the experience is generally disheartening for the candidate and does little, if anything, to demonstrate the stated “brand values” of the employer. More importantly, at the societal level, it reinforces the ages-old trope of the worker being the supplicant who should be grateful for the opportunity to have a job at all, rather than a human being with all the opportunity and responsibility that entails.

On the other hand, if you spend your energy crafting broad, open, values-based communications about your company’s staffing needs, what incredible, unpolished diamonds might you uncover from among the marginalised, so jaded by rejection and inequity that they might otherwise never have applied?

Hiring with intention takes lots of time and energy, but it’s time and energy well-spent.

Let’s face it: if your mission is to maximise impact, not profits, then your ideal candidate is probably not the lone wolf, the alpha, the “rockstar”, the “ninja”, the “unicorn” or the “10x engineer”. Those who “play the game to win” are already not values-aligned, so why spend any effort trying to attract them? You want (and need) folk who deeply understand the value of community, who have and empathy and strong connections to fellow human beings, and who likely carry burdens, challenging lived experience at the intersection of different marginalised groups.

These are the strong yet humble people you need to invite (not just welcome) through your doors.

So in crafting job applications, I always lead with values, starting with a strong statement about commitment to inclusion and diversity, and an offer for accommodation to those applicants who might need it. I speak about our devotion to the success of our team members, painting a picture: not of a meritocracy where staff are blamed for their errors and encouraged to compete, but of a community where human beings are set up for success and given the tools they need to succeed, whatever that might look like.

In “drawing the circle wide” you end up with even more candidates to review, hopefully interview, get to know as deeply as you can, and yes, let down gently. It’s a lot more work, so plan your timeframes accordingly – especially in your first few hires – and embrace the process. It can be extremely rewarding!

Remember that you can have a positive impact on a candidate’s life and future career even if you don’t end up hiring them! Sometimes, all they need is a little hope that there are some actual human beings that are trying to hire actual human beings and are willing to invest of themselves to do so with compassion and dignity.”
– Tom, CTO

Chapter 14: Change management life hacks

Change happens at the speed of trust

Nobody likes change. No one. Change takes some persuasive to have it happen at all. There needs to be a plan to help people adopt to change. This is change management.

Change happens at the speed of trust. Trust happens at the speed of relationship.

How do relationships happen? When we stop talking about the top things that everyone else speaks about and start to become authentic. When we stop speaking about the weather, traffic, kids, health and hockey (at least in Canada), we can have real conversations. When we stop trying to be someone that people think that we should be and when we just simply show up…as ourselves. These are some of the exact same principles of win-win. It is putting people first.

Building trust is not tricky. It is about;

<u>Putting in the work.</u>
Intelligence is nice, but when it comes to trust building, time and effort are the keys to success.

> “You don’t need your MBA to make a difference. You need your heart on your sleeve and your community. You need to talk to people, and tell your story. You don’t make people's dreams come true by staying inside the box of what is expected. You make people's dreams come true by going outside of the box and not waiting for people to give you permission to do it. You impress people by going outside of the box and challenging the norm, when in your life have you liked yes men?””
> – Alana, Operations Manager

<u>Humility</u>.
Never expect someone else to do something that you aren’t willing to do yourself. You need to be willing to pick up the phone, drive someone to the hospital, pick up the cheque, and take someone to the bathroom. Never think that a job is above you. Understand that when you are growing and having other people doing other jobs on your behalf, that it isn’t because you are better than that work and know that you would be willing to do that work. Part of them owning this work is empowerment and them knowing that it is something that they are accountable to and can take pride in.

<u>Don’t lie.</u>
This includes when someone asks you a question and you don’t know the answer. Don’t you dare lie. If you don’t know the answer, that is the answer. Can you find out the answer, can you go and get it? Absolutely. But don’t lie. The moment you stretch the truth, you have lost any chance of earning trust.

<u>Give yourself a bit of grace.</u>
You must remember that your missteps feel bigger to you than they feel to the other person. No one is going to be as hard on you as you will be! If your heart is in the right place then

others will notice and give you the grace that you deserve. You should give yourself grace too!

Consistency is the key.
Doing things time and time again at a certain level is what earns trust. It isn't that you did one thing amazing, and the service level was low ever since. But if you did something amazing once, and then your service level was still better, then that one time you have a mistake and mess up, you have earned enough street credibility to ride the storm.

Once you earn trust, protect it. A single misstep can put you all the way back. This counts for clients, for employees, and for all relationships. And it can't just be one person who is being consistent, it is the team. It needs to start at the foundation of the team.

> "I'm excited. The whole process has been just wonderful. Being able to see what is good and starting at the foundation. I always talk about people having a solid foundation and then you can build but you always have to make sure it is tied back to the foundation.
>
> If you get a piece of the foundation but not the whole, this takes something from the foundation they build on that. But what I see happening in our organization is that the whole principle of the foundation goes with every level that we build and so there's nothing lacking on any level or any branch or any outreach that we do. And to me, that's extremely important." - Susan, Board Member

Critical change moments
There are moments in time that change the world. The same can be said about relationships.

There are moments in time that have more of an impact than others. We have mentioned that consistency is critical to trust, but there are important moments in a relationship where trust can be unfairly earned or lost quickly. Specifically in a transition or a first impression.

Transitions
These are the moments when people really panic. People don't like change! So these are the moments that you need to be extra people-focused.

What are you saying? How are you saying it? And who is saying it?

You need to control message, so that it can be absorbed. You want to get ahead of it and be the one to say the message yourself, so that it isn't told for you and miscommunicated from day 1.

You need to say the message in as many different ways as possible so that it can be absorbed in the ways that people need to. Here is a way to do it;

Step 1: Deliver the message clearly.

Bad news (which is basically any change for someone) should always be first communicated personally. Face to face is better and for sure over the phone or video conferencing before an email. It is critical that the person who tells them is the right person to deliver this type of news, this is decided based on the relationship that is in place or the level of authority that they have to make this official. In our case during the purchase, the founder delivered the news personally and 1-1 to every franchise partner.

Step 2: Support the processing.
Once you deliver the news, you need to provide it in writing to support someone in processing the news. Allow time to process the news which usually takes at least 24 hours, or a sleep. Provide any other supports that might be required for processing. For us, we had an email sent out to all franchise partners once everyone had had 1-1s. This was clear and consistent with what had been articulated in the 1-1s, however it also was in writing as during a phone conversation not all of the details would be expected to be absorbed. We also had our business coaches and our existing franchise partner to connect with people who had additional questions to support their processing.

Step 3: Lean in and be vulnerable.
Once processing has happened, further communication is needed and possible to talk about what's next. When delivering the message of change, the 'what's next' will be lost. So it is best to dig into this once initial processing is done. For us, the what's next was to book 1-1s with the new CEO to start building the relationship as well as starting the fact finding process.

<u>The first impression</u>
First impressions lock in our minds how we expect that other person to show up. If you have a positive first impression, people are constantly looking for reinforcement of the positive opinion that they formed that first time. The opposite is true as well, if you have a negative first impression that individual will continue to seek out reason why you aren't positive.

So much goes into a first impression that it can be overwhelming to list all of the things to think about. The best practice is to show up authentically and be prepared to actively listen.

To show up authentically, always take a deep breath and recognize what energy you are showing up with. If you have had a rough day, recognize that. Sometimes it is okay to not be okay. Some of the best relationships can be formed from someone having a bad day and just being honest about it, the honesty can be refreshing.

To actively listen, the key is to ask questions. Making sure that you ask questions prior to speak about yourself often has a great first impression. It also gives you an opportunity to seek out commonalities and build a connection with that person quickly. Everyone has something in common if you ask enough questions!

We are not going to be perfect. If you have a bad first impression, just learn from it and see how you can avoid any of those pitfalls again. Or pay attention to the next section…

<u>When things go badly…</u>

Surprisingly, when things go badly that is your chance to shine. This is true for customer service but also with change.

If something is going badly for someone else, and you are able to make the downside better. They will be grateful.

If you do something badly, you can still shine. In fact, how you respond to your own mistakes are a huge indicator of your integrity and if you overachieve, you have often won a fan for life.

Exceeding expectations from the get-go often doesn't compare in the emotional response of trust that you are able to create when you mess up and repair things. This is a great reason to not fear the mess up. This is a great reason to seek opportunities when things were difficult or didn't quite work. This can go to quite an extreme where you can create a common enemy.

Better communication, all the time.

Change management and conflict management is usually rooted in communication.

<u>Active listening</u>

Relationships are formed at the speed of trust. We need to take the time to build these relationships. Active listening during conversations will make this time even more fruitful.

- Listen first: So many people try to be heard or try to remember what they were about to say. The go-to is that if you can't remember what you were about to say, it probably isn't that important.
- Repeat what we had heard for clarity: Miscommunication is prolific. Plus, when someone realizes that you are genuinely listening, your conversation is most likely about to get a lot more intimate. You are starting to peel back the onion. And the same is about to happen to you, as this only happens through our own vulnerability.
- Receive feedback: Being able to listen, to adapt, to be reflective about how to improve is a good thing. Not a weakness.
- Act on what you've heard: Listening without acting is an indicator that you aren't actually listening, or caring. Act on what was heard. Show that they have been heard.

<u>Secret of socialization</u>

We already know that people don't like change.

So, what if we make it seem like it was everyone's idea to change? It has been proven that people are more likely to buy into change if they think that the idea was from them or that their insight is part of the idea.

We socialized ideas early and often. In fact, we started socializing ideas that were being heard from the 1-1 first conversations with franchise partners after only speaking to about 1/3 of the franchisees. We socialized the ideas early and often. Each time we shared the idea with a new franchise partner, it only was more validated or improved upon by considering a new objection or consideration.

By the time we spoke to the wider team we had already had 2/3 of their input into the ideas that were first seeded by the first 1/3 conversations. Then we added more ideas from the last 2/3 that we socialized immediately to test our assumptions.

By the end of our 1-1s every single franchise partner could hear that their conversation with us was heard and incorporated into our plans. How could they disagree with that when it was their own idea?

Power dynamics

Power is a weird thing. It is all about persuading people to do what you want them to do. Sometimes your have formal power where you can tell someone what you want them to do, but it is the informal power of leaders that is that much more effective.

<u>Formal power</u>

The existing systems and dynamics of the world have created a formal power structure that many, if not most, of us adhere to. When we have a manager, when we have someone who can offer us something, we pay attention.

- Legitimate power: Someone in a management position and just because of their title people listen more.
- Reward power: Someone who has the ability to give out something of value, monetary or otherwise, has sway over others based on this.

Although formal power is something that often has immediate persuasive ability, it doesn't automatically result in respect or buy in. In the end, relying solely on formal power doesn't necessarily result in the actions that you are hopeful of.

<u>Informal power</u>

Informal power is often considered less important, but it is more effective in the long run and has staying power.

- Expert power: Lawyers, doctors, priests, and authors. Yes, even writing a book and telling people that you have written a book is power laden. This type lies someone in between formal & informal.
- Coercive power: This is the influence of using threats or fear in power. Obviously, this is not a healthy source of power in the longrun and you attract more bees with honey.
- Referent power: This is based on trust and integrity and is the best form of power where people want to work with you. For us, this was about treating all of our franchise partners as they were, independent business owners who we wanted to have a consensus building on the direction we would take together.

Being a leader takes on formal power structures. However, the best leaders are the ones that don't enforce their formal power. Building a team of champions & cheerleaders as a wider network continues to have an upward spiral.

> "Advocating for your people from the top down is the most important thing. As a leader and as someone in a position of power it is your responsibility to take accountability for your staff, and all the people under them. That is what you signed up for!
>
> As my staff and I coach our own team through hard times or misunderstandings or challenges, I get to say to them "this is not a failure on you, this is a learning for us both". With the support and opportunity to make a mistake or have other things interfere with work, it's okay because we have the most amazing staff who will support them in their absence if need be. Life happens, and it is time we allow the work environment to include that." – Alana, Operations Manager

Bumps and bruises

Okay - we haven't solved world hunger. But we knew from the start that we were not perfect. We wouldn't be and that this is a work in progress and that we would keep on improving over time and keep raising the bar.

Doing things differently doesn't happen without some bumps and bruises.

- Difficult conversations: Moving on from suppliers, contractors and employees is never easy. But having a direct conversation and not beating around the bush can be difficult in the short-term, but good in the long run.
- Negotiations: Trying to negotiate from a position of trust and authenticity is actually the anthesis of negotiating. Negotiation is about finding out what the other person wants and exploiting that. That isn't exactly win-win. Changing this into thinking about compromising and thinking about what could be beneficial to all parties. If you walk away from a negotiation totally satisfied, have you ended up acting in a win-lose way?
- When something wasn't working, how to move on quickly? Sometimes this felt like abandonment. Sometimes this feels like you are not giving someone or something a chance. There is a lot of strength in identifying that something should stop. When you stop, that just gives you capacity for something new!

Bumps and bruises are unavoidable. It's how you weather those bumps and bruises – and how you care for the people around you during the rough ride – that matters and builds trust.

Chapter 15: First 12 months

The first 12 months was clearly a whirlwind and we have seen that it isn't going to stop. Moving at the pace of business is critical, and if you aren't improving and growing, you are falling behind.

> "What a wild ride. The first 12 months was a huge learning experience for me personally and professionally. We've learnt so much and we've grown so much. This is a 'we', not just a 'me'. Things have evolved in such a great direction. I could never have imagined that we would be where we are today when I first started."
> - Serafina, Bookkeeper

Here are some highlights…

Bird in the hand is worth two in the bush

We never forgot our franchise partners. We froze franchise development for the first 6 months after acquiring the business and focused on learning and building relationships. We built trust.

Instead of fast growth in the first 6 months, we focused on the infrastructure that would do the following;

- Create consistent service quality across the network
- Put in supports that would raise the bar for home care
- Improved peer support with a focus on collaboration and learning
- Improved operational efficiency so that our franchise partners could grow

Getting our hands dirty

Buying back a territory had us understand the grassroots of the business. Although it felt as though we had extended ourselves, now a year after buying back the territory we can say that it was worth it. Now we understand;

- The clients. What phone calls look like, what they are worried about, and the gratitude and joy of being offered peace of mind.
- The caregivers. The tricky balance, the hard work, the commitment and passion, and the challenges of being a caregiver.
- The way to show up: That running this business is about being authentic, being responsive, doing the best that you can each day, and giving yourself some grace. We are now a much better franchisor by being a franchisee.

> "There is a predictable arc to the work of being a Community Health Manager at Just Like Family. An individual in crisis calls seeking help. Within moments of answering, you cross the intimacy threshold and enter a space usually reserved for only the closest of friends and family. Slowly their story unfolds. It is always one of loss… mobility, cognition, community. As you probe with gentle questions, they map for you the uncharted territory of some new painful reality. They are lost because they have never experienced this kind of need before. As an expert guide, the Community Health

> Manager highlights the pathway forward. In doing so brings relief to the anxious minds who felt so alone moments before they called. In connecting them to care, new stories of being seen, found, and healed begin." - Alexa, Community Health Manager

Two head are better than one

We now know what a good partnership looks like. We learnt how to be good partners ourselves!

Never showing up to a meeting with an agenda or our assumptions dragging us down. People took awhile to believe that – that we really didn't have the 'solution' already planned out. But not knowing was the secret.

We saw that being a leader in collaboration is actually our super power. We now have a new approach that we have built with existing partners that is rooted in win-win that we are ecstatic about.

> "E m p a t h y and G r a c e. Two of the most famous buzzwords we hear everyone around us use! It sounds like a utopian dream, to think that educating people on these two words could change the mindset of so many people and more specifically the foundation of how they operate a business.
>
> In any business, how we show up for people matters. When we look out in the world and realise that no one is a number, or an inanimate object- lived experiences show up very differently. Why would we think that empathy means rehearsing the right one-liners or showing up for people in this rehearsed motion time after time again. This is where the power of storytelling comes in. How can we relate to someone if we aren't sharing a story about ourselves in why we do what we do, or why we believe in what we chose to make a career out of doing?
>
> Without this mindset, when building partnerships, we can often show up strong-arming people instead of asking them how you can support them. By combining grace and empathy together, you allow yourself and the person in front of you the opportunity to say their "**no**" and move through it together.
>
> As a for-profit organisation that operates as a social enterprise, we aren't a non-profit organisation but we want to be able to offer support to the local community in the same way. The question then became, how can we tell the community that we can do this for them if they can't find us on any directories? So we reached out to the government directories. My first call was a hard NO, we wouldn't be able to be in their directory, no shot, the end.
>
> At that moment, all I could think about were the people who wouldn't be able to navigate the healthcare field get the best care out there because they wouldn't know we exist. We had resources available! I sat there for a second wondering what I could say to show this guy that we are different. And I leaned into grace & empathy,.

He was doing his job! His office was swamped. I felt for him. Instead of ignoring his comment about being swamped, I offered him support. Essentially it took me two seconds, and I meant it. We do this all the time; we see people looking for supports and we support them in navigating the healthcare system. Same as a directory! Only then did he see me as a human and really ask me questions. He was blown away and inquired more about our mission.

As a social enterprise, our goal is partnerships- not for us, but for our clients and their loved ones to navigate the healthcare system better. Without us, they would be left alone to figure it out. Ethical dilemma, no?

So we made and grew a partnership by treating each other with empathy and grace. And now we get more calls from this partnership for clients who are having a hard time navigating which supports are out there for them. Think of how great a gift it is knowing you did all this irrespective of the industry you are in." – Alana, Operations Manager

Franchise development

We slowed it all down. Not only did we pause sales for 6 months, but we slowed everything down. We didn't strike when the iron was hot, we waited. We now have a

- New recruitment policy
- New marketing initiatives
- New onboarding process and supports

We are seeing our new franchise partners hit targets earlier and with a foundation for future growth.

Getting our head into the cloud

"One special moment and a great example of how we do things differently, was when we were all in that canoe brainstorming and writing for our Board meeting. As we moved across the lake. It wasn't a stuffy boardroom with seats. It was thinking inside the boat, but outside the box. Even our pattern on the lake was not linear that day." - Board

Getting from the tactical to the strategic. The first 12 months we focused on understanding the business, the challenges, the roadblocks and building processes from the get-go that would overcome these.

We now have streamlined how the business works, and it is now in a place to readily double in size. This focus on processes and structure allows our heads to get back in the clouds and plan for 3, 5, and 10 years from now.

"I'm a tech guy. Technology is my bag. There was a time in my life when I was constantly playing with sensors and electronics and microprocessors and I just wanted to automate everything! When you're walking around with a high-tech hammer, everything looks like a high-tech nail.

Now my approach to technology is much more measured. When you're in the business of providing premium-quality, high-touch, human care, too much reliance on technology can lead you away from your values and mission. And then your business model starts to look like every other mainstream corporation, focused on maximising profits at scale and using automation to cut those pesky, emotional, needy and expensive human beings out of the path of growth, efficiency and progress!

So for me, as I evaluate technological solutions for fit, I'm looking for technology that can *enhance* our ability to provide high-touch care. How does tech allow our human caregivers, schedulers, administrators and local business owners to spend *more time* engaged in caregiving and human contact? How do we automate the parts of their jobs that are *not* engaging with loved ones?

This is very much within the domain of software – and strategic partnerships with best-in-class software developers becomes absolutely critical for us as we develop a robust ecosystem of highly effective, ergonomic tools for our franchise operators and staff.

I'm also looking for technology that allows us to improve the quality and the value of care we provide. This is where partnerships with hardware and sensor manufacturers becomes a strong strategic move. While we *never* treat our loved ones as a number, having access to better, deeper biometrics will provide our care providers, and the wider team of medical and support staff with valuable data to monitor, assess and respond to client needs. Further, enhanced metrics and telemetry will allow us to make data-driven decisions about our own operations and processes that will translate to a higher quality of care." – Tom, CTO

Rushing to resilience

We started off in a sense of panic and urgency. There was so much to do and in some ways we felt as though we had to do more quickly to build trust with our franchise partner network to prove that we were different, we were learning, and that we were adding value each day.

With 12 months under our belt, we are slowing down to do things really well versus just quickly. We have moved to a focus on resiliency, not just for franchise partners, but for everyone.

"I started my entrepreneurship journey in the wellness space as a Mind & Body Connection Coach. I've facilitated group workshops centred around community healing and held over a dozen events. I experienced the power of coming together for a common purpose -- to heal and rise. Shortly after that I started doing websites as a side business, and eventually got into branding, I started working with corporate companies. Due to the nature of my work as a Wellness Coach, I realized how disconnected the "business" world was, it was a journey to in itself to find a balance between impact & income. From connecting so deeply to the community, to having to compromise my values in order to conform to an outdated system did not align with what I believed in.

Now working with Just Like Family reaffirmed my belief that it is possible for all of us to win, and the secret is in collaboration, integrity, and collective growth. - Gigi, Franchise Development

By putting people first, that includes ourselves! Being a place that we all enjoy coming to work. Encouraging each other to sleep well even when things are feeling heavy on us – mistakes happen! Including the fun and joy, knowing that we have decided to spend this time together and our mutual commitment to making a difference.

> “I think what people forget when developing a company or developing a team is that the team you choose is now your community. You are a product of the 5 people you are in contact with the most and this means your work team counts! This team should ooze the values, should be the values and should view this job as not a job but a place where they and you belong simply because your only role is to make people's dreams come true.” - Alana, Operations Manager

Fear to confidence

> “There have been so many times that I have questioned if I was the right leader for this work. I often say that when I started this 18 months ago, I knew nothing about home care, healthcare, or franchising. In retrospect I’m starting to think that that was all a saving grace. First off, I just would have played by the existing rules if I had known better. And secondly, if I had known better about what I was getting myself into, I probably would have chickened out.” - Carla, CEO

We are committed to not making business decisions based out of fear.

The opposite of fear is not fearlessness. It is actually trust. By trusting you are not afraid and the win-win approach is all about trust and building the relationships in a people-first way.

Over the first year, it was interesting to see fear tactics being used in business. It is the normal way of business and is embedded in almost every part of business interactions.

But when we were able to realize that we have already done the impossible. How could we possible be scared when we’d done the impossible? We could boldly face the future with the phrase, ‘what’s next?’.

> “What was the biggest mistake that we made? I wish that there was just one and I wish I could figure out which was the biggest! I think that the most important thing is that we started getting used to making mistakes and being resilient enough to move forward even when things felt impossible. Whenever something went wrong or we hit a new roadblock, we stopped panicking. The first 3 months I remember thinking that everything was a reason to panic. But a year later, we now just see the next roadblock and think, ‘that’s it?’.” - Carla, CEO

Epilogue: What’s next?

> “My Question to you is: “What would you want people to toast you for at your 80th birthday?”. Whatever your answer is, I doubt you want to be remembered for being afraid. Better yet, “we toast you today because you **never** operated outside of the box, here's an engraved clock for all your hard work over the last 30 years”.
> – Alana, Operations Manager

This is the tip of the iceberg. We have been asked incessantly over the last year and bit about our 5-year plan. We have a 3-year strategy that is reasonability on our trajectory. 5 years? Who knows? Maybe by then we've exceeded what we started out trying to do as the rabbit hole has been further explored.

What keeps us dreaming?

#1. Duh! The opportunity of social acquisitions!
The idea that impact can be accelerated through this model. The opportunity of literally over a hundred thousand businesses that will be changing hands in the next decade and how this transference could be charitable ownership. What is better than a business that has been successful for the last 30 years and now no longer has a succession plan? Seems like a clear winner to buy! Would they be very excited to have a legacy of a charity taking ownership? Would the community be supportive of knowing that the great business isn't closing down and now has charitable ownership? Hard to argue with the logic!

#2. Other equity investments!
Let's finally move those impact investments from being debt to equity! Why cap the upside? Why just ask people to pay you back when you can jump into the same boat with them? This can be through funds or fund to funds. Even if you aren't ready to buy a business directly, it doesn't exclude equity investments! Remember, charities are accredited investors and have this golden opportunity.

#3. Community wealth building
Charities buying businesses is the beginning of real community wealth building. The dividends from a charitable owned business are poured back into the charity to do the work that they are doing in the neighbourhood. Maybe they are now able to provide more sustainable programming, maybe that equips people in the community better, maybe another business investment opportunity presents itself that a charity does in relationship with someone in the community. Who knows what is next?!

#4. Proving that social purpose businesses are just better
People are starting to get see with real proof that people-first businesses with a social and an environmental impact can actually be higher quality. Rethinking how jobs work and how job descriptions are made, how partnerships and collaborations are actually possible, how disrupting existing systems for good is better for all!

And of course, the other amazing opportunities that we find as we explore the rabbit hole that we are in.

> "One of the greatest things about being CTO is the opportunity to engage in foresight (when you can pull yourself enough out of the weeds to do it). Since the word "technology" is baked into the job title, most CTOs focus on the latest innovations, bleeding-edge technology developments, and market trends relating to consumer expectations and behaviours in their space.
>
> But when the focus of your business is not unbridled growth for growth's sake or maximising shareholder profits, but maximising social impact and improving human quality of life, the object of scrutiny has to shift away from tech for tech's sake. When the vision of that business is nothing less than the disruption of current exploitative and unsustainable economic models that benefit the few at the expense of the many,

> and the creation of a radical, alternative way of investing in the future of humanity, well, EVERYTHING comes under scrutiny.
>
> It's not like there's a user manual. (Actually there is, and you're reading it.)
>
> When I do foresight work for Just Like Family, I try to be optimistic. When considering the future these days, that can be a challenge. It seems like everyone else is hell-bent-for-leather to deplete the world's resources, trying to make enough money to be self-sufficient, without the need for support from society, friends, communities, neighbours.
>
> It's not always been that way. It's not the human condition to be isolated islands. We are designed to live in community – real, physical, multi-generational villages and tribes filled with diversity, wisdom and, yes, compromise.
>
> When I look ahead, I see two possible futures: one where our North American society continues to spiral down this individualistic path and companies like Just Like Family Home Care become more and more critical in providing the support, connection, human touch and care that we all need as we age or face challenges that diminish our capacity to care for ourselves. In that version of the future, Just Like Family Home Care continues to shine the light of leadership in advocating for the basic human right of ageing with dignity and compassionate support, and providing the knowledge, the process, and the resources to do so. Revenues from impact investment in our business allow other social justice organisations and communities to extend their programmes that bolster the underprivileged and the needy.
>
> In the other possible future – the one I prefer – Just Like Family's disruptive business model has shown us the benefit and profitability of values-led, impact-driven social enterprise, and along with other like-minded thinkers and organisations, has enabled an alternative sub-culture to flourish and eventually become the mainstream. In this future, Just Like Family Home Care has become obsolete, because we will all be working and living once again in communities of mutual support and care.
>
> If we can work really hard to bring about wholesale societal change, we can eventually put ourselves out of business. And that's a version of the future that's just fine with me!" – Tom, CTO

We would be remiss if we didn't tell you that the most common phrase out of our team's mouth is "I'm excited". Literally every day a minimum of one of our team members says this. Even when we are onboarding new franchise partners we hear a very high number of "I'm excited." How could you not be excited when our entire team believes in the change that we are making in the world each and every day. The concept making money and making an impact is being lived out.

> "We are trailblazers. I hope we don't get tired. Because we will begin to experience more and increasingly push back. Because we're breaking a mould. But I think that we are on the right path and if we continue to support one another, I think we'll be better than okay. We will be change agents, and we are changing. But we can't get tired. We can't stop. We've come too far. And so when the push back comes, we're gonna push back together." - Susan, Board Member

For you, we leave these final words that have kept us moving forward and keep our team excited. What would the systems, businesses, and capitalism look like in North America if this happened? Our hypothesis is that it would be win-win-WIN. And get us on a new trajectory.

If it is how things have always been done, we need to ask ourselves why? Is it still working? Did it ever really work?

We believed that the missing link was having a plausible alternative. We knew that we had to jump in with two feet despite not knowing anything about home care, healthcare or franchising. If we didn't do it, who would? There is a prolific fear of the unknown – and a model that combats that directly was needed to overcome the natural objections to change.

We believe that we have done that. And that this is still the tip of the iceberg of what win-win can do.

> "We had literally just finished our year end, we were preparing to pay off one of our private lenders, and I was looking around to see if I could finally celebrate without being side swiped. I called up one of my board members to check-in and give her a status update when she instantly started speaking about all the opportunities and things that we could now consider.
>
> She started throwing ideas of future acquisitions, ways to expand, and literally how we could quadruple in size. I nearly had a breakdown on the spot and said, 'I think I need a minute'. That is what the first year had felt like. And I just needed a minute to get ready for year 2.
>
> And now? Now I'm ready for the next impossible." – Carla, CEO

Addendum

Where does win-win come from?

We are not saying that this is the most amazing thing that has happened. We don't think that we have invented something so remarkably different that we deserve a Nobel Peace Prize or to be put on a pedestal. Quite the opposite in fact.

We are recognizing the genius of 40,000 years of human evolution. We think of ourselves as being 'evolved' and 'modern'. But maybe we have lost something in the fast-paced expansionist growth that we are focused on. So much of today's generations expectations are reliant on double digit growth rates of the economic and opportunities that our ancestors lived through over the last century. With double digit growth no longer being the norm, it is creating a world where we can only experience our standard of living by someone else not getting what they need. This is creating a world of "haves" and "have nots".

Where did the concept of win-win come from? Arguably the world was always about win-win.

In hunter-gatherer societies that had less than 100 people in a village, it took everyone in the village for everyone to be successful Hence the adage, "it takes a village". Even though there were arguments between clans, there still was a common understanding of sustainability and mutuality by not over hunting. Wendigo, a monster of greed, is a common story that is shared by several Indigenous and First Nations.

It was in these societies that everyone was valued. Many societies encouraged females to be hunters, rather than a gender-based role of gathering. There was an understanding that everyone was needed for survival and that those with skills should be utilized for the collective good. With everyone having a common goal, you could trust that everyone was moving in the same direction together. It benefitted everyone to work together.

The common goal of survival trumped all. In fact, if our ancestors hadn't been win-win focused, we probably wouldn't be here. Having a common goal and considering how everyone can benefit is a very old concept.

What happened as societies became larger is common goals disappeared. Self-preservation emerged and was no longer directly linked to a village's preservation.

We see this in societies evolving differently. Sociologies and anthropologist call it collectivism versus individualism. Certain parts of the globe have cultural norms of being collectivists including Africa, Asia, and South America. Whereas parts of the globe that are individualists include Europe and North America.

Could the lack of common goals be part of the reason this changed? Once a civilization exceeds 100 people there becomes less reliance overall. It becomes more of a dog-eat-dog world, with some people winning at the expense of others losing. The larger population no longer curbs bullies and bad behaviour in the way that a small village would.

In South America, Africa, and Asia, it was these smaller communities that continued to act as the norm. Whereas in Europe and North America, huge cities emerged with most of the population gravitating towards them. The people in the city would not feel that they equally needed resources to survive. When over half the population was living in a large city, the win-lose thinking could emerge as the cultural norm.

Instead of a win-win approach, a win-lose approach becomes the norm. The thinking that if someone else is doing well, that means that you can't do as well. It begins to divide up the pie into small and big pieces that people fight over, rather than working together to expand the size of the pie.

Win-lose is based on scarcity. The concept that everyone can't win automatically creates winners and losers. It creates polarities such as the rich versus the poor rather than thinking about the abundance that our world has, and that everyone could in fact "win".

With scarcity as the underpinning, it becomes harder to work with each other. It becomes harder to trust each other enough to work together when we are suspicious that the other party is trying to win (and therefore we would lose).

But once we realized how win-lose the world was, we kept seeing it show up in different ways. It came out when;

- people were behaving in a way that was clearly one-sided.
- there was a stalemate from the beginning that would never result in a mutual collaboration.
- people came to meetings with a clear agenda.
- people were behaving badly and mistreating others.
- people were projecting on others what they were doing themselves.
- people were trying to inspire fear in us so that they could get something.
- it was clear that decisions were being made from fear.

None of us really can pinpoint when we realized that what we were doing was win-win and that this was different. Still, it came as a shock when we realized that the win-win approach was a novel way to look at business.

> "The lack of trust, it's just been so inherent in business to have a winner and a loser. Everybody moving in the same direction is just so foreign. We constantly came up against personalities that couldn't believe in win-win because they thought they just hadn't seen how we were gonna screw them. It doesn't mean for somebody to win that there must be a loser." - Sarah, COO

Principles of the win-win approach

Along the way, we developed principles that shaped our culture and led to our success.

Improvement over perfection.

The solution that we strove to create would not be perfect, but that we would continue to raise the bar. Continuous improvement would be at its core.

If we had tried to be perfect, we would never have started this experiment.

This is a constraint for a lot of charities and nonprofits in starting something new. They have very high standards of what a program or social enterprise needs to be and do from the start. This is through the existing governance structures of charities and nonprofits that have a Board that is focused on mitigating risk and part of the perceived risk is the reputational risk of being involved in something that doesn't not fully match the existing values of the organization. As you can imagine, a lot of necessities of a successful start-up would be at odds with this as you don't have a perfect service or product that you are going to market with at the start. There is no way it would hit this high bar. Aiming for perfection prevents a lot of experiments from getting off the ground.

For example, if a charity wanted to create a home care business from the ground up, they would have a very hard time to wrap their heads around it. They would want the following;

- It to have a free option for clients as they have charitable roots and don't want to be perceived as taking advantage of seniors paying for this.
- That all staff were paid a living wage from day 1 with full benefits as that is how they would want people to know them.
- That the quality was top tier with no expense spared so that even before the business reached *break-even*[89], they would want to buy gifts, and provide raises before that was financially viable.
- And that the program was self-sustaining as the Board would not be willing to risk the existing programs that were being run by having a social enterprise that was not performing.

Many of these criteria are at odds with each other and have created a potentially insurmountable mountain that might not even be worth exploring further.

[89] Break-even is the amount of sales that you need to start to make a profit. For instance, if you have a storefront for a café, you don't start making a profit each month until after the rent is paid. This is a simple calculation where understand how much profit you make in an average sale and then divide that by your fixed costs. For the café, the rent is \$2000, and they make \$5 a sale after paying for the ingredients. After 400 sales (\$2000/\$5) they start making money each month.

In fact, *cooperatives*[90] face these challenges, with so many competing priorities. Which is why the most successful coops in Canada are *cooperative conversions*[91], that is existing businesses that have been converted into a coop once all the growing pains are over.

When changing the world and making it a better place, there is a need for grace in. We needed to take the stance that we would not be perfect, we would offer ourselves grace, and we would just do our best. We would keep on improving and change what we could when we could.

A stop gap was that we talked about these plans all the time! And not just internally. We would broadcast what we were thinking to media, to partners, and to each other. By putting it into the ether, we were growing more co-conspirators and keeping ourselves accountable to this future direction.

The good news is that we so very much didn't know what we were entering into that we didn't know how many places that we could change! Lots to do still as we learn about ripple effects and opportunities for impact in new ways.

For example, a side effect of grace for ourselves, is that this has been part of the learning and training for new franchise partners. We speak about grace during our orientation training and how this impacts them as well as their caregivers. If our business is about people first, grace will be important.

Even painful mistakes can lead to learning.

If it isn't obvious already through the first few pages of this book, we did not know what we were getting into!

We didn't know anything about home care, healthcare, or franchising. We might even layer on top of that we didn't know enough about HR, management, leadership, finance, and international marketing.

We entered this with impact investors who understood that this could be daunting but that the market was there and that this was worth the risk. It wasn't worthwhile to stress about the cost of learning in the short run, as long as we were growing in the long run.

We would estimate that our first year cost us (on the low end) a quarter million dollars. This was the cost of not understanding franchising, the additional acquisitions costs, the

[90] Cooperatives is a type of organizational structure where instead of shareholders, you have members of the cooperative that make decisions about the organization. Typically, a member has a membership fee and there is a minimum number of members that are required for a cooperative to get off the ground.
[91] Cooperative conversions are when an existing business owners have decided to no longer be the owners and instead of selling the business or closing it down, they create a new structure as a cooperative to take over control of the business. Typically, in a cooperative conversion, the members in the cooperative would be the employees. But there are many different type of cooperative membership structures to choose from!

additional accounting costs, and just overall learning. We were lucky to have investors that understood this and were committed to a larger experiment that we were learning about.

Pay it forward.

We believed that by documenting our story that the savings for others learning was the biggest way that we could pay this forward.

At an event in Indianapolis we were speaking with a private equity manager and his girlfriend who was a photographer with no business background and admitted to being a little intimidated by business. In less than 5 minutes we explained the entire acquisition process of a business and the moving parts involved to get it done. The private equity man gave us kudos, and even better his girlfriend was astonished that she understood the acquisition process. This was a win! There are layers upon layers of ways that people create and control power.

Collaboration from the beginning.
It is easy to say that collaboration is important. In fact, almost everyone agrees that collaboration is a good idea. And it is almost impossible to do it.

All kinds of social science experts encourage collaboration. We all know it's a good idea…but it's hard to do. We knew that if we were going to truly collaborate, we would have to work at it. We'd have to set ego aside and choose humility. We'd need to listen and learn rather than dominate conversations or show off our own knowledge. And perhaps most importantly, we had to enter meetings with open minds. If we came with preconceived notions we would never find common ground that would allow us to work together in a way that was mutually beneficial.

From the beginning this was about the collective. Having more people on board was a win. To do this we had to have a few things in place;

- We had a *vision*[92]. To change the narrative of aging and we believed that transforming home care was a pillar to do this.
- We had a *mission*[93]. To put people first in all aspects of our business.
- We made decisions that were consistent on this bigger vision such as supporting a health care aid advocacy group get off the ground and support nonprofits in having access to grants.
- We were able to empower staff to make decisions and feel confident based on the larger vision (rather than micro-managing)

It was these pieces in place that started to change the business from a business into a movement. There was this understanding that we already had just under 2000 employees and franchise partners across the country. This was a lot of people thinking about making a difference in people's lives across the country.

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[92] Vision is typically a statement that clearly articulates the direction or goal of the organization. This is designed to be motivational and also a guiding light for the employees and management.
[93] Mission is a clear articulation of what are you each and every day. It is your state of being each and every day as an organization.

We often say, “If you want to go fast, go alone. If you want to go far, go together.”

> “I believe we are countercultural. And I say that, because our culture really doesn't expect things to go well and to work cooperatively by inviting various opinions and stakeholders to be a part of the process. Culture says, when there's too many voices, that usually creates chaos. I think we've been just the opposite of that. I think our advantage is having those many voices. How could this be? And so quickly. That's amazing to me.” - Susan, Board Member

Question the norm.

If things were done ‘because they are always done that way’, that is when we would really dig in our heels and start asking more questions.

> “We have an expectation of how things are supposed to go. Is this preconceived because we are hard-wired to see patterns in life that make us go “Aha! I've seen this before…I know exactly how to handle this”. We believe that “we should tackle it the same way because that's how it was done last time”. “It's safer to try a method that seemed to work 92% of the time”. Trying something new, has the off chance of being wrong. How scary is being wrong?” – Alana, National Team

Coming into the home care business knowing nothing allowed us to think bigger! We thought that;

- Dedicated caregivers were normal. Sending in the same caregiver so a therapeutic relationship could form was normal to us.
- Having shifts where the caregiver was encouraged to make a pot of tea and sit down with the client to play a game, look at photos, or have a conversation felt like a human thing to do.
- Having a tech solution where family members across the country or world can have real-time access to the care notes and progress of the care plan with mom or dad.
- Following up with the families proactively to get feedback and constantly adopt the care and caregivers felt like good business.
- Encouraging caregivers to go above and beyond to bring their favourite soups or lattes or whatever and then create a business process that encouraged this even further seemed like a great idea.

If you don’t know anything about home care, just assume that everything above is mind-blowing. Probably good that we didn’t know better!

Similarly, we came into franchising not knowing any better.

- We didn’t know that slowing down the franchising process was not normal. That speeding up the recruiting process was part of emotionally selling and that it was about getting the money in the door.
- We didn’t assume that franchise shows were the best way to get awareness or excitement about our brand. It didn’t feel relational to us or about a fit by starting that way.

- We questioned franchise brokers. Did they really care about the fit between the franchisor and the potential franchisee? Were there other organizations that would be a better partnership?
- We didn't know what good support looked like. So we just added supports that we believed to be good business.

Here is a great example of how we just didn't let existing norms and rules apply to us. Our first face to face board meeting was actually in a canoe. The *Directors*[94] showed up for our retreat and we had some heavy lifting to do as we only had a few weeks before we would acquire Toronto. Instead of sitting in a boardroom we all hopped in a canoe with the person in the middle taking notes. People say that marriages can be made or broken on a canoe ride. Maybe the same should be said about Boards?

Once you realize that certain norms and rules don't actually make sense. You have liberation to think and be different. You have a chance to make a real impact.

People-first business model.

> "Healthcare is not furniture. In furniture, you know how a desk is supposed to look and function because well, it's a desk. You could also hire someone to build your desk for you and you never even have to care about the mechanics of building one. You know where to put the screws and wood because that's what you did last time. In business, we often view the humans we supervise or interact with as desks.
>
> But people are not desks. I think logically we all know this, but our actions prove otherwise. By making assumptions about people and equating them to patterns and numbers is telling the world that people are inanimate piece of office furniture.
>
> Businesses are people first, because what are you without your people?" – Alana, National Team

We discovered this opportunity due to the experiment of a charity buying two franchise locations. When we were performing *due diligence*[95] we had many questions about what made the company different and if this difference was sustainable.
The interesting thing that came out was that there was a huge ripple effect for all people around the business when they were putting people first. It was not about just the seniors aging in place. It was their families, the caregivers, the other staff, and the owners themselves. The community. People were the heart of this and always would be.

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[94] Directors are the people who make decisions about the direction of the business. The Chief Executive Officer (CEO) reports to the Directors. If you always wanted to be a CEO, just remember that they have multiple bosses depending on how big their Board is.
[95] Due diligence is the process of learning about any risk that could impact your business decision. Anything! Different business decisions have different risks. Think about buying a used car and the research that you do about the car that you are buying. Were there accidents, what is the consumer rating, what's the mileage on the car, what is the durability of the car, is the ownership paperwork in place, is there anything else you should know prior to the purchase? That's due diligence.

For us, we knew we were starting with something special and that we needed to keep creating a culture where people were first from the beginning. We couldn't do this for just our clients, we had to understand what putting people first looked like for our caregivers, and all of our staff.

That meant that our first year had to focus on reinforcing the culture of the business.

A famous business educator, Michael Porter, is the creator of many different business models. He is also famous for saying "what gets measured gets done." If you are only speaking about money and measuring how much money you are making, then all you are concerned about (even if you say people are important) is going to be money.

We had to change what people were speaking about. A great example of this was during one of our team meetings, where instead of announcing who was making the most amount of money in the first 5 minutes, we asked everyone to share what they were most proud of over the last month.

- One person shared that their first client that they had been supporting for years had just passed away and that they had been with her every step of the way. They missed her and were grieving. They were also proud of the support that they had provided along the way to made the journey easier.
- One person shared that they had always had staff to fill shifts, but there was an emergency and they had had to fill in for one of the shifts. It was their first time and they were grateful for the experience as well as proud that they had done that.
- One person had filled in for their Community Health Manager who was on vacation for 2 weeks. He hadn't been responsible for direct client care and having conversations with them for ongoing support. He was proud of the service that his business was providing and also that he and his wife were able to care and support all of his clients with him support manager away.

Everyone listened and shared. It only took one person to open their heart for everyone else to start. These are great people that we have as part of the team, and it is some of these little rituals and practices and put people first.

> "When I learned of the sale of Just Like Family Home Care, I was excited to see what changes may come. Learning of the unique ownership and business model, I was intrigued; I'd never heard of a for-profit business being owned by charitable organizations and "impact investors." As someone with a background working in the charitable sector, I knew this could be something amazing that aligns with my personal values.
>
> The year I have spent working with Just Like Family Home Care since it changed hands has been exciting, inspiring, and *busy*. I've watched (and hopefully helped!) as new initiatives have been implemented and growth has taken place. The most inspiring aspect has been seeing how the leadership is "walking the walk." While change brings ups and downs in any organization, there is a strong feeling of being part of a real team. Change has brought an increase in diversity and focus on *the person* versus *the money*. The new additions to the team have brought compassion, dedication, and empathy and there is a resounding feeling of working *together*

> towards a common goal of making a real difference in the lives of everyone involved in the organization. I look forward to seeing—and being a part of—what's to come." – Karen, Marketing & Communication Specialist

Nothing is impossible.

Probably the most interesting posture to hold is that we never thought that it would be impossible. We realized after we had raised the money and bought the business that doing that in less than 90 days with no existing fund was quite incredible.

> "I was told in my teens the good old saying, "don't put all your eggs in one basket". Well, why not? If I believe in it and it's worth advocating for. Nine times out of ten people tell you this because that's the way it's always been. The message here is put your eggs in that one basket and believe in yourself to carry that basket as far as you can and as creatively as you can. When we do this, we unlock our secret power. That secret? Fearlessness. When you have fearlessness you are unstoppable. When people say no, you say "but why not". If we're constantly saying well this is how it's always been done then imagine how bizarre this is when you add fear in the mix. This is the pivotal moment where we need to do the opposite. You cannot and will not set yourself apart from others if you operate in the way it's always been or in fear of challenging the norm." – Alana, Operations Manager