

CARLETON ROAD INDUSTRIES BUYS BUSINESSES TO SUPPORT ITS MISSION

A CASE STUDY

AS TOLD BY:

Mackenzie Akin, Executive Director, Carleton Road Industries Association

DATE OF ACQUISITION: 2008

LOCATION: Annapolis County, Nova Scotia



INTRODUCTION



ABOUT THE BUYER

Founded in 1977, Carleton Road Industries Association is a non-profit organization with charitable status located in Annapolis County, Nova Scotia. The organization's mission is to provide vocational and life skills training to adult residents of Annapolis and Kings Counties who are diagnosed with mental, intellectual, emotional, and/or physical disabilities.

ABOUT THE SELLER(S)

Over the course of several years, Carleton Road Industries has acquired a variety of businesses from local business owners who have put their businesses up for sale. These include retail, hospitality and services.

OVERVIEW

In order to support its mission of providing vocational and life skills training, Carleton Road Industries owns and operates several local businesses. These businesses are staffed by participants from the organization's training programs, allowing them to learn vocational skills in a supported work environment.

Currently, the organization owns and operates a wide variety of businesses, including a recycling depot, a custom woodworking business, a property maintenance business, a gas station, a convenience store, a laundromat, a diner and a post office. Some of these businesses were started by Carleton Road Industries themselves, whereas others were acquired by local business owners.



SELECTION CRITERIA



Carleton Road Industries approaches acquisition opportunities as they arise. The process tends to be informal and fluid. "When a core local business in Annapolis County goes up for sale, we jump on that. When we see an opportunity, we ask, 'Will it work? Could our clients do that? Could we get the money? And would it bring in enough revenue to make it work?'" says Mackenzie Akin, Executive Director,

If the answer to all of the above is yes, the organization puts together a plan and budget for the acquisition and prepares to approach its Board with the idea.

ACQUISITION DETAILS

BOARD DECISION-MAKING

To accelerate the Board's decision-making process, the organization examines the business' financials and approaches the bank for loan approval and insurance companies for quotes before alerting the Board. Gathering all this information beforehand allows them to be prepared to move quickly on acquisition opportunities as soon as there is Board approval.

FINANCING

Once the Board approves the acquisition plan, the organization finalizes the loan with the bank. They have not faced issues seeking acquisition funding because of their track record and relationship with their local lending institution. Additionally, because they incorporate acquired businesses into the organization, these businesses also benefit from being incorporated into an existing entity rather than being considered as a new business (as can happen when placed into a new corporation).

Carleton Road Industries does not seek third-party financing or partnerships where investors take an ownership role. "It's sometimes hard to partner with other people on business because we've been doing this for several years, and if you bring someone else in that has a different view, it can alter things. Now that's not to say that we don't partner with other agencies on projects; we do, but on the social enterprise thing, we don't.", says Akin. The organization's primary goal with business acquisitions is to provide vocational education for participants, which means finding third-party, mission-aligned financing can be a challenge.



LEGAL STRUCTURE

When Carleton Road Industries acquires a business, it is incorporated into the organization. The organization's charitable status allows for this structure. They do not need to create a separate legal entity, such as a trust or holding company, to acquire and hold the assets.

GOVERNANCE

The Board of Directors comprises community members who have expressed interest in Carleton Road Industries' work. Because the businesses are acquired into the organization, the Board of Directors oversees all the activities.

Carleton Road Industries has plans to create a way to include the people they serve in the governance structure. The organization wants to give participants a chance to hold their meetings, come up with ideas for activities and work, vote on the ideas and then present them to the Executive Director.

KEY CHALLENGES

"Our biggest challenge is that the public doesn't know what we do or what we're about. They don't realize we're a non-profit group trying to create jobs for our participants. Frequently, they think we are 100% government-funded when we're not. They think that everyone we work with can't do anything. They don't have a good sense of what we do and why we do it. Often, we'll hear people that will come in and use derogatory terminology about the people we're working with, which is unfortunate, and really severely impacts that person. That's the unfortunate piece of that puzzle."

-Mackenzie Akin, Carleton Road Industries

Breaking down the stigma around disability and protecting their clients is an essential piece of the work. Carleton Road Industries addresses this challenge by educating residents and business patrons about the mission and vision of the organization.

Funding is also a challenge: "there is never enough money," says Akin.



KEY SUCCESS FACTORS

Carleton Road Industries identified two key success factors for the organization:

- An opportunity to build the skills of program participants, both educationally and socially.
- The ability to assemble a group of hardworking staff with diverse skill sets who are aligned with the vision and mission of the organization and the goals of the clients.

LESSONS LEARNED



Akin advises that non-profit organizations take great care when considering the type of business to acquire, both in terms of alignment with the mission of the organization and the skill set of management and employees. For example, Carleton Road Industries has encountered several challenges with the restaurant business the organization acquired. These issues stemmed from dealing with the public and regulations around the required courses and insurance needed for the restaurant.

The organization has also learned that locating acquired businesses near one another significantly increased the ease of operations. When operating such a diverse portfolio of businesses that serve different markets and require different skill sets, closer geographical proximity reduces operational challenges (e.g. sharing staff - particularly during the current labour market shortages). Additionally, Carleton Road Industries' participants are empowered to choose where they would like to work on a daily basis. The proximity of the businesses to each other and the organization's head office simplifies operational logistics.

Akin advised others considering acquisitions to not "be scared to reach out to somebody in the community and look for help, or ask for donations, or ask for assistance in something that you may not have a skillset in. You know, many people are scared of that, but I'm not nervous at all." Carleton Road Industries found that when they reached out for help and explained the organization's purpose and why they needed help, many community members were willing to assist.

