

lessons learned the hard way>

Foreword

It is a pleasure to introduce this publication.

Esmée Fairbairn Foundation has supported the Furniture Resource Centre (FRC) since 1994, and seen it develop from a small furniture recycling project into one of the country's most successful and significant social enterprises.

FRC brings an openness to new ideas and a capacity to keep moving which are key to its success – for example, if I had been writing this only a few weeks ago I could not have referred to its latest venture into ice cream, through the Ben & Jerry's franchise in Chester. The developing social enterprise sector needs to recognise and seize such opportunities and learn from them. We have always supported initiative and enterprise and FRC has demonstrated plenty of both.

Social enterprises also need to be solid businesses, putting good ideas into practice. These stories illustrate the challenges and successes of a dynamic, growing organisation and will be an important contribution to the wider understanding of the sector. The booklet will be an invaluable tool for those starting out.

We are keen to encourage new and existing social enterprises to realise their potential. Esmée Fairbairn is pleased to be associated with FRC. We congratulate it on the last 15 years and wish it every success in the future.

Jeremy Hardie

Chairman, Esmée Fairbairn Foundation

January 2004

Introduction

FRC was created fifteen years ago. We wanted to produce something to mark that anniversary but we weren't sure what or how.

We were sure that we did not want to wallow in nostalgic sentimentality and produce something which was of interest only to those personally involved. Nor did we want a PR puff along the lines of 'Our Fifteen Glorious Years of Unparalleled Success'. This would give no real insight into how this social business has been shaped.

We wanted something candid and honest. It had to be true to our values and our commitment to openness and transparency, and it needed to be a publication which people would actually read and learn from.

So, we got together and came up with a list of events, issues, themes, milestones from the last decade and a half. We have refined these down to create 'Fifteen Lessons Learned the Hard Way'.

Our hope is that this short book reflects the realities of life, the mistakes, the clashes of opinion, the compromises and the flashes of insight which all go to make up who and what we are.

We are fiercely proud of what FRC has achieved over the last fifteen years. Hard work, good leadership, a dedicated staff team, some great friends and allies and a huge dose of good luck have all played their part. But the most important thing is our ability to learn from our experiences – particularly the mistakes.

So, the testimonies here reflect the real dilemmas and issues which people in every type of business have to confront. We hope you find them interesting. More importantly, we hope you can draw your own conclusions and use our learning to avoid making the same mistakes we have!





Social business – you can't play it both ways...

FRC hasn't always been known as a social business. In its early days it was financed largely through grants. **Nic Frances was faced with the decision of whether to continue this dependence on funders or to turn FRC into a genuine social business.** Nic opted for the latter. He set up Furnished Homes to sell and deliver furniture to social landlords. This decision changed FRC forever...

"FRC was set up in 1988 as a recycling organisation taking rubbish from the rich and giving it to the poor.

"We helped a lot of people, but I grew increasingly unhappy about the whole setup.

"Why should people in poverty put up with other people's stained beds and dodgy fridges? And why was I having to beg money from trusts that only seemed interested in funding new and exciting projects, rather than helping us with core funding to achieve financial stability?

"The notion of 'charity' seemed insidious. It didn't create change but maintained the status quo. We wanted to do things differently.

"We invented a furnishing service called Furnished Homes and sold it to councils and local housing associations. We furnished flats and houses with good quality new furniture. Landlords got empty properties filled and started earning rent from them. Families got decent beds and fridges that nobody had used before. And we got paid. And we could take on unemployed people.

"It was a great success. FRC grew spectacularly – some years doubling in size. Even so, it was not easy. Our customers were really slow payers. Cash flow was a massive problem.

"I remember one particular time when our money problems were very bad. We couldn't pay the wages.

"I could have rung around the trusts and grant-making bodies and cobbled together some money to stay afloat, but I knew that was not a solution. The figures involved were too big. We would have had to cut back production and staff and we would have had to start behaving like the cautious and traditional charity that funders always expect.

"So, I called the staff together to lay the cards on the table. I explained that once creditors paid up we would be fine, but until they paid their bills we were in deep trouble. We asked if anyone would volunteer to go without pay. I knew it was asking a lot, but I could not see any other way forward.

"It was extraordinary that nearly everyone was prepared to let their wages ride.

"Fortunately, a payment arrived within the week. Wages were paid and the immediate crisis was resolved. But that day seemed like a turning point.

"What we did not know at the time was that we were pioneering a new way of doing business which was later called 'social enterprise'. We had found a market mechanism to help people create a decent home. We were also training and employing unemployed people. I did not want to sacrifice that because of a cash flow problem.

"If we had stuck to the traditional charity model this would not have been possible. Our ambitions were too great. We would have been chasing our tail, raising money by trying to put a new gloss on traditional projects, rather than concentrating our energies on finding a new way to create more lasting solutions to poverty.

"Of course we made mistakes. Who doesn't? At times it was a high-wire act because we were trying to do things differently, but I was always confident that we were going down the right path. I still am."

Nic Frances was chief executive of FRC from 1988 to 1998. He now lives and works in Australia.

Don't forget **the customer!**

In 2000, FRC was growing fast and attracting attention. We put together a video containing customer feedback for our six-monthly staff get-together. Everyone sat back fully expecting high scores. Then Salford City Council, our largest customer at the time, gave us a nasty surprise... **Glyn Meacher explains how FRC had to learn a salutary lesson in customer relations, and how it eventually got things right.**

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"In the mid-nineties I was single persons' services manager at Salford City Council. We were interested in developing a furnished tenancy scheme for one and two bedroomed flats in the City.

"We hoped that if we provided decent furniture people would be more likely to move into and stay in our flats.

"In 1996 we developed a large pilot project and invited FRC to tender for the work.

"They won this competitive tender which was worth almost £1million over an eighteen-month period. It was their first really big contract. It was massive boost for them.

"There was never any question about the quality of FRC's furniture. It was always excellent value and tenants were very happy with it. But problems soon arose with day-to-day issues like getting deliveries and invoices wrong. This frustrated both tenants and colleagues at Salford, although we put it down to teething problems.

"FRC won a second tender for approximately £250,000 a year, but things did not improve. Their problem was that they would agree to everything we asked, and then fail to deliver.

"It was very annoying. Tenants got very frustrated when deliveries of new furniture failed to turn up and staff found it difficult to plan work effectively.

"Things changed after FRC asked me to contribute to a video which was designed for internal training. I was asked to score FRC's performance. I gave them two out of ten.

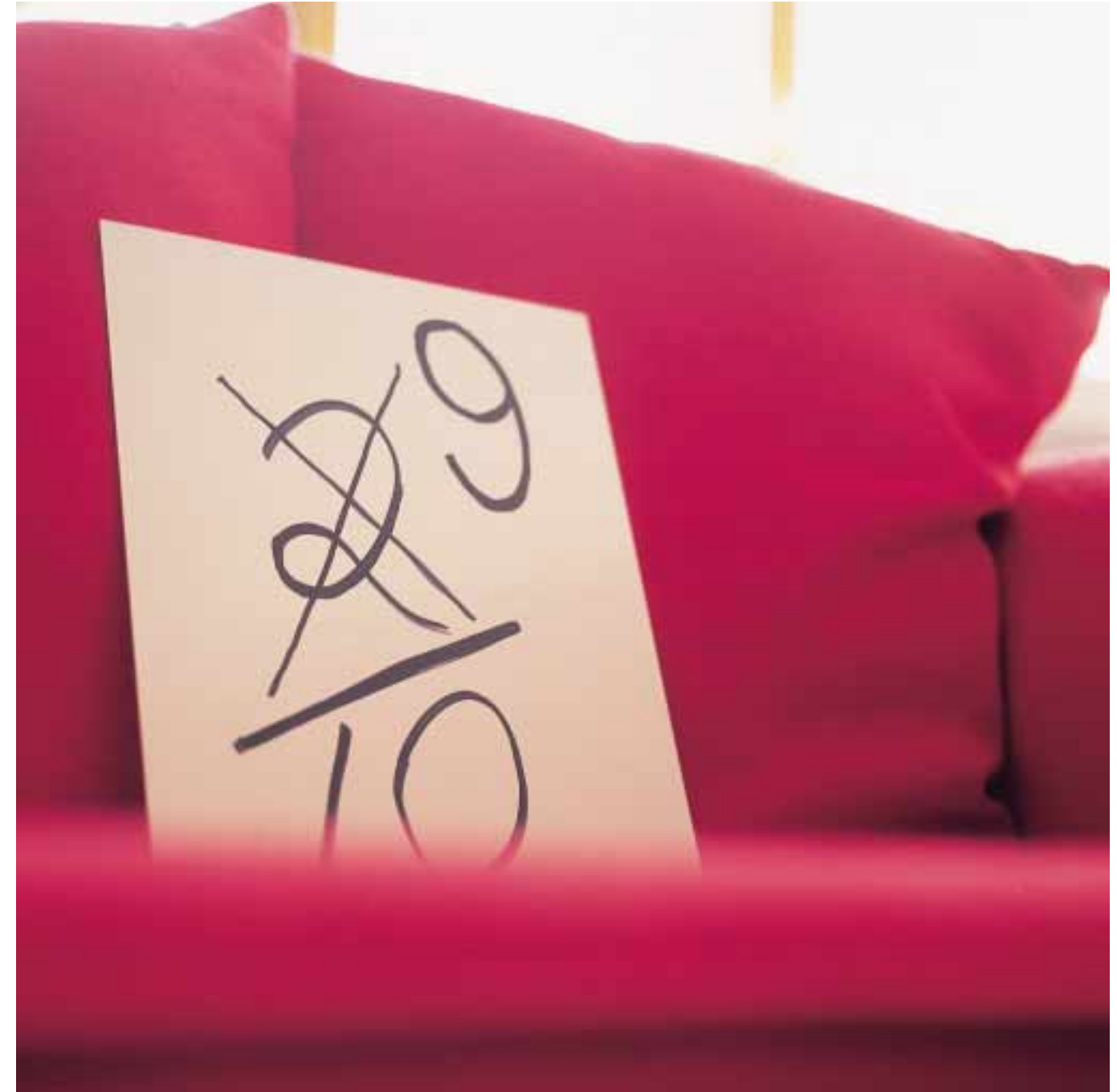
"I think FRC just presumed everything was going brilliantly. They had to be told that their performance was unsatisfactory.

"I also wrote to their chief executive pointing out that their service was unsatisfactory. Unless it improved they would not even be allowed to re-tender.

"FRC did respond positively. They improved their logistics and got their act together. They successfully won a third tender to furnish tenancies in Salford. They showed how much they had improved when they furnished 55 flats in Salford in seven days for refugees from Kosovo.

"Their product was always top quality. But customers demand a smooth service as well as a great product. Fortunately for FRC, they realised this before it was too late."

Glyn Meacher now works for Bury Metropolitan Borough Council.



Don't believe **your own hype!**

When FRC opened Revive, a flagship retail store, everyone hailed it as a brilliant idea. It was social enterprise at its best. But the Revive concept and business premise was fatally flawed. **Colin Davies tells the Revive story and explains why flattering headlines and attention should never influence sound business decisions.**

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"I've managed FRC's furniture shops since 1989 when we opened our first outlet in Aigburth.

"We were always successful, renovating and sprucing up old furniture and then selling it to people in need on low incomes.

"In 1997 things changed. FRC won a massive lottery bid to open a new store called Revive. Based in a large refurbished store on the edge of the city centre, Revive would offer quality new furniture. This would be sold to the richer middle classes who would want to buy their goods from a 'social business'. There would be an innovative link-up with a credit union to ensure that people on low incomes could also use the store.

"Unemployed people would also be given invaluable work experience and train for an NVQ in retail.

"Revive opened in 1998. It had a massive launch and was backed by the City Council and bigwigs from all over the country. Everyone thought it was wonderful.

"But it did not work. The posh middle class types never came anywhere near the shop. The credit union idea got bogged down in red tape and never saw the light of day. People on low incomes could not afford our goods and there was also too much competition in the area.

"The store began to lose serious money. Of course, we were training people, but it was a bit of a joke. Most of the time there were more trainees in the shop than customers.

"In hindsight the FRC leadership should have pulled the plug sooner. But they brought in expensive consultants who promised that they could turn things around. New managers were hired. There was then a big fire which gutted the place. More money was spent.

"It was like the blind leading the blind. Each month we were losing more money. FRC's flagship project was now looking like an embarrassing failure.

"Eventually they decided to cut their losses. Some people were made redundant. Some were moved to other jobs in FRC. Existing

stock was sold off at knockdown prices. The store was restocked and relaunched using the old formula: selling renovated good quality secondhand or 'pre-loved' furniture, as we like to call it, to people in need.

"Immediately, sales picked up. Revive hasn't looked back since. We know our market. Over 80% of our customers are on benefits. For the last twenty months we have met or surpassed our sales targets.

"FRC wasted three years – and a lot of money – experimenting with Revive. The leadership was seduced by all the praise and flattery. They kept spending money trying to get the precise formula right, when in reality the whole idea was fatally flawed.

"To their credit they eventually made the right decision. They ditched this new concept completely and went back to the old winning formula. This did not generate many headlines but it did mean we started to make money again and get furniture to people who really need it."

Colin Davies manages the Liverpool branch of Revive.

