

Booster juice – big shoes to fill

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Due diligence had been completed, the purchase agreement had been drafted, and although Ian Henson was certain that this was a risk worth taking, he also knew that signing the contract in front of him would be the biggest financial decision of his life.

For over a year, Henson had been in negotiations with Natalie Peace to purchase and take over management of three Booster Juice franchise locations in Kamloops, British Columbia, Canada. The franchises had a proven track record of success in the Kamloops market; they had the reputation of being well run, and had a history of sales and profit growth. But he saw several major problems ahead.

This purchase would represent a major leadership change at the company. Henson knew that for any company, a change at the top would bring risk, but there were a few wrinkles to this deal that made it unusually challenging. The first issue was demographic in nature. The median age of the employee group at Booster Juice Kamloops was 18, and over 70 percent of the employees were female. For the majority of employees the position at Booster Juice had been their first job, and most had only known one boss: Natalie Peace. Henson knew that the employees were particularly devoted to Peace, who in her late 20s was over ten years his junior, and represented an aspirational figure to many of the company's workers. He was aware that his personality and leadership style would represent a major change to the employee group; he wondered what leadership traits would be most helpful in managing this transition.

Adding to the stress of the purchase was Henson's financing. Where Peace had financed her purchase and expansion with equity and company profits, Henson would be financing his purchase almost exclusively through debt – both borrowing from friends and relatives, and securing a business loan through a local bank. As he stated "I went to 5 banks and asked several investors. Investors wanted too high a percentage in return, and BDC [Business Development Bank of Canada] wanted to charge too much interest."

"Other banks said no, and a government guaranteed loan was only available on an asset purchase and we did a share purchase. CWB [Canadian Western Bank] was the only one that made it work, then Natalie did vendor financing to assist in making the final deal work along with CWB." Henson would be fully leveraged when the deal went through, and cost cutting would need to be an immediate priority.

Ian Henson had big shoes to fill. He was replacing a charismatic and well-respected leader and due to his financing arrangements, he had a mandate to cut costs. Despite the potential pitfalls, Henson was optimistic – he felt lucky to be in the position to take over a thriving business – but he knew the way the transition was managed would be crucial to his success.

Ian Henson

Ian Henson had a passion for golf, and after attending Simon Fraser University he was able to turn his passion into a career. Henson was a Professional Golfer and had worked for over

This case was previously presented at NACRA, 2014, Austin Texas.



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a decade as Head Professional at several golf courses in British Columbia. His most recent posting was as head professional at Sun Rivers Golf Course in Kamloops.

Henson was a married father of two young children, one son and one daughter. While their children were still infants, Henson's wife, Lisa, opened a beauty boutique. The boutique was an immediate success, and while he was observing and assisting with Lisa's entrepreneurial endeavor, Henson found himself wanting to grow more in his own career. He attempted to expand his role at the golf course, and eventually, while maintaining his duties as head golf professional, Henson also took over management of the golf club's four-star restaurant: Hoodoos.

Henson initially loved the new responsibility he found in his dual role and was effective both as a Golf Professional and as a Restaurant Manager – overseeing substantial growth over the two sides of the business. Despite his success in “wearing two hats,” his motivation was waning. With growing children, he had less time, energy, and desire to be at Sun Rivers Golf Course for long hours during the summer. He wanted to pursue a new career path that had the potential to offer more balance. Finding inspiration from Lisa's entrepreneurial success, Henson decided he wanted to make a big career move; he wanted to be his own boss; he wanted to run his own business.

Henson believed he had acquired the skills and experience necessary to run a restaurant in his time managing Hoodoos. These abilities combined with his personal interest in fitness and sport, led him to consider opening a healthy, quick-service franchise – and he set to work researching which franchise would be the best fit for him.

Booster Juice

Booster Juice was founded in 1999 when Canadian entrepreneur Dale Wishewan was traveling in the USA. He noticed a trend of fruit smoothie bars, such as Jamba Juice, springing up all over the country. He believed that Canadians would respond well to a similar offering; it was from this observation that Booster Juice was born. The name Booster Juice derives from the fact that when a customer orders a fruit smoothie they also can choose a nutritional “booster” such as Ginko Biloba, Ginseng or Echinacea to be added to their beverage. Dale's first store was such a sensation that within his first year he had franchised 15 more locations. By 2014 the company had become Canada's largest chain of fruit juice and smoothie bars, it had expanded to include over 300 locations – most of which were in Canada, but the company also had locations in the USA, Mexico, the Netherlands, India, and Brazil.

In 2004, Booster Juice arrived in Kamloops with one kiosk location in Aberdeen Mall. Under its first owners, the franchise found moderate success, but the Booster Juice brand did not take off in Kamloops until Natalie Peace took control.

Natalie Peace

Natalie Peace grew up in Kelowna, British Columbia, before moving to the nearby city of Kamloops to pursue her post-secondary education. By the time she graduated with a Bachelor's in Business Administration from Thompson Rivers University in 2007, she was already the owner and operator of a Booster Juice franchise, and had been for nearly a year.

When Peace discovered the opportunity to purchase a Booster Juice franchise, she was just 25, and had very little management experience. Despite her lack of seasoning, Peace was able to convince a group of seven investors to take a chance on her: they believed that she had the right personality and that her youthful energy would be a perfect fit to manage the juice franchise. She also brought with her a conservative business plan that impressed shareholders. For those who chose to invest, their bet on Peace proved to be a risk worth taking. She opened a new store and her first year was profitable. Having proven the model, she opened a second new store, and with her continued success, eventually purchased the Aberdeen Mall kiosk location from its original owners. As of 2008, Peace was the owner and general manager of all three Booster Juice locations in Kamloops[1]. Peace's early success earned her the award for Booster Juice Rookie of the Year. At the same time, her profile in Kamloops was growing, and she won the Young Entrepreneur Award from the Kamloops Chamber of Commerce.

As Peace grew more experienced, not only did revenues and profits increase, so too did her confidence and business acumen (Exhibit 1 describes Natalie's leadership approach and strengths). She credited much of her stores' growth and success to a having good product in a growing market as well as a few key policies.

Peace's policies

Acts of Kindness. Perhaps Peace's most visible and expensive policy was her "Acts of Kindness" campaign. Each shift, Peace assigned certain staff members to do a random act of kindness for neighboring businesses, community groups, or customers – the staff members could use up to one hour of company time to do a good deed of their choosing, ranging from handing out flowers to customers to washing the windows of nearby businesses (with permission). Staff members enjoyed being given the opportunity to engage in positive interactions with their customers and community (while being paid to do it), the recipients of the good deed were almost always receptive. These acts reflected well on Peace's stores and the Booster Juice brand as a whole. Although the Acts of Kindness campaign was successful in generating goodwill with staff, customers and the community at large, it was extremely expensive, costing Peace approximately \$35,000 per year in extra staffing costs. Undeterred by the expense, Peace made Acts of Kindness a cornerstone of her leadership vision – even encouraging customers to sign a pledge to do more acts of kindness in their own lives[2].

Monthly manager development meetings. Each month, Peace would hold an all-day meeting for managers and senior staff. While improving store performance was a major goal, these meetings often focused more on personal development among the senior ranks than on any specific store promotion or goal. Each meeting, the managers would discuss issues at their Booster Juice store and share suggestions for improvement. The "shop talk" was very limited; the majority of the full-day meeting was devoted to personal improvement. For example, each meeting, one manager would be assigned to read and summarize a book on management, leadership or personal development, and share at the meeting what they felt were the most important and impactful messages. It was these types of agenda items that took the lion's share of the time and focus during managers meetings. These gatherings were paid and managers were provided a catered lunch. Each meeting cost well over \$1,000 (\$12,000 per year) between the direct costs of catering and indirect costs of managerial wages. Peace felt the expense was worthwhile and accepted that this additional training was not only costly, but would also lead many managers to eventually leave with higher career aspirations than she could offer.

Extremely flexible scheduling. Because the majority of Booster Juice employees were high school or university-aged, many participated in extra-curricular school and sport activities which impacted Booster Juice's scheduling. Peace could simply not rely on most employees to be available on a consistent timetable, which made scheduling a major challenge. Peace prided herself on keeping extremely flexible scheduling options and allowing her employees freedom to enjoy their chosen activities guilt-free. She was determined never to give ultimatums or to force her employees to choose between work and their personal life, all they needed to do was provide her sufficient lead time and she would promise to honor their outside commitments. Employees appreciated this flexibility. To accommodate this policy, Peace needed to recruit and hire extra employees to cover all of the gaps in the schedule, and she also covered many open shifts at the stores herself. While this was not a significant financial burden, it was both an operational challenge and a personal sacrifice.

Peace believed that these policies were among the keys to her company's success. Her initial goals were both for business and personal growth, and she believed that both of those goals had been met. Despite her passion for Booster Juice, Peace felt that her talents were best used in the early growth and development stages of a business, and her focus moved toward developing an exit strategy.

The Deal

Henson was ready for a new opportunity, and decided to attend a leadership development course – Natalie Peace was one of the speakers – she talked about her experience and leadership style at Booster Juice. Henson was impressed by Peace and was interested in

learning more about her story and about Booster Juice. Henson invited Peace to lunch, and it was during this meeting that the two connected. Peace felt an immediate trust in Henson, and the two learned that they had very similar values. These shared values included integrity in conducting business, honesty, a desire to be authentic as leaders, and a real concern for employees. What happened next would change both of their lives.

As the conversation shifted to Henson's interest in Booster Juice, he talked about opening a franchise in the nearby city of Merritt^[3] (100 kilometers south of Kamloops). As Peace was discussing how he might pursue this opportunity, it dawned on her; Henson would be great in this role. She saw he was genuinely caring, and felt he had the right blend of work ethic and personality to make a success of a Booster Juice franchise. What happened next was a surprise to Henson: Peace asked if he would be interested in purchasing her three Kamloops Booster Juice stores^[4].

Over the coming months Henson and Peace entered into intense negotiations over the purchase. A characteristic of the negotiations was that the two parties negotiated directly with each other, seldom involving intermediaries such as lawyers or accountants. Peace's lawyer noted that "I've never been so out of the loop on such a big deal." Although negotiations were tense at times, Peace and Henson agreed that the deal would not have been possible without mutual respect.

With the principles of the deal in place, Henson pursued the necessary financing. He had the financial capacity to purchase one new franchise store in Merritt, but purchasing three booming stores in Kamloops would be a stretch. Five local banks rejected him before he finally obtained bank financing; he also went into personal debt borrowing from family and friends. Eventually, Henson was able to put together the necessary financing to present an acceptable offer.

Peace and Henson agreed to the sale, and while Peace was pleased to be free to explore new opportunities, she was also sad to be closing an important chapter of her life. Booster Juice had not only been profitable and exciting for her, it had also become a part of her identity; however, she believed Henson would be able to bring the stores to new heights.

Thinking about the transition

Henson knew that a smooth transition would be a key to his long-term success. He was replacing a popular leader who was well-liked by her staff, customer-base and community. Henson had a tough act to follow, and he needed to formulate a strategy for making this leadership transition with both employees and the community. He wondered what leadership traits would serve him well in managing this change.

Compounding his challenge was the fact that a part of his plan would require that costs be cut. Henson had seen Peace's operation and spotted some areas of potential savings that would likely be uncontroversial with staff^[5], but he also knew that some of Peace's popular (but expensive) policies would need to be cut or changed to save on costs. He wondered which should be cut, which should be changed, and which, if any, were "sacred cows" that ought not to be altered. Henson knew that the way in which any major change was announced and framed would be nearly as important as the change itself. He needed to make sure that any changes and the messaging around those changes were executed properly, especially if they involved cuts.

As Ian Henson prepared to sign the purchase agreement, he was excited to start a new chapter in his professional life. Student, golf professional, restaurant manager, and now entrepreneur, he was confident he would continue the success of Booster Juice in Kamloops, but he had big shoes to fill, and he had only one chance to get the transition right.

Notes

1. Google Maps is a useful tool in providing locational context.
2. Peace appeared on local news programs to promote her Acts of Kindness policy. Full video can be found here: <http://bit.ly/NataliePeace>
3. Booster Juice Franchise Fees were \$20,000 and all prospective franchisees needed to have a Net Worth of over \$350,000 - <http://boosterjuice.com/join-our-team/franchise/franchise-info/costs-qualifications>

4. One of which had the best sales numbers of any Booster Juice store in British Columbia, an impressive feat given Kamloops' relatively small population.
5. Henson had noticed that many staff members were wasteful with gloves when cleaning up and was certain this would be an uncontroversial area to save money.

Exhibit 1. Natalie peace as a leader

Developed from interviews with Natalie Peace and Ian Henson:

Natalie's thoughts on her own leadership style

I like to have fun. When endorphins are released it brings out great work in the team. I believe people do their best work when they are happy, and I do my best to ensure this happens by being present when interacting with team members. I have a clear vision for the culture I want to create, as well as a vision for the future of the business. I focus on using my business as a tool to make a positive contribution to the world. I measure the organization's success on multiple bottom-lines.

When challenging situations arise, I do my best to keep them in perspective and lead myself through my own emotions without being reactive. As I'm dealing with an issue with an employee I don't harp on them or hold grudges, always praising in public and reprimanding one-on-one in private. I make an effort to be fair and respectful, and I do my best to be clear when communicating my expectations with the intention of setting my employees up with everything they need to succeed. Even in difficult moments, I consciously speak in a way that preserves the integrity of the relationship, and never in a way that undermines my team or team members.

My goal is to teach my employees to think like an owner, so they understand How and Why decisions are made. I believe I have developed a relationship of trust between myself and my employees, which means I do not need to micromanage them, I give them autonomy and trust them to use their own discretion, do great work and make great choices.

Natalie's thoughts on great leadership

Great leadership, in my opinion, provokes the absolute best out of the team. It leaves each individual feeling respected and appreciated, but most notably changed for life because truly great leadership is transformational.

Ian's thoughts on Natalie's leadership

I believe Natalie to be a very intelligent, charismatic figure that is an inspirational and visionary leader that tries to inspire her employees to be everything they can, while also displaying the characteristics of hard work, kindness, fairness and sincerity necessary to be a great leader. Her energy and ability to think well before she speaks is very impressive. I believe everything she does is well thought out ahead of time. She really believes good will come when good deeds are done. She understands what is needed to be successful and is very capable of holding others to those standards.

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