Case Study: The Rose Garden in Buffalo, New York

The Rose Garden Early Childhood Center is a child care center in Buffalo, New York, founded by Judith Frizlen in 2008.

As the founder and executive director, Ms. Frizlen developed the Rose Garden into a premier childcare institution with a stellar reputation and a long waiting list.

As Ms. Frizlen considered her exit goals, she decided she wanted to turn over the business to her employees to reward them for their work and increase their income through profit sharing.

In 2015, Ms. Frizlen stepped out of the Director role to focus on the transition and systematizing operations. The Rose Garden’s Assistant Director moved into the Director position. In 2016, Ms. Frizlen also began training staff in marketing, policy, human resources, and payroll responsibilities.

While the business value was significant to Ms. Frizlen, she also wanted the new owners to profit from ownership within the first few years of taking over the business, and so she approached the selling price with some flexibility. Ms. Frizlen wanted to fully exit the Rose Garden by 2019, with no remaining financial stake in the business. She determined that some seller financing of the transaction was acceptable during this period. She also determined that she’d enjoy having a continuing role with the center focused on coaching the center’s staff.

Ms. Frizlen worked with two cooperative development organizations, the ICA Group and Cooperation Buffalo, to successfully transfer the business to her employees. In 2017, five employees purchased the business to operate as a worker cooperative. Cooperation Buffalo helped secure financing for the deal through the Working World and the Financial Cooperative, with 70% of the financing coming from these cooperative lending institutions and 30% coming from Ms. Frizlen as seller financing. In the year leading up to the transition, employees also participated in training with Cooperation Buffalo to equip them with the skills and tools they’d need to run the business. Ms. Frizlen stepped out of daily operations in May 2017, but continued to come in weekly to check on the business performance through December 2017.

The transfer to employee ownership created a continuity of care for parents and children. The center did not have to hire new staff to replace Ms. Frizlen, and daily activities continued as usual. Two years after the transition, employee-owners continue to work as teachers, but also engage in new tasks such as conducting tours, writing blog posts, reviewing time sheets, and meeting with the director.

My daughter worked at the center, but she likes working collaboratively and didn’t want to own the business by herself. And I thought the culture of the center would be lost if I sold the business to a chain.