

Helping Small Businesses

Business Transition Planning (Succession Planning)

Western Regional Enterprise Network

Why are Small Businesses Important to our Region?

- Small and Medium Enterprises (SME's) provide:

- More Jobs than all other sectors
- The largest source of wealth creation
- Often the largest source of consumer spending in the community
- Services for the community

- SMEs enhance the community's Quality of Life

- Help attract and retain residents in the area.



Why is Keeping Businesses Here Important to our Economy?

- Most businesses buy from other businesses in the community creating :
 - A *WEB* of Interdependent Businesses
- Many of our businesses are here to:
 - Work with other local companies
 - Serve the people of our community
- Growth begets Growth
 - A network of positive economic activity
- The entire community benefits!



Businesses are Interdependent

- Businesses interdependence: buying and selling to other local businesses
- As businesses move in or out of the region, the economic activity grows or contracts with them
- The loss of a few businesses can cause the loss of more businesses
- Example: the mink industry

Business Transition Planning aims to reduce the loss of businesses from our region



The Interdependent Network is Very Important for our Economy



Seafood Harvesting supports many other businesses:

- Seafood processing
- Boat shops
- Packaging manufacturing
- Equipment manufacturing and repair
- Metal and welding shops
- Refrigeration companies
- Trucking companies
- Rope and net manufacturers
- Trap manufacturers
- Bait companies
- Retailers
- Services
- and many others



Risk Factors for Business Retention and Economic Stability

Our community's risk factors for keeping businesses here are:

- Population stagnation
- Declining job creation numbers
- Low /declining household income
- Lack of industry diversity
- Large number of business owners 55+ and overall age of business community
- Number of businesses founded >20 years ago
- Large number of Owners with no transition plan



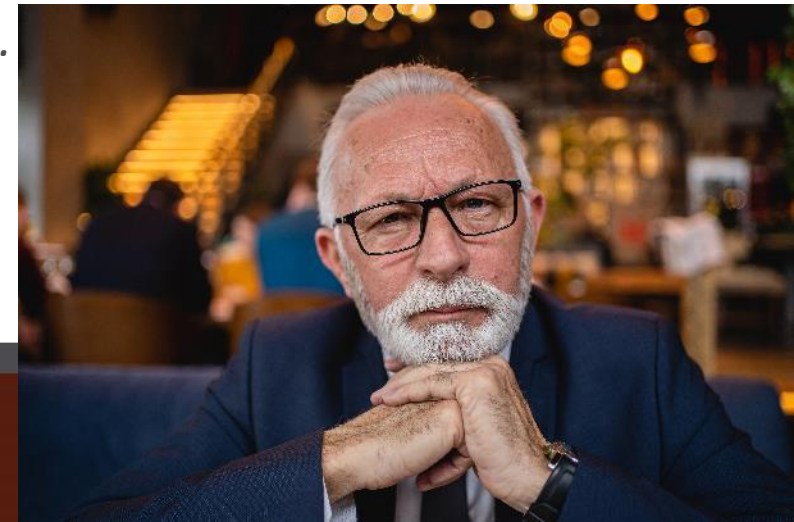
Our Aging Business Owners

In Canada :

- 1.2 million SME employers
 - Employ 10.8 million workers
 - Total value of \$1.5 trillion
 - 60% are Baby Boomer-owned
 - Boomers' portion of business value is significantly higher than 60% of the 1.5 trillion
- **72%** of business owners plan to exit by **2028**.
(COVID seems to have augmented this sentiment).

(Source: Canadian Federation of Independent Businesses, survey of business owners, 2018).

- Our region has similar demographics and trends
- **MANY** Business owners in our region are ready to retire!

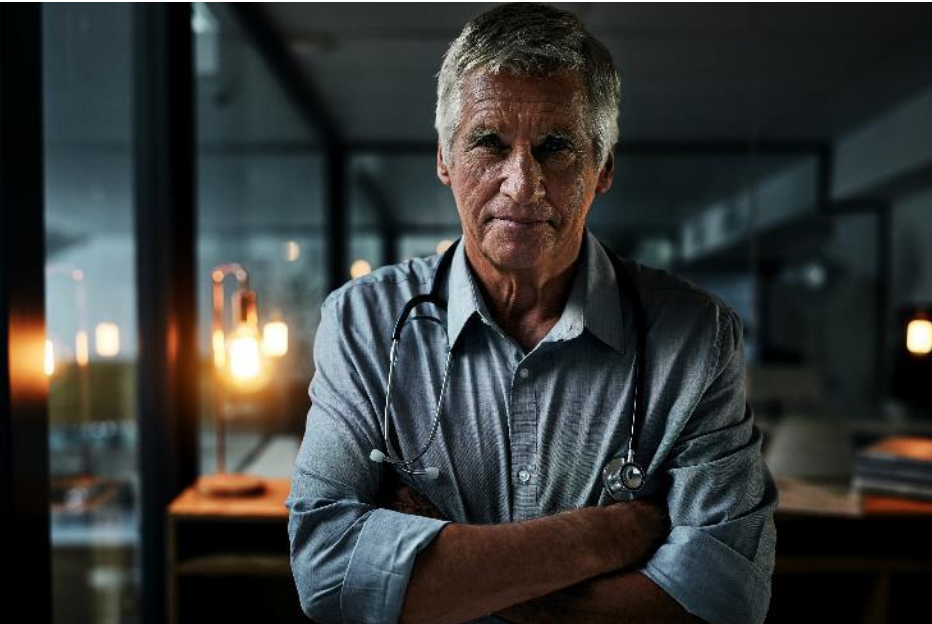


How can we Help at the Western REN?

The Western REN is helping to keep economic activity in our region by providing Business Transition Planning projects for business owners. It helps a business owner plan the sale and transition of their business.



Why are Successful Business Transitions Important to our Business Owners and Employees?



For Owners:

- A good plan will help maximize the value of the business:
 - 75-95% of owners' personal net worth is in their business.
 - The owners' retirement fund
 - Our region's business owners are often key participants in the well being of our community

For Employees

- Good Transition Plans keep the business strong during the transition to the new owner
- This keeps the employees working
- Creates the positive work environment for the employees under the new owner
- Good planning reduces employee stress throughout the transition



What is Business Transition Planning (BTP)

A Business Transition Plan is the pathway for the independent business owner to exit the company

It readies the business for the new owners

BTP helps maintain business's key relationships with:

- Clients, suppliers, stakeholders, partners, financial institutions and government agencies, etc.

The Planning process helps identify many issues that a new owner may not have foreseen - this can save time and money

Planning makes the transition smooth for everyone



Seven Pathways to Transition a Business



1. Intergenerational transfer
 2. Transfer between partners
 3. Sale to management
 4. Sale to employees
 5. Sale to a third-party
 6. Partial sale or recapitalization
 7. Orderly liquidation
- These can be combined to form a hybrid scenario



Are Business Owners Ready for the Transition?

- One third (31%) of business owners do not know where to start
- Nor what their options are for developing a succession plan

(Source: Canadian Federation of Independent Businesses, Survey of business owners, 2018).



The Western REN Business Transition Program – How it Works

- A consultant is paired with the business owner to develop a Succession and Transition Plan
- Tailored to the business' unique needs
- 88% Subsidized
- Typically 2-3 months
- The project may include some of the following tools, depending on the firm's requirements:
 - Business valuation
 - Financial analysis
 - Streamlining the operational processes of the business
 - Developing "Business For Sale" marketing and communications strategies
 - Helping seek buyers and potential investors
 - Planning labour requirements for the transition: hiring, internal promotion and training
 - Assessing potential opportunities for the growth of the firm
 - And others, according to the needs of the business



Western REN Business Transition Planning Program

- The Western REN started the program in the fall of 2021
- 10 companies participated

“The Succession Planning program was a wonderful program that was well worth my time. The project helped me to evaluate the worth of my business in today’s market with very little effort.”

- Chuck Collishaw, Owner of Chuck’s Diner



Our Request for Council:

Please reach out to your constituent business owners

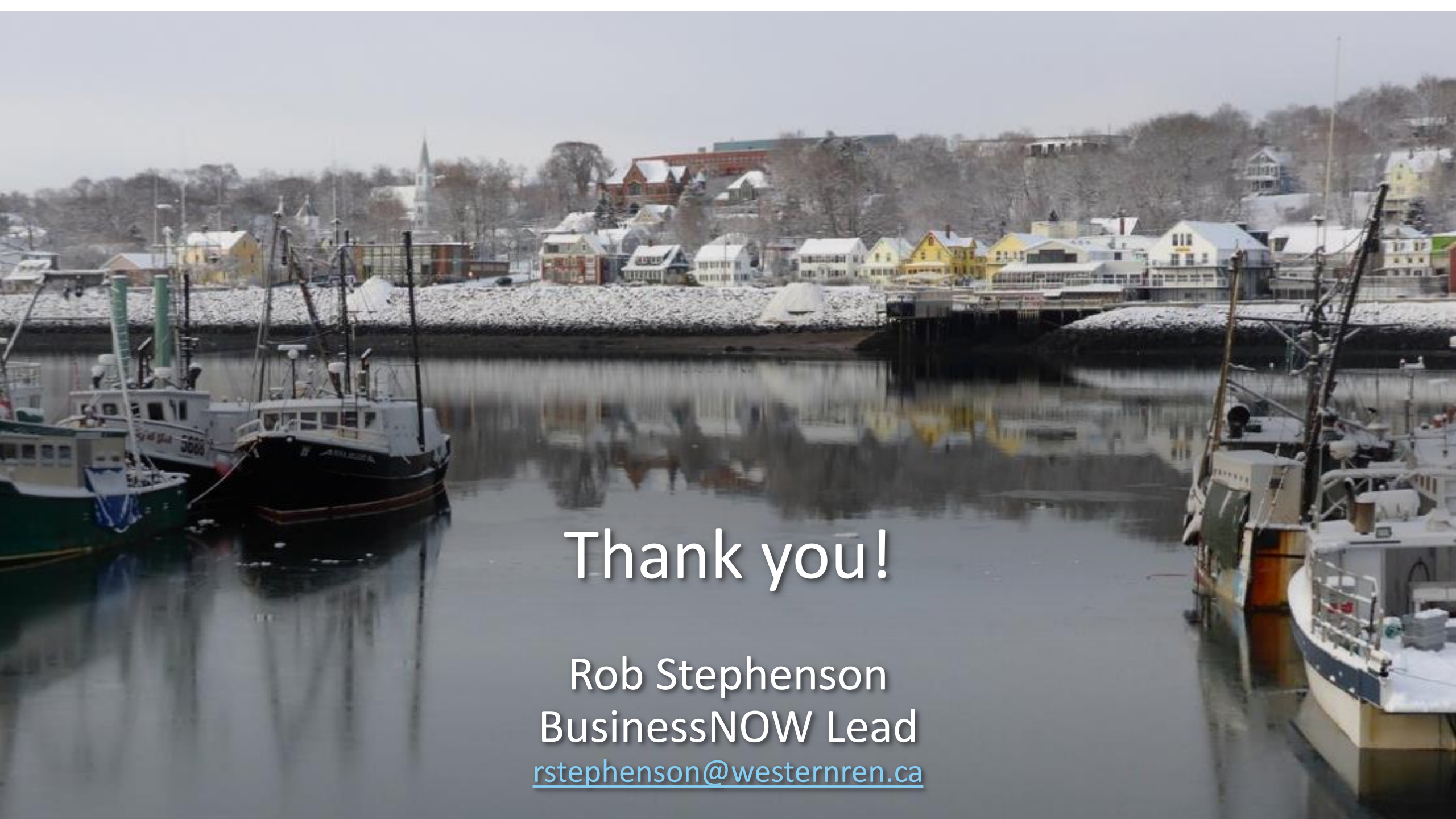
- **especially those who may be thinking of selling**

Let them know about our Business Transition / Succession Planning program

- **especially those who think it may be difficult to sell their business.**

This program is here to help them!





Thank you!

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