

Rural people are no strangers to DIY solutions

FLAGSTAFF REGION SUCCESSION SERIES



SELL VALUE, NOT ASSETS

Rural people are no strangers to DIY solutions. Many small communities throughout much of western Canada's short history have often not had the luxury of relying solely on government or big industry players to get the services, goods, and amenities they need and want.

Today, Canada is facing a "wave" of business transitions



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as business-owning baby boomers look to retire or sell. The threat to the Canadian economy is multiple, but chief among them is that a business in transition will often slow its growth for a period prior to the actual transition.

This is the exact opposite strategy a business owner should take as a slowdown decreases value and increases the risk of an asset sale.

While co-ops are often a last resort, they do have a role to play in business succession.

3 WAYS THE CO-OP MODEL CAN SAVE A LOCAL BUSINESS

1. Employees take over the business
2. Local consumers purchase the business
3. Local stakeholders pool resources and form an investment co-op to invest in young entrepreneurs

Each of these scenarios re-

quires a unique set of circumstances. So, let's look at each a bit more closely.

EMPLOYEE PURCHASE

Employee purchases of a company are quite rare. But in some cases, a few employees have both an interest in the business continuing so that they have employment, but also the desire to run it themselves rather than have the company sold to an unknown entity.

In these cases, employee purchases are an option and a co-op can be a good model for that type of transition.

CONSUMER PURCHASE

The second way a co-op can help save main street businesses from asset sales is through consumer or even community ownership. Often these types of co-ops form to save a theatre, fitness centre, or

some other business that has shared public value for the community but that the municipality or other levels of government aren't interested in owning and managing.

In these cases, a group forms committed to saving a specific business. They raise money, incorporate as a co-op, and, as an incorporated entity, can sell shares, get mortgages or raise donations, and purchase the business.

INVESTOR PURCHASE

The third way co-ops can help save main street businesses is through forming an investment co-op. Like the consumer purchase, this type of co-op requires interest from the community and a small group of invested leaders.

The difference is the potential for financial return on investment.

By bringing home some of the capital tied up on Bay Street or Wall Street through RRSPs and other investment products, an investment co-op is mechanism for delivering investment

funds to young entrepreneurs, local businesses in your community.

By taking a small portion of their larger portfolio, investors pool capital to invest in a variety of local initiatives, while still often enjoying a return on investment.

Without question, the direct financial returns may not be as high as Wall or Bay Street, but the impact on your main street, local economy, and broader community will be significant and provides a way for you to contribute to the revitalization of your entire region.

Cooperatives First is proud to be working with the Flagstaff Region on their Succession Program to help businesses think outside the box when it comes to succession planning.

For more information on how the Flagstaff Succession Program can help support your business, please contact Jordyn Prior – Economic Development Coordinator at 780-384-4151 or email jprior@flagstaff.ab.ca.

