

SURVEY OF NON-PROFITS AND SMALL BUSINESSES: BUSINESS LEGACIES INITIATIVE SURVEY SUMMARY



BUSINESS LEGACIES INITIATIVE

1. Businesses in communities across Canada are about to embark upon a succession wave. For those that don't have successors or buyers, they may close their doors, impacting community economies.
2. Non-profits have experienced huge shifts in traditional funding models leading to a rise in social enterprise and earned revenue.
3. Disasters can result in the loss of community ownership and assets



BUSINESS LEGACIES INITIATIVE

PROCESS AND ACTIVITIES

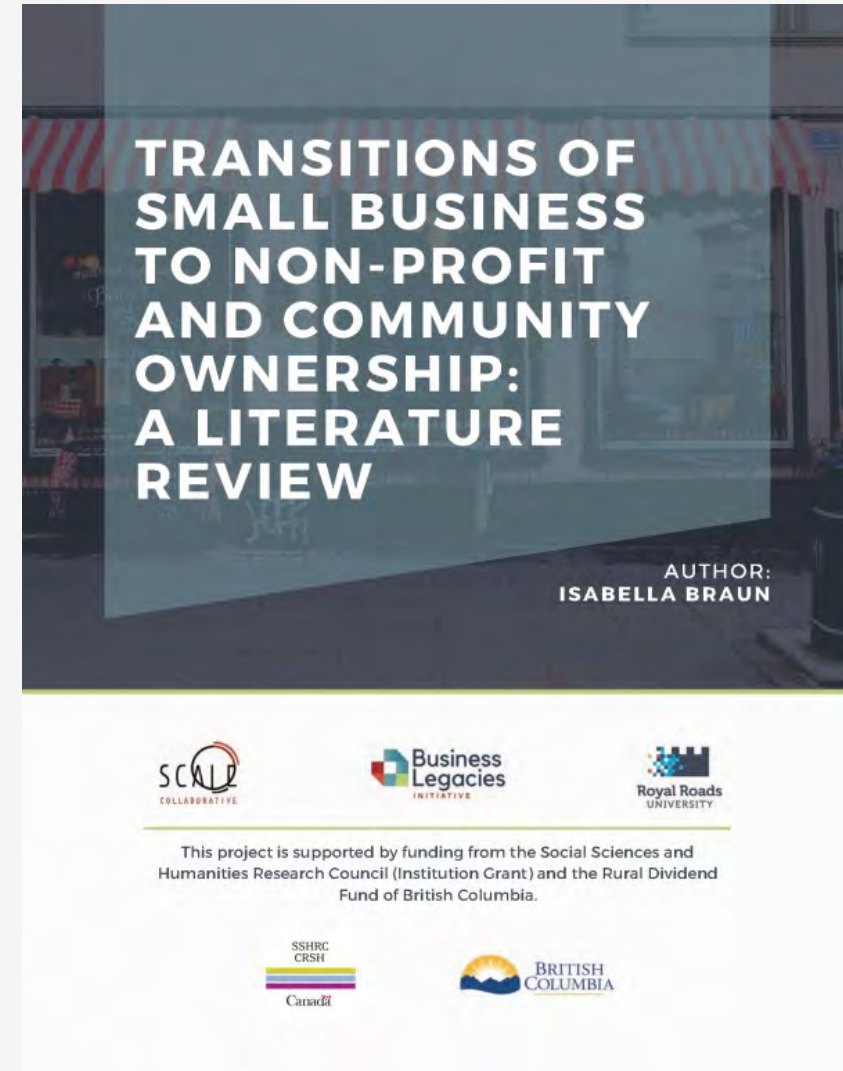
- 1 Literature review on current practices and models
- 2 Market scan of sectors, possibility mapping and specific opportunities for transitions and conversations
- 3 Survey and interviews of both small businesses and non-profits within BC, specifically 4 communities; analysis of findings
- 4 Development of tools, resources and training to support small business to non-profit acquisition
- 5 Identification of pilots, scalable model & policy response: phase 2



WHAT WE KNOW SO FAR... LITERATURE REVIEW

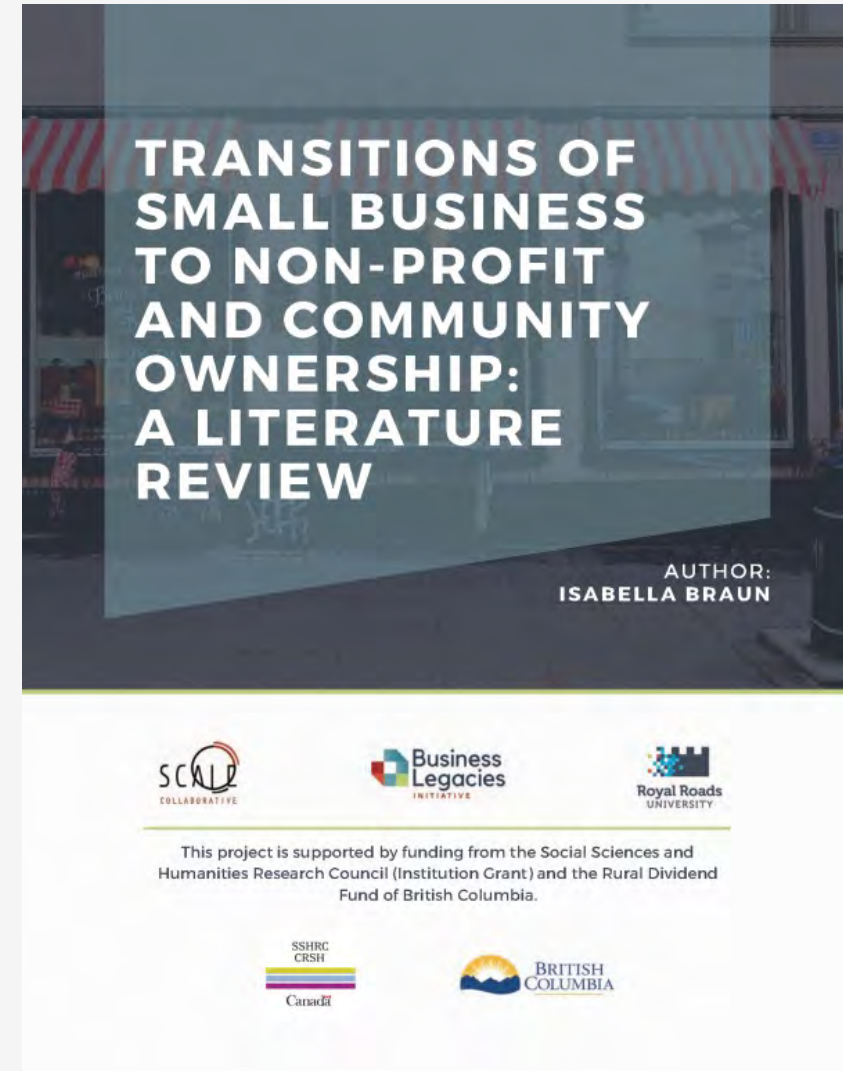
FROM LITERATURE REVIEW

- 700,000 business transitioning without a succession plan
- Community owned assets tend to be energy and real estate
- Gap in acquiring and owning strategic business assets
- Focus on Main St. businesses; rural communities, low complexity, community essential businesses
 - Criteria: profitability, values alignment, knowledge transfer



WHAT WE KNOW SO FAR... LITERATURE REVIEW

- No agreed-upon method for acquiring businesses by non-profits = gap
- COVID presents both opportunity and challenge
- Capital and culture are 2 key issues



WHAT WE KNOW SO FAR... FROM NON-PROFIT SURVEYS (23 RESPONSES)

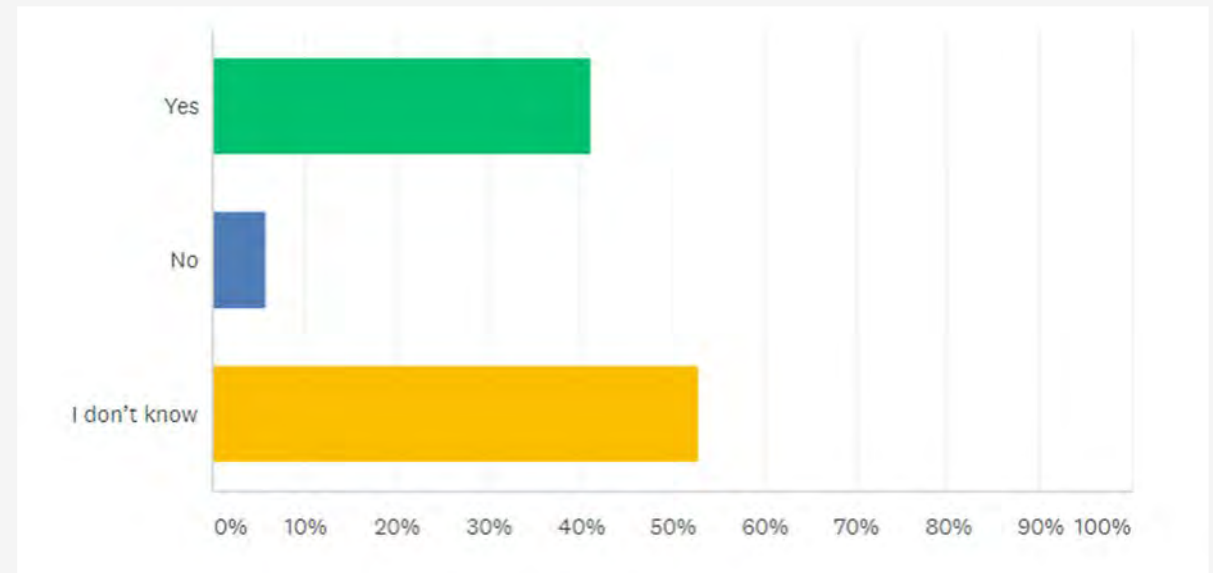
30% of survey respondents have considered acquiring a business, but none of the organizations went through with the acquisition.

The most significant challenges that prevented non-profits from proceeding with the acquisition:

- Lack of funding to acquire the business
- inability to respond to the opportunity in a timely manner
- and lack of internal support

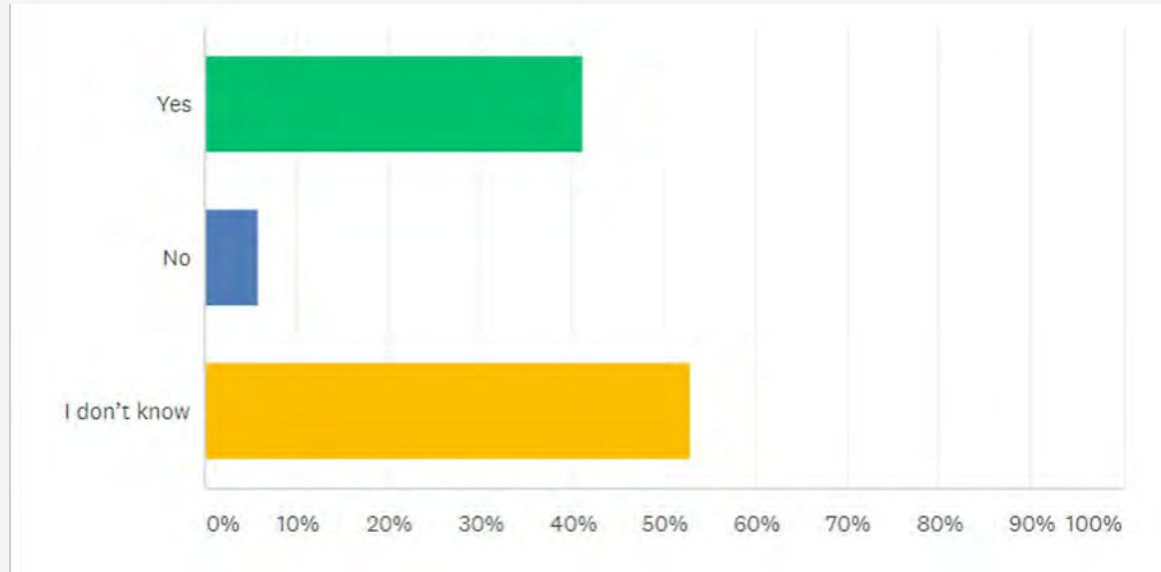
Funding, capacity, and a lack of support have also come up in the literature and in interviews as significant barriers to acquisitions.

WOULD YOUR ORGANIZATION CONSIDER ACQUIRING A BUSINESS?

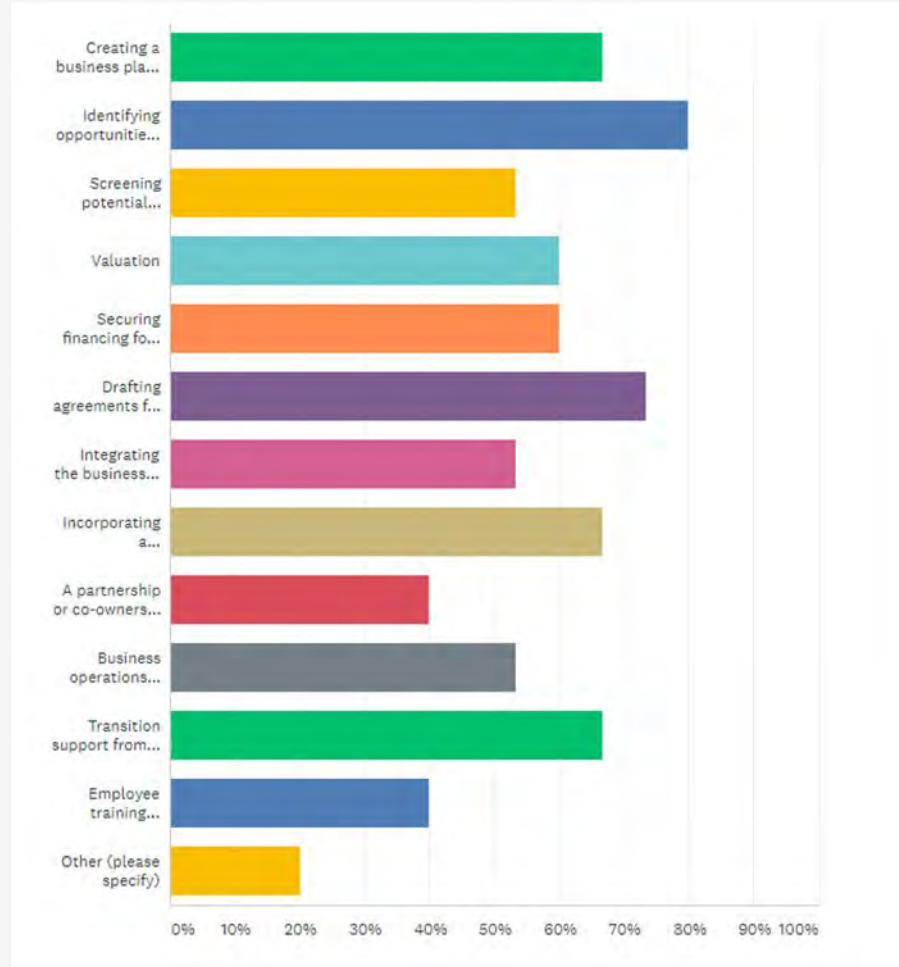


WHAT WE KNOW SO FAR... FROM SURVEYS AND INTERVIEWS

WOULD YOUR ORGANIZATION CONSIDER ACQUIRING A BUSINESS?



WHAT KIND OF SUPPORT WOULD YOU NEED?



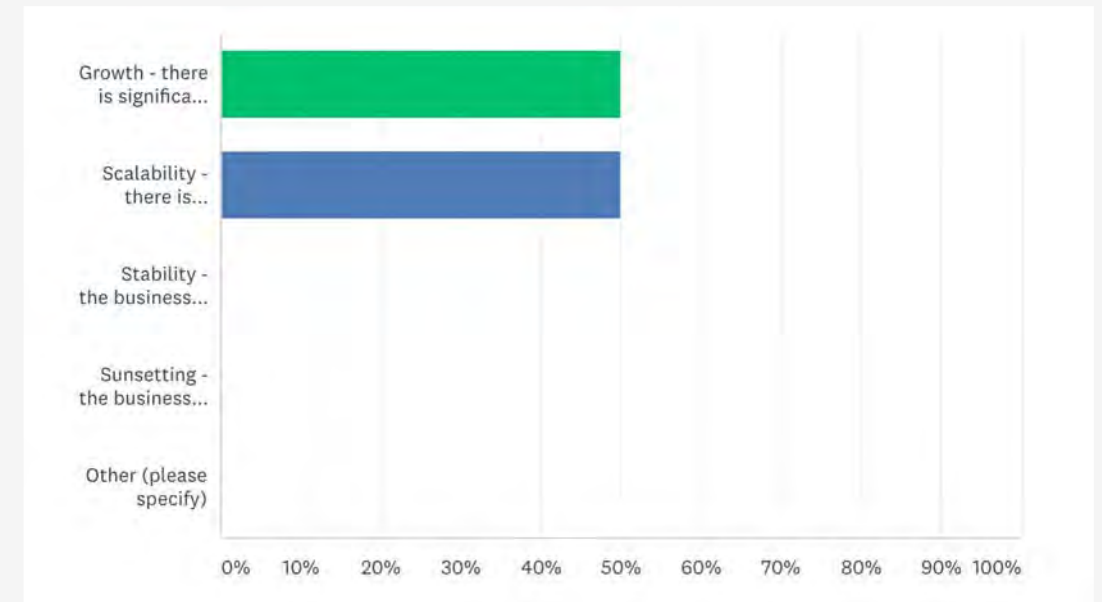
WHAT WE KNOW SO FAR... FROM BUSINESS SURVEYS (6 RESPONSES)

When asked what value their businesses contributes to the community, respondents said:

- we are a social enterprise and operate with circular economy practices. We source, produce and distribute all our products in and from B.C.
- employment for people on the autism spectrum
- we provide local employment, we also facilitate economic growth in our region by providing training which is needed by many businesses, communities and other organizations
- support for local social enterprises
- provides support to non-profit organizations

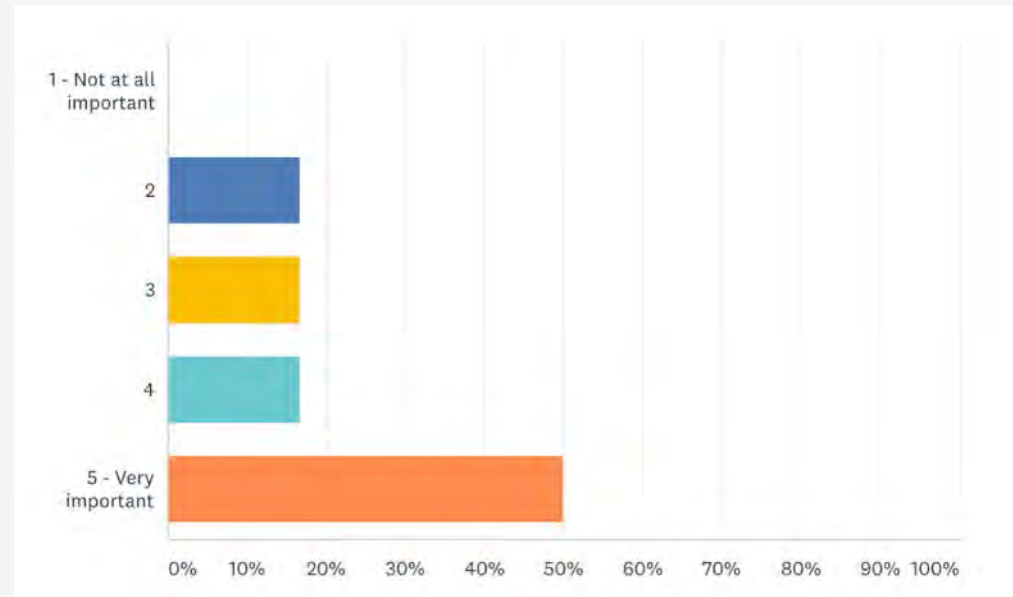
They all contribute significant social or environmental value to their communities.

WHAT STAGE IS YOUR BUSINESS AT?

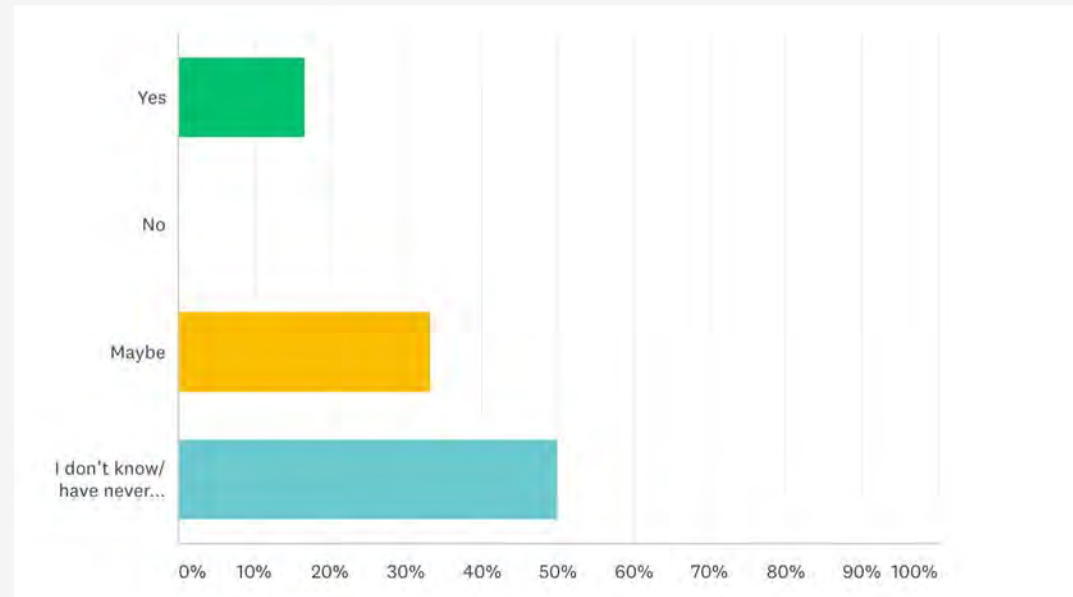


WHAT WE KNOW SO FAR... FROM BUSINESS SURVEYS (6 RESPONSES)

IF ONE IS NOT AT ALL IMPORTANT AND 5 IS VERY IMPORTANT, RATE HOW IMPORTANT IT IS TO YOU THAT YOUR BUSINESS STAYS OPERATIONAL IN YOUR COMMUNITY, EVEN IF YOU TRANSITION OWNERSHIP.



WOULD YOU CONSIDER SELLING OR DONATING YOUR BUSINESS TO A NON-PROFIT?



Knowing that their business will benefit the community, more favourable tax incentives, and finding the right non-profit that they are confident will carry on their business' legacy were the most common responses, signifying that small business owners care about their communities and want to leave a legacy when they exit their business but may need better tax incentives in order to donate their businesses.

WHAT WE KNOW SO FAR... INTERVIEWS

INTERVIEWS WITH SMALL BUSINESSES AND NON-PROFIT LEADERS

- Strong interest in the concept of Social Acquisition on both sides:
 - Owners concerned about business legacy and potential losses for community
 - Non-profits see acquisition as an opportunity to leapfrog start-up (entrepreneurial approach to nonprofit management).
- Clear synergy between the non-profit sector and local businesses, both driven by community and serving local needs.



WHAT WE KNOW SO FAR... INTERVIEWS

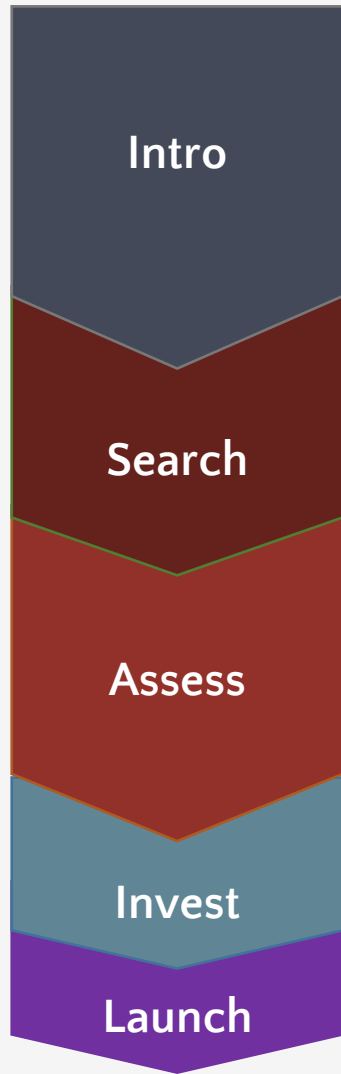
FROM INTERVIEWS WITH SMALL BUSINESSES AND NON-PROFIT LEADERS

Key challenges (non-profits)	Key considerations (non-profits)
<ul style="list-style-type: none">○ Human resources○ Values alignment○ Reputation concerns○ Risk aversion of board○ Access to finance	<ul style="list-style-type: none">○ Synergy with the non-profit skill zone○ Countercyclical revenue generation○ Vendor willingness to come on board for transition○ Avoid human intensive business○ Strong margins and scale & growth potential○ Governance (arms length)
Key challenges (business)	Key considerations (business)
<ul style="list-style-type: none">○ Qualified buyers○ Values alignment○ Legacy preservation	<ul style="list-style-type: none">○ Some willingness to stay on to help with transition

IMPACTFUL SUCCESSIONS AT SCALE?

- Interest in concept of a trust to hold businesses and interest in participating in a pilot.
- The tension around 'local' ownership
 - Non-local buyers do not show the same commitment to the community.
 - Potential tension between community ownership & professionalization of management (would community trust for the region be perceived as a local investor or distant buyer??)

TOOLKIT OUTLINE: 10 ADD-ONS EMBEDDED IN VENTURE CONNECT BUSINESS BUYER'S WORKBOOK



AO 1 – Social Acquisitions: An Opportunity for the non-profit sector

AO 2 – Introduction to Social Acquisitions

AO 3 – Self assessment: is your organization acquisition-ready?

AO 4 – Nonprofit: understand your motivations

AO 5 – Social Acquisition Search Tool: guidelines & essential criteria to identify the right fit

AO 6 – Social Acquisition Process: keys to success / lessons learned

AO 7 – Legal considerations and caveats for a non-profit buy-out

AO 8 – Social Acquisition: expert services

AO 9 – Financial resources and models for Social Acquisitions

AO 10 – Organizational processes for healthy relationships between the non-profit and the business entity

EXAMPLE OF ADD-ON: AO4 - NON-PROFIT: UNDERSTAND YOUR MOTIVATIONS

Enough to Live On	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Maximum Possible
Little as Possible	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Comfortable with Risk/Reward
Don't Need Any	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Owner Provides Training
Doesn't Matter as Long as it's Profitable	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Need to Create Something New
Now is What Matters	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Build a Business Having a Lasting Impact
Few Employees	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	More Employees the Better
Something already providing a good return	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Happy to Build on a Tired Foundation
Anywhere the Best Opportunity is Located	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Only Specific Location(s)
Not on Your Life	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	More the Merrier
Prepared to Work Allot	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Want to Enjoy Life as Well as Work

Distant connection	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Closely aligned
Limited impact / Regular business	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Strong impact goals
Provide some commercial revenue	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Solid revenue diversification for the nonprofit
Serve the same community	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	Extend perimeter to other communities

THANKS TO THESE FUNDERS FOR THEIR SUPPORT

