



BUSINESS SUCCESSION

REPORT 2022



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METHODOLOGY

100 BUSINESSES EMPLOYING NEARLY 2800 PEOPLE

In 2019, The Chamber launched a Business Transition Planning Survey and Report to ask business owners where they are in the lifecycle of their business, how prepared they are to sell their business and if they are taking the steps necessary to realize the best price for their most valuable asset — their business.

At the time, the report indicated that a staggering 73 percent of respondents still needed formal or informal succession plan in place. Leaving them vulnerable to many factors could decrease their assets' value.

As one of the largest accredited chambers of commerce in northeastern Ontario, The Chamber continues to build a strong business climate by ensuring that our advocacy is informed by the best data on the ground derived from our supporters.

To benchmark where the 2019 survey respondents find themselves now, especially after a global pandemic, The Chamber undertook a 2022 Business Succession Planning survey. From October 2022 - November 2022, a new survey was launched and distributed to members known to be family owned or operated. Of the 220 family-owned businesses, 100 participated in the survey employing 2775 people. It is important to note that there were different participants in both the 2019 and 2022 surveys; therefore, the datasets are not a perfect comparison. The report is only meant to give a general overview of the preparedness of family-run businesses should a transition be on the horizon.

The survey asked business owners what obstacles they faced, their plans to acquire a business, prospective buyers, exit timelines, and how they identified potential buyers. This report examines whether they are taking steps to ensure they get top dollar for their business while securing its continued success.

The Chamber would like to recognize the support of the Ministry of Agriculture, Food and Rural Affairs Regional Economic Development Project, whose grant provided the resources to produce this report.

FROM THE PRESIDENT



"Small businesses are the backbone of any community and are too big to ignore. How we keep these legacy businesses in Timmins starts with a plan."

As a vital support mechanism to our members, The Chamber must continue to engage with our supporters to ensure that our advocacy is informed by the best information available and directly from our businesses.

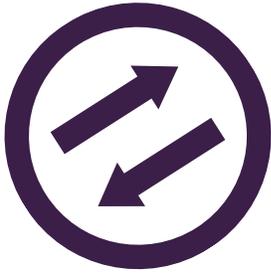
Given the growing recognition of the importance of appropriate succession planning, I am pleased to present our second Business Succession Planning Report to share with our members, stakeholders, and, more importantly, our funders and legislators who have the authority and the capacity to provide clear and concise resources that are adequately funded.

I want to extend a special thanks to our Reimagined Resiliency Succession Planning Pillar Partners, Genier Financial, Maisonneuve Dawkins Lawyers, and MNP LLP, for their generous support. With the guidance of experts within our membership, programming, and grants, The Chamber looks forward to continuing to assist our family-owned enterprises when it comes time for that important transition.

A handwritten signature in black ink, appearing to read 'Dan Ayotte', written in a cursive style.

Dan Ayotte
Chamber President
2022-2023

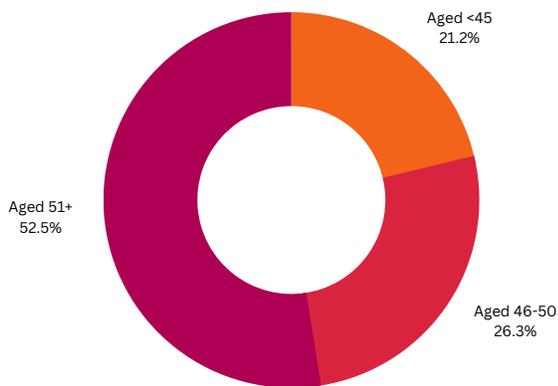
INSIGHT INTO OUR RESPONDENTS



In the three years between the 2019 and 2022 surveys, we have already begun seeing a transitional shift in business ownership. Timmins is about to see a landslide change in local ownership over the next five years.

Just over half of survey respondents now cite being over the age of fifty-one. With the relative increase in respondents identifying their businesses as operating for more than 25 years, 64 percent of family businesses are over 25 years old. Weighed against the median age of the business owner, several will be looking to retire in the very near future. Given that the participating businesses employ nearly 2800 workers, it is important to understand their timelines, exit plans, and how they hope to secure the business's ongoing success after their departure or sale.

What is your age?

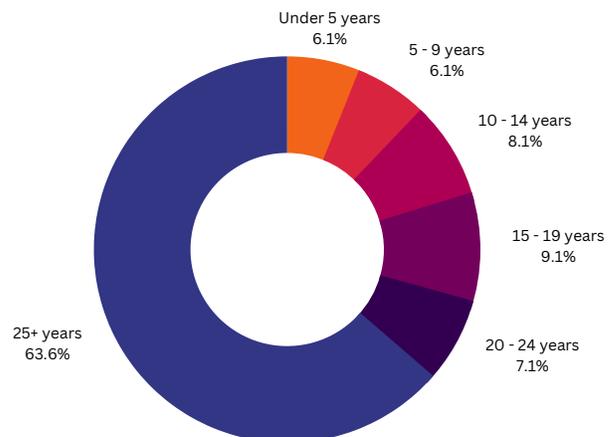


To determine how and when SME owners in Timmins will transition their business, we asked what the average age of business owners is compared to the age of their business. This figure is not a stark comparison to the 2019 survey results-- noting 46 percent were over the age of fifty-one. Still, it does indicate a slight transitional shift on the younger end, which suggests that some businesses have already succeeded to the next generation.

We also see the natural increase of ageing businesses, particularly those 25+ years and older. What can be concerning is that the number of new, family-owned or operated businesses has decreased from 2019 numbers; from 17 percent operating businesses under the age of 5 years, now down to 6 percent.

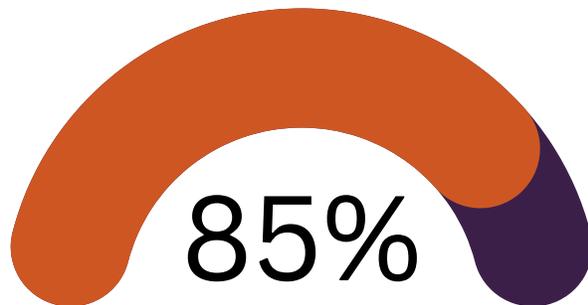
This indicates an increase in ageing legacy businesses in Timmins and a decline in new businesses.

What is the age of your business?



THE COVID IMPACT

Participants were asked whether the COVID-19 pandemic had any impact or changed their plans to sell their business.



85 percent say that the pandemic has **not** changed their exiting plans

Given the rolling lockdowns and broader impact of the COVID-19 pandemic, it is a relief to see that it has not significantly impacted the plans of most business owners looking to retire.

It is a testament to their resilience and determination that they have been able to keep their businesses running and prepare for retirement even during unprecedented times.

THE FLIP SIDE

For the remaining 15 percent of respondents, a host of challenges have delayed the sale of their business.

Depending on their industry and the disproportionate effect the pandemic had on varying sectors, it left them with little time or energy to focus on retirement planning. Many are now finding themselves stuck in a difficult situation with no clear path forward.

"My financial situation has changed, which now requires me to work longer."

- 15 percent of respondents

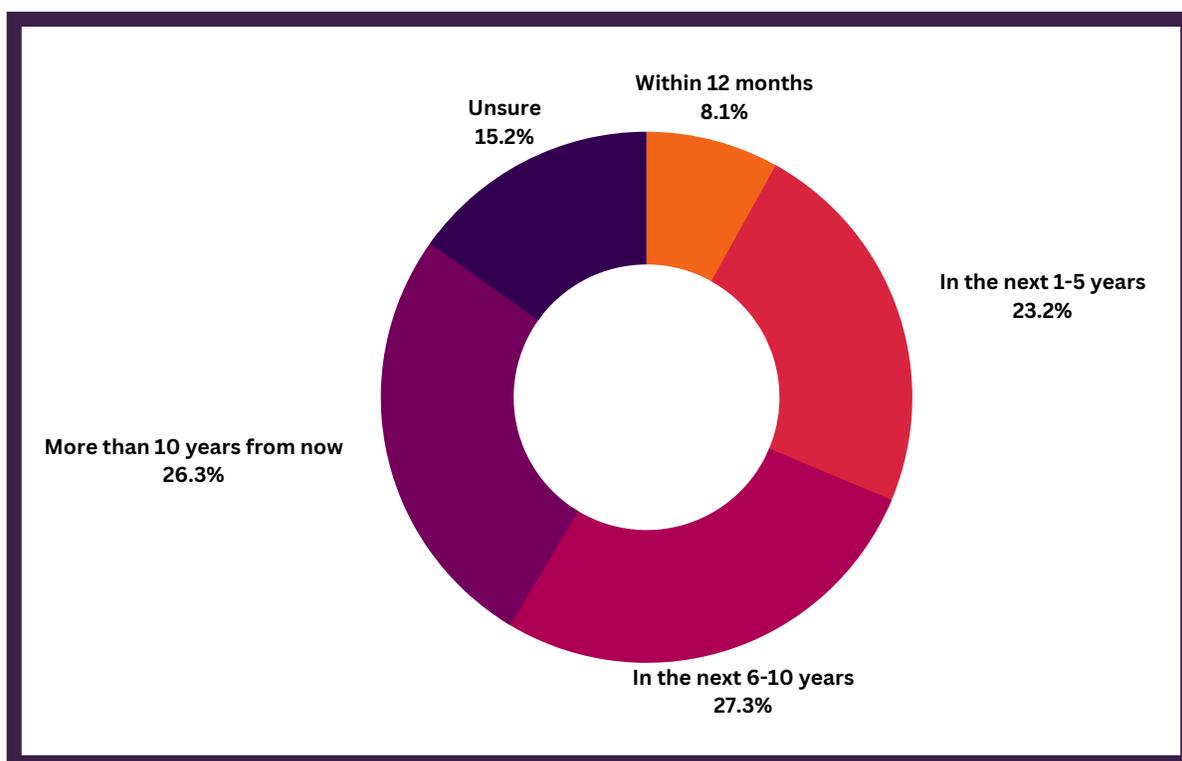


MEASURING EXIT TIMELINES

Survey participants were asked to provide their exit timelines based on their current economic and retirement outlook

Nearly 60 percent of survey respondents say they will exit their business within the next ten years, with just over 30 percent exiting within the next five years. Of all the respondents, 90 percent indicate retirement as the reason for the exit.

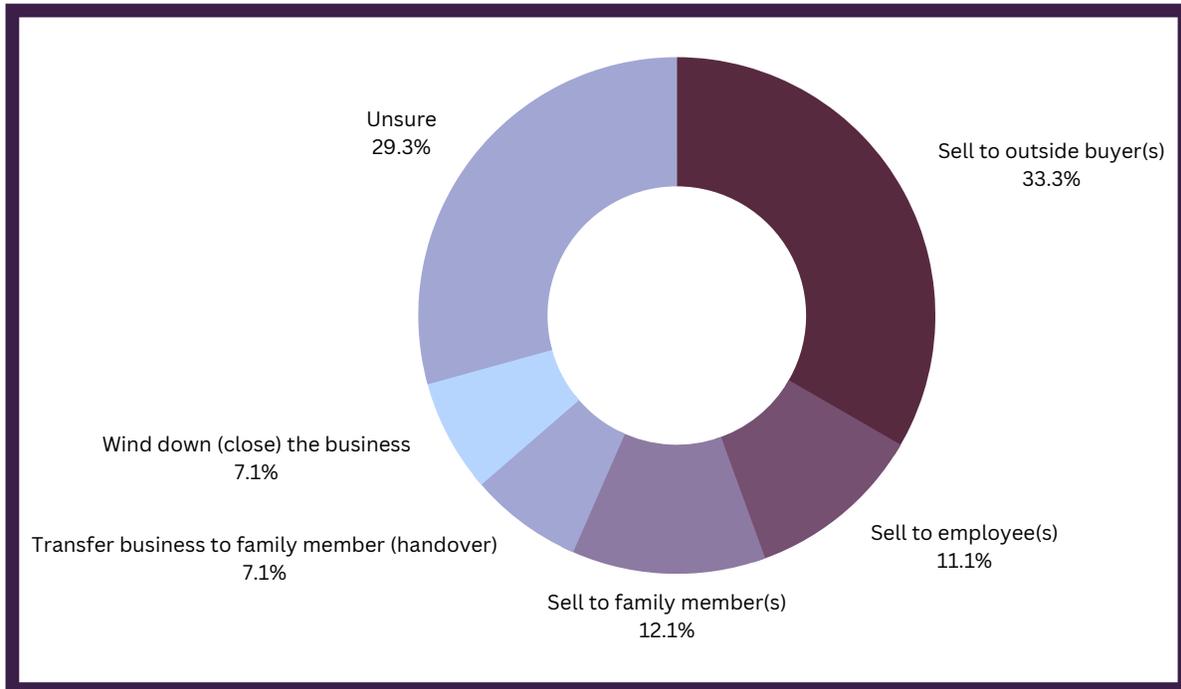
As retirement becomes visible on the horizon, it is critical that these exiting entrepreneurs begin to create a financial plan to determine how much money they will need to retire and what sources of income they will have, determine the value of their business, identify a buyer, negotiate the sale, and update their legal and financial documents.



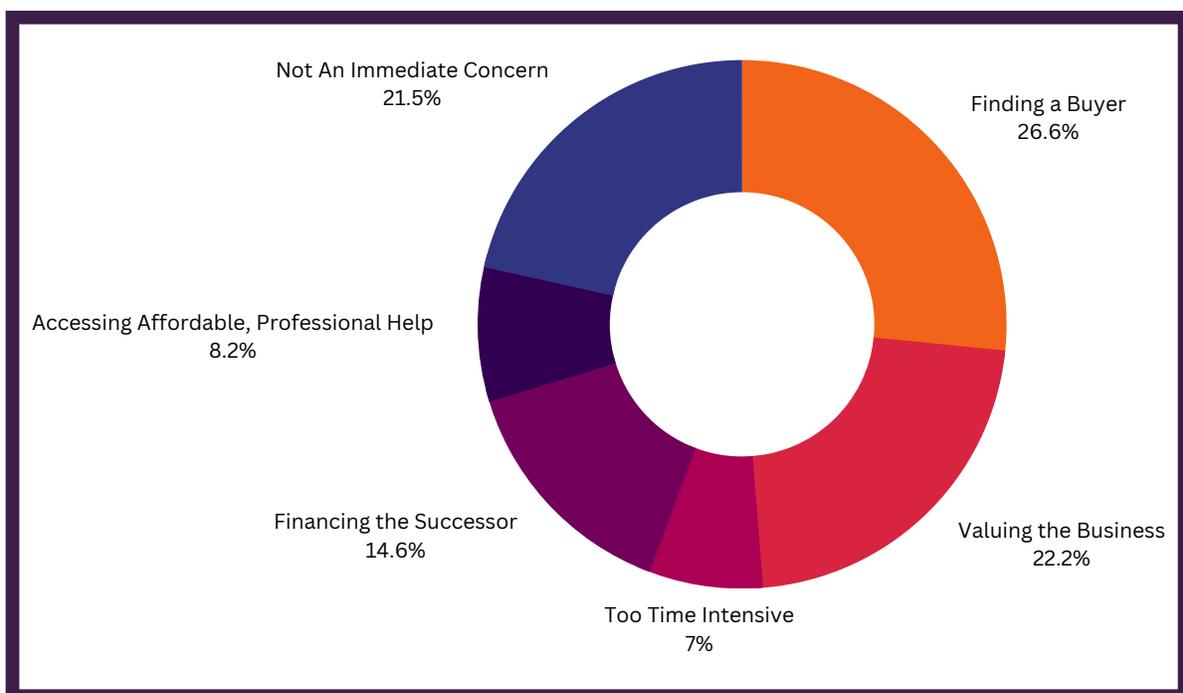
Will entrepreneurs that are nearing retirement continue to pursue growth for the business? Are these soon-to-be-retired entrepreneurs taking steps to ensure a successful hand-off to new management? Business owners with plans to retire soon must prepare for the business's continued success.

HOW AND TO WHOM?

Participants were asked to identify to whom they would sell the business, whether or not they would wind down or close the business, or whether they had no plan.

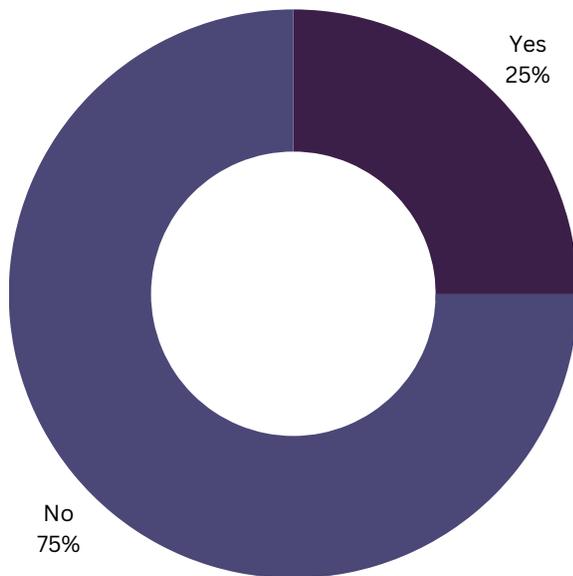


Participants were then asked to cite their biggest barrier to begin undertaking the succession planning process, regardless of where they were in the lifecycle of their business.



EXISTENCE OF A TRANSITION PLAN

Participants were asked whether or not they had a formal or informal written transition plan in place.



Three-quarters of survey participants indicated that they had no formal or informal transition plan in place. This figure has increased by two percent from 2019 numbers.

It is a concerning reality that many business owners do not have a succession plan in place. Succession planning is an important aspect of running a business, as it ensures that the business can continue to operate smoothly in the event of the owner's departure.

Without an existing transition plan, business owners may miss key steps in selling their business. Their financial security and continued success of the business are crucial not only to the future business owner but to the prosperity of our local economy as well.

Providing business owners with resources to transition their businesses is vital to our local economy's competitiveness and growth. Suppose most respondents move to sell their business without a formal plan. In that case, we can expect to see a shift in assets just over \$26 million in the next 5-10 years from these participating businesses alone. (1)

Transition planning can be daunting for owners of SMEs who lack the appropriate resources. The most cited barrier in transition planning and the eventual sale of their business is finding a buyer for their enterprise.

Due to the majority of respondents indicating that transferring their business to a family member was unlikely, the need for marketing strategies, access to a pool of potential buyers, and affordable resources to assist with the sale of their business are required. Access to information on valuing their business ranked second (40%) in the list of barriers when it comes to transition planning.

Without proper information, the process of financing a transition plan and valuing the business can be difficult, leaving many unsure of where to start (19%). Access to affordable, confidential and professional advice is critical when drafting a transition plan to ensure the successful sale of their business.

(1) Timmins, Cochrane & Timiskaming Districts Association average commercial property sales of \$448,7410.50, Jan. 5, 2022. Then multiplied by the 58 business respondents indicating an exit time line of <10 years.

NEXT STEPS

As nearly three-quarters of business owners surveyed are poised to retire within the next decade, there is a growing need for succession planning and support for the next generation of entrepreneurs. Having an appropriate continuity plan in place will help better preserve the value of the business and safeguard employment during the transition phase. It is also essential to retain and celebrate these businesses in Timmins as they provide various products and services, keeps pricing competitive, and maintain a healthy and vibrant commercial base. To ensure SMEs can better plan, the Timmins Chamber offers the following recommendations:



BUSINESS

Begin drafting a formal transition plan to ensure an exit strategy is in place. This is key to the business owner's financial stability and the continued success of the business and the local economy. It will also act as a contingency plan in the case of emergency, health issues, or accidental death.

GOVERNMENT

Begin work on an employee ownership policy framework to reduce barriers, promote awareness, and create targeted incentives to complement the Federal Government's approach and support greater business adoption of cooperative conversion as a method for succession planning through education and financial incentives.

With an increasing talent shortage across the province and a significant business succession issue, the continued increase in international students coming to Timmins for higher education is an opportunity for succession, international students must be encouraged to remain in Ontario to continue their positive effect on the economy. Some of these students come from entrepreneurial families who wish to expand their family business into Canada. Others may want to purchase established businesses to address the nation's growing business succession issue.

Allowing the Provincial Government to nominate International students to start and operate their own companies in Ontario and meet the eligibility requirements to apply for Permanent Residency.



Connecting with a lawyer, accounting firm, and financial planner to ensure that family-owned and operated businesses have appropriate succession planning in place will build capacity and secure the legacy of our local businesses while seeing nearly 26 million dollars in assets make the right transition in the coming years.



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