

Converting Businesses to Co-operatives: a solution for retiring business owners.

According to the Canadian Federation of Independent Business (CFIB), a major challenge for Canada's 1.2 million small and medium-sized enterprises (SMEs) is the potential for large-scale closures due to the growing number of retiring owners that lack a formal succession plan.

In 2018, 59 per cent of Canada's entrepreneurs were over 50 years of age. At that time, it was estimated that nearly three-quarters of them plan to retire within the next decade. While 81 per cent of retiring SME owners intend to transfer or sell their businesses, 2020 data suggests that only 14 per cent had a solid retirement plan. In addition to the increasing number of troubled enterprises due to the socio-economic ills brought on by the COVID-19 pandemic, a potential crisis of SME closures across Canada has been looming for several years.

These facts came to light via a survey undertaken by the [Conversions to Co-operatives Project](#) (Co-op Convert), which identified in a recent research survey that:

- 7 per cent of SME Business owners had considered converting to a co-operative,
- 17 per cent were somewhat or likely to consider the BCC option for succession and,
- 14 per cent reported advantages to converting to a co-operative.

This research survey was created to learn the concerns of business owners over 45 years of age and determine whether they were aware that businesses could be converted to co-operatives. While these numbers are small, they suggest that a committed and not insignificant group of SME owners are already amenable to convert their businesses to co-operatives upon retirement.

Marcelo Vieta, Associate Professor at the University of Toronto and the project's lead researcher, says: "The project set out to better understand business conversion to co-operatives (BCCs) as outlets for saving jobs, addressing business succession needs, and creating new acco-operatives across Canada." He further stated that conversions offer an option to retirement-aged owners who do not have a succession plan and can help maintain local businesses threatened by financial hardship caused by the COVID-19 pandemic. BCCs can prevent the closure of locally based businesses and the elimination of economic drivers, usually in small or remote communities.

BCCs have been solutions for business rescue and succession in numerous jurisdictions around the world for decades. As Vieta states: "I've conducted research with [Italy's worker buyouts](#) and [Argentina's worker-recuperated companies](#) and in both cases, BCCs have shown to be tried-and-true solutions for business rescue and

succession. However, the BCC opportunity for business success in Canada is not well known by Canada's SME owners, employees, unions, and policy makers and largely overlooked as succession or a business rescue solution."

In Canada, SME owners first think of transferring their business to their family. Retiring owners also seek to sell to third party investors. Yet, another option is a BCC – selling or transferring businesses to employees or other community stakeholders that then form a co-operative to continue the business. These converted businesses can take on different member ownership forms – worker, consumer, multi-stakeholder, or producer co-ops.

Co-operatives are sustainable and viable businesses co-owned by interested members rather than disconnected shareholders. Canada already has approximately 7,000 co-operatives in most of its economic sectors. Yet despite the enduring presence of co-operatives throughout the country and the overall success of Canada's approximately 205 BCCs to date, the BCC model is mostly overlooked and not well understood in Canada as an option for sustaining SMEs.

Cape Breton University Adjunct Prof. Fiona Duguid and co-lead on the project notes that only around a third of Canada's SME owners are at least somewhat familiar with co-operatives, and many of them have mistaken ideas of co-operatives. "There could be many more BCCs in Canada; the BCC solution is still not broadly known among SME owners, workers, unions, and policymakers in Canada. We believe that this is a lost opportunity for saving jobs and keeping potentially thousands of businesses alive in light of the SME succession crunch and the business closure risk due to our current pandemic reality."



Projet de conversion | Conversion to
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As part of the research project, 11 existing BCCs and 4 almost-completed BCCs were selected to serve as case studies showcasing a variety of business activities involved in BCCs, from a Western rail line to an Ontario architecture business to a community café. Co-lead Prof. Claude-André Guillotte of the *Université de Sherbrooke's Institut de recherche et d'éducation pour les coopératives et les mutuelles* (IRECUS) confirmed that “Along with the SME business owner survey and the case studies, the project also inventoried conversions across Canada, which can be found on the [map](#) of co-operatives and mutuals in Canada.”

Detailed information on the study and its findings can be found on the Conversion to Co-operatives website [here](#).

About the Conversion to Co-operatives Project: The Conversion to Co-operatives Project is a university-community research partnership funded by the Social Sciences and Humanities Research Council of Canada (SSHRC). The project is led by Prof. Marcelo Vieta of the Centre for Learning, Social Economy & Work (CLSEW) at the University of Toronto, in collaboration with project co-leads Prof. Claude-André Guillotte of the *Université de Sherbrooke's Institut de recherche et d'éducation pour les coopératives et les mutuelles* (IRECUS), Cape Breton University Adjunct Prof. Fiona Duguid, and the national co-operative apex association Co-operatives and Mutuals Canada.

About Co-operatives and Mutuals Canada (CMC): Co-operatives and Mutuals Canada (CMC) is a member-driven association that supports and represents Canadian co-operatives and mutual businesses by working with key players in the co-operative sector and government. It helps to develop and promote the interests Canada's small, medium, and large Canadian co-operative businesses. Its vision is to build and work with this community, as well as contribute to its economic, social, and political development. The co-operative and mutual movement in Canada comprises memberships from approximately 7,000 co-operative and mutual enterprises.

For more information:

[Conversions to Co-operatives Project \(Co-op Convert\)](#)

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