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Another Way?: How About Business Conversions to Co-operatives?

The Conversion to Co-operatives Project (Co-opConvert)
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COOP Convert
Conversion to Cooperatives Project

Presentation Overview

1. Overview of the Co-opConvert Project
2. The Business Conversion to Co-operatives (BCC) Canadian Database
3. Survey of Small- and Medium-Sized Enterprise (SME) owners
4. Exemplar case studies of conversions of businesses to co-operatives in Canada
 - Cases from Quebec
 - Cases from the rest of Canada
5. A preliminary typology of BCCs in Canada
6. Emerging partnerships with the Co-opConvert Project
7. Expectations and aims of the project to support the Canadian co-operative sector and encourage the BCC solution moving forward



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1. Overview of the Conversion to Co-operatives Project



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A partnership-based research project



University of Toronto's Centre for Learning, Social Economy, & Work (CLSEW)

Université de Sherbrooke's Institut de recherche et d'éducation pour les coopératives et les mutuelles (IRECUS)

Co-operatives and Mutuals Canada (CMC)

Also working with CWCF, Co-operatives First, and various provincial co-op associations on cases, practices, policies

A SSHRC
Partnership
Development
Grant



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Motivations for the project

The Canadian SME-Succession Crisis

1.16 million employer SMEs, 500,000 boomer owners plan to retire in coming years, only between 9-25% have succession plan. Around 20% of Canadian SMEs in trouble due to COVID-19. Will affect thousands of jobs. Conversions to cooperatives could be a very viable solution. No solid policies or enabling environments in place, however.

How, Where, Why, & Who of Conversions in Canada

Canada has had some successful experiences of BCCs through the leadership of local community developers and co-operative sector federations. Where and how have they occurred?

But mostly falls under the radar for SME owners, unions, workers, policy makers. Why?



Objectives of the project (1)

Objective

1

To identify the enabling environments for BCCs in Canada via a mixed-methods approach (SSHRC Insight goals)

1. An international scan of BCC experiences and enabling environments
2. A current Canada-wide data set
3. A survey of retiring SME owners
4. In-depth, semi-structured interviews.
5. Multiple embedded and contextual case studies



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Objectives of the project (2)

Objective 2

To build capacity for BCCs in partnership with Co-operatives and Mutuals Canada and co-op sector (SSHRC Connection goals)

- Webinars and info sessions with key stakeholders and the general public.
- Presentations to business leaders and provincial government units regarding the conversion option.
- Reports and fact sheet-style summaries of the research (in English and French).
- Repository of how-to guides in English and French.
- Research dissemination and educational/capacity-building legacy website, social media initiatives (in English and French)
- Encouraging the formation of a policy committee (with CWCF, CMC, PAs)
- Edited book(s), refereed journal articles, conference presentations, and teaching case studies.
- Building on a national and international network of researchers and co-operative sector developers




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Building on previous international research

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EURICSE

SEARCH



Italy's Worker Buyouts in Times of Crisis

Research Area: Innovative models
Edited by: Marcelo Vieta

The Italian Road to Recuperating Enterprises and the Legge Marcora Framework
Italy's Worker Buyouts in Times of Crisis

(research report 15 | 17)

Recent years have witnessed a re-emergence of business rescues and buyouts of failing firms or of firms with succession issues to cooperatives. In our current times of lingering economic crises and austerity, in particular, worker-initiated business conversions to cooperatives – or workerrecuperated enterprises – are directly addressing chronic under- and unemployment, rising rates of firm closures, and business transfer issues. They also suggest ways of bringing economic control back to the hands of workers and communities via practices of collective entrepreneurship.



Historical Materialism 199

Workers' Self-Management in Argentina
Contesting Neo-Liberalism by Occupying Companies, Creating Cooperatives, and Recuperating Autogestión

Marcelo Vieta

Marcelo Vieta, Ph.D. (2012), York University, is Assistant Professor of Workplace and Organisational Learning and the Social Economy at the University of Toronto. He has published widely on critical theory, workers' control and self-management, and on the social economy and social movements in Italy, Canada, Argentina, and Latin America.

ISSN: 1570-1522
ISBN: 978-90-94-26896-8

www.euricse.eu/it/publications/italys-worker-buyouts-in-times-of-crisis/

www.vieta.ca/newbook | brill.com/view/title/25183



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Three types of conversions to co-ops around the world

- Labour-conflict conversions (Argentina, Brazil, Uruguay, parts of Europe)
- Negotiated conversions (Italy, France, Spain, Quebec, R. of Canada)
- Partial conversions (not leading to complete workplace democracy)
 - Conversions/transfers from or by the state to workers' control
 - Employee share ownership plan (ESOPs) (US, UK, Canada)
 - Worker shareholder cooperatives (Quebec), some French SCOPs, Spain's *sociedades laborales*
 - Management buyouts or conversions
- What is/are the Canadian model(s)?



2. The Business Conversion to Co-operatives (BCC) Canadian Database

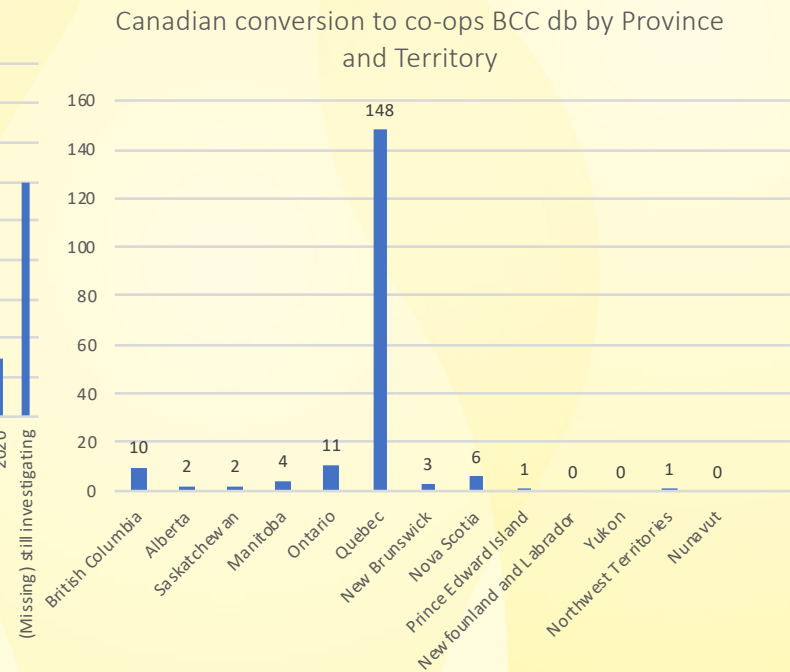
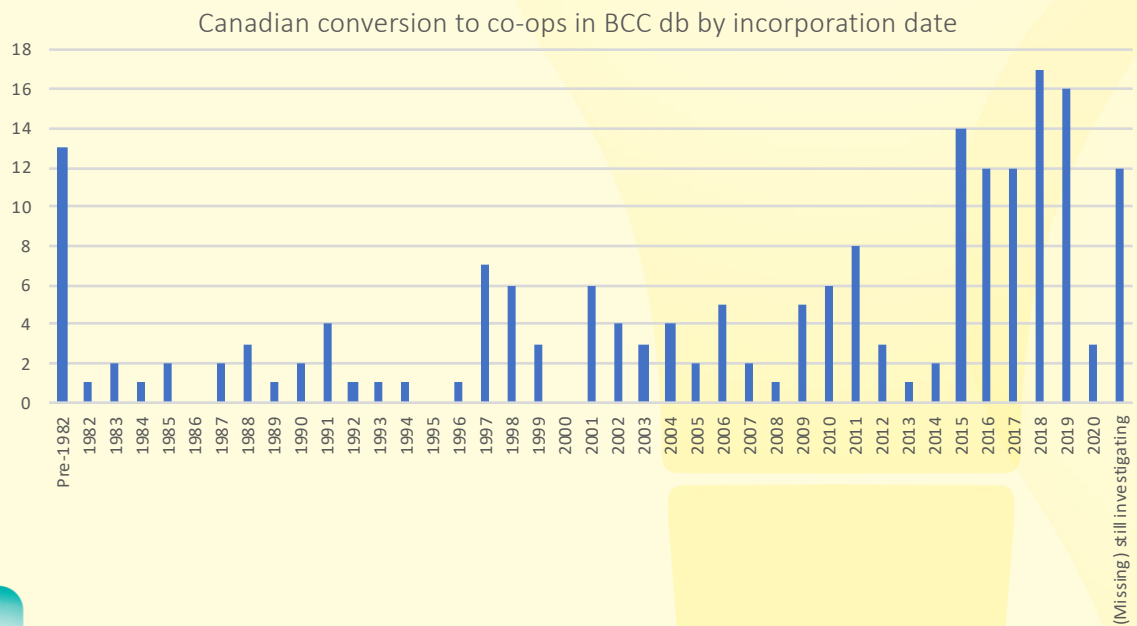


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Conversion to co-ops in Canada, BCC db* (1)

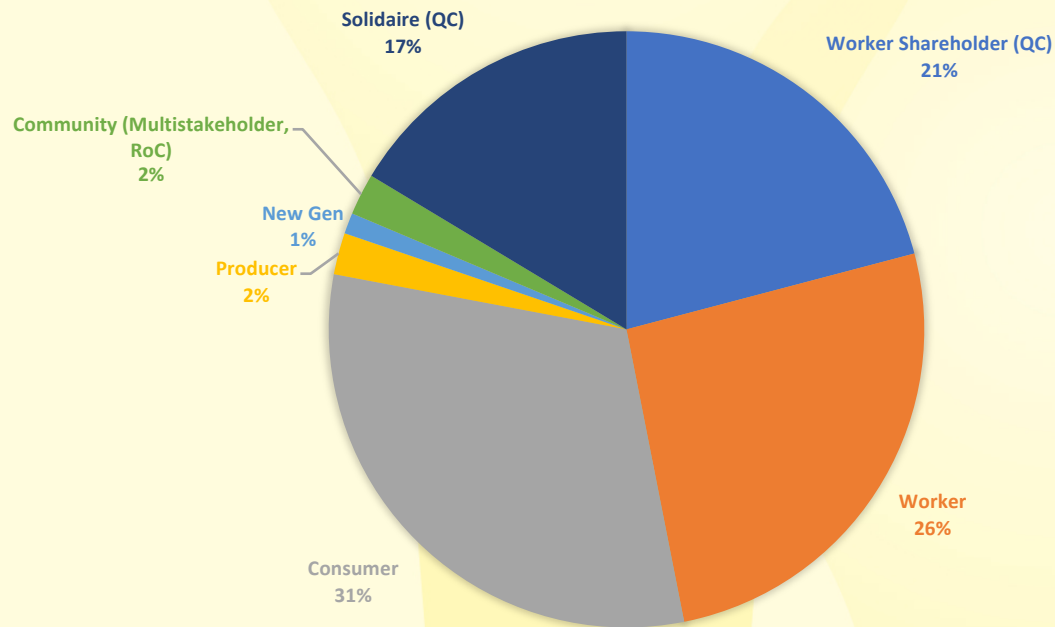


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*n=188, not including housing co-op conversions

Conversion to co-ops in Canada, BCC db* (2)

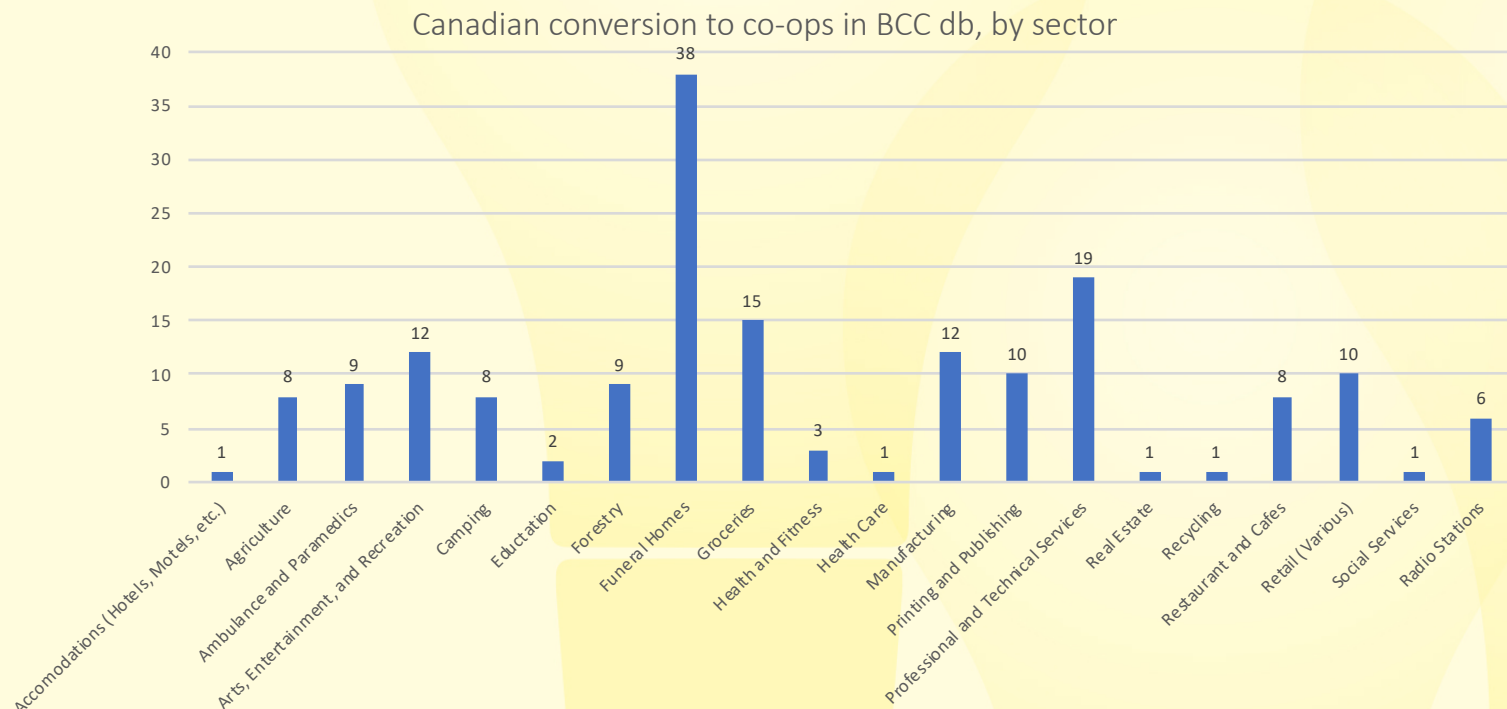
Canadian conversion to co-ops in BCC db, by co-op type



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*n=188, not including housing co-op conversions

Conversion to co-ops in Canada, BCC db* (3)



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*n=177, not including housing co-op conversions

3. Survey of Small- and Medium-Sized Enterprise (SME) Owners



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Survey of SME business owners

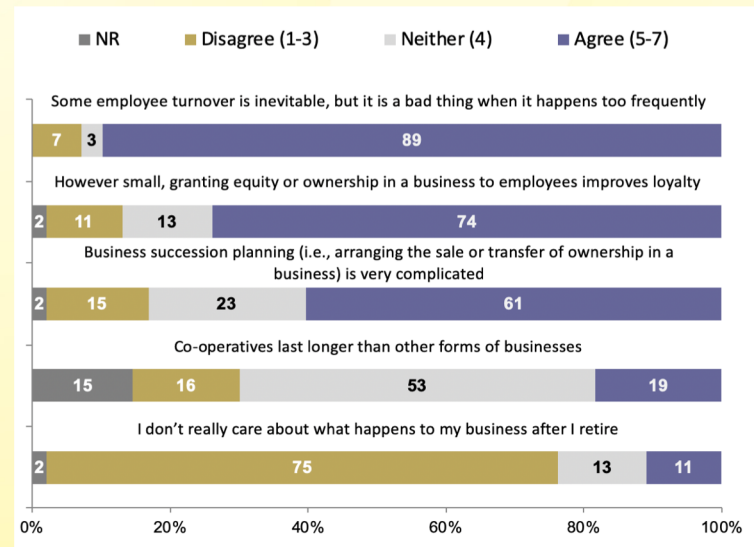
- Conducted Jan.-Feb. 2020
- From a representative business panel of 319 near-retirement SME owners across Canada
- Panel weighted to the population of each province
- Represents a broad cross-section of economic sectors and business sizes, with most businesses small, and a smaller proportion medium-sized
- Survey is a collaboration between Co-opConvert and Modus Research



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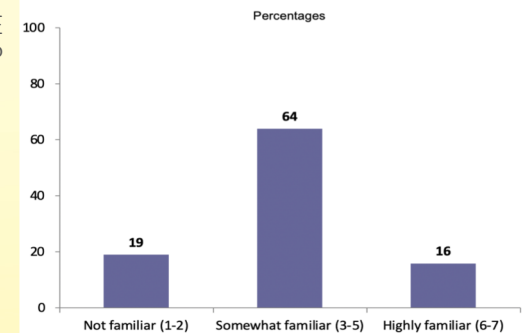
Attitudes towards themes related to succession, familiarity with co-ops

- Few are SME owners are familiar with co-ops and their strengths and fewer understand them
 - Co-ops perceived to be inefficient and uncompetitive by many!
- But almost $\frac{3}{4}$ believe granting equity ownership improves employee loyalty
 - Could this be a proxy for employee ownership/co-ops?



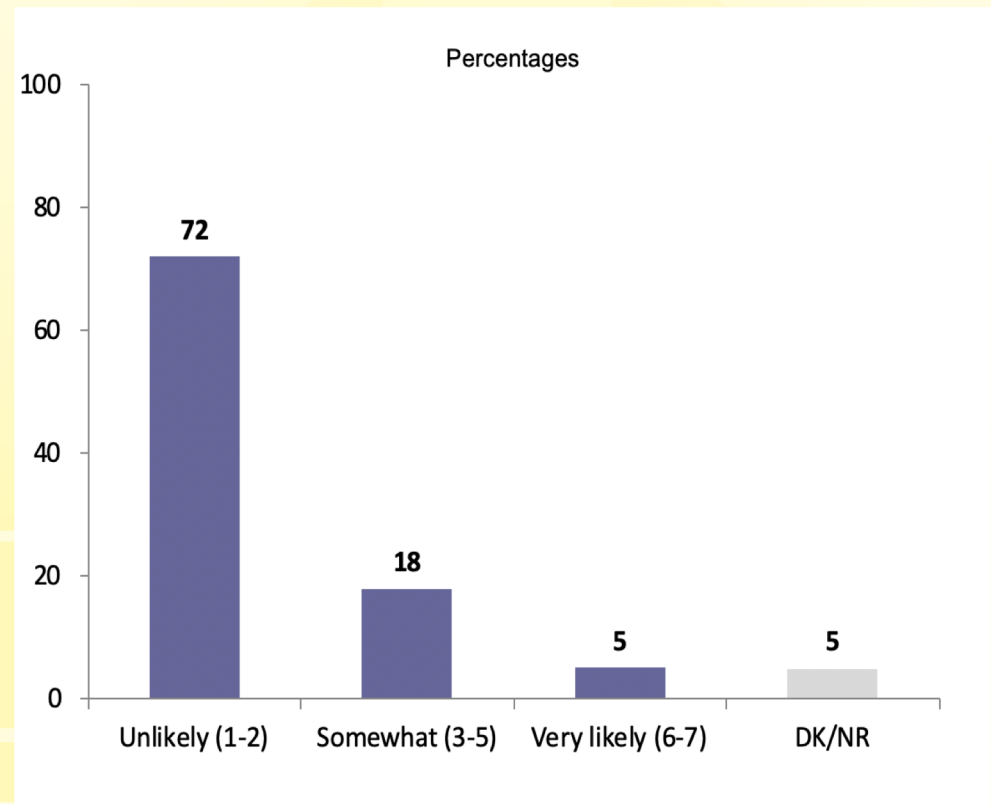
Attitudes towards succession themes

How familiar are SME owners with co-op model?



Low propensity to convert to a co-op for succession under current knowledge situation

How likely are SME owners to consider converting to a co-op as a succession plan?



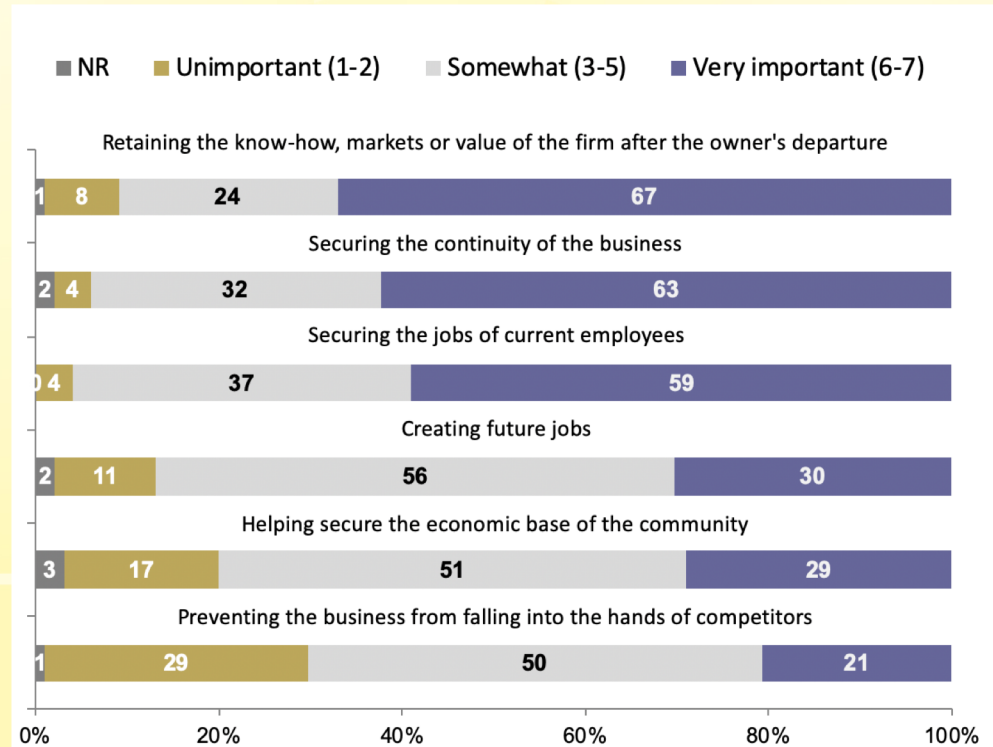
Perceived advantages of co-ops for SME owners very likely to convert for succession

1. Retaining employment in community
2. A viable business model (if all else fails)
3. Care about saving jobs and assisting local community
4. Guarantees business continuity by accessing skills and knowledge of employees/community
5. Staff empowerment, greater business tenacity and efficiency
6. Advancement of socio-economic justice



Important factors for succession

- Further proxies for converting to employee ownership/co-operative, if they knew more about co-ops?
 - *Retaining know-how, markets, value*
 - *Securing business continuity*
 - *Securing jobs of employees*
- All are strengths of co-ops!
- *Lesson: Co-op sector has much more educating to do to mainstream businesses and policy makers!*
 - Must promote the business strengths of co-ops rather than their community value to SME owners



4. Exemplar Case Studies of BCCs in Canada



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Quebec (1)

- Cooperative de Travailleurs d'Ambulance de l'Estrie



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Quebec (2)

- Fédération des Coopératives Funéraires du Québec



TROUVEZ VOTRE COOPÉRATIVE FUNÉRAIRE DEVENEZ MEMBRE

AVIS DE DÉCÈS

La FCFQ ▾

Prévoir et planifier ▾

Rendre hommage ▾

Vivre un deuil ▾

819 566-6303 📞

Démarrage d'une coopérative funéraire

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Coopérative Funéraire de la Mauricie
Vous servir est un privilège

Trois-Rivières
Secteur Cap-de-la-Madeleine

Shawinigan
Secteur Shawinigan-Sud • Secteur Grand-Mère
• Secteur Shawinigan

Saint-Prospér

Avis de décès

André Bélanger 1962 - 2020 Consulter l'avis de décès Message de condoléances	 Aucune photo	René Thibodeau 1944 - 2020 Consulter l'avis de décès Message de condoléances		Denis Duval 1946 - 2020 Consulter l'avis de décès Message de condoléances	
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s au Canada. Elles sont présentes dans une
ns aussi des coopératives funéraires aux États-
de-Bretagne.



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Rest of Canada (1)

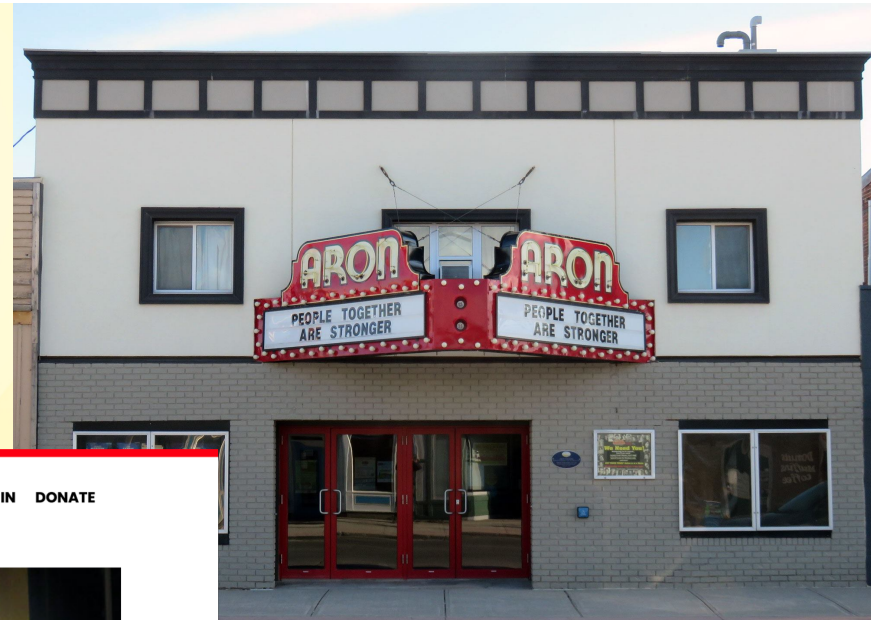
- The Glitter Bean Café Co-operative (Halifax, Nova Scotia)



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Rest of Canada (2)

- Aron Theatre Co-operative (Campbellford, ON)



ARON THEATRE CO-OP

The Aron Theatre Co-op is hiring a part-time general manager. [Find out more and apply.](#)

The Aron Theatre Co-op has launched its new web-based membership platform. We are welcoming renewals from our existing and former members, and we always welcome new members!



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5. An Emerging Typology of BCCs in Canada



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Is there a Canadian BCC model?

- In Canada, BCCs tend to be a negotiated conversion model, with succession and business/jobs continuity predominating
- More likely to occur due to these factors in Canada:
 1. Firms that are experiencing a succession issue and that need committed purchasers who will make a go of it (could be employees, managers, customers, community, another co-op, or a combination)
 2. Firms in crisis (less so in Canada)
 3. In labor-intensive sectors (low capitalization needs, but not necessarily so)
 4. With strong community linkages (i.e., grocery stores in small towns, life- or socially oriented businesses)
 5. With strong community networks
 6. Where owners/workers/purchasers have a strong geographic and sectorial situatedness
 7. With a co-operative developer or other “enabler”, usually an individual (RofC), or a social economy organization (QC)
 8. With some sort of stable enabling environments
- Need to increase awareness of the model among SME owners (and workers, unions, policymakers, general public)
- One need in Canada is for strong policy and *enabling environments*, as in Europe (Spain, France, Italy).



Enabling
environment / ecosystem
needed for BCCs

Knowledge & Awareness

Firm & Business
Characteristics

Stakeholder Characteristics

Legal & Policy Framework

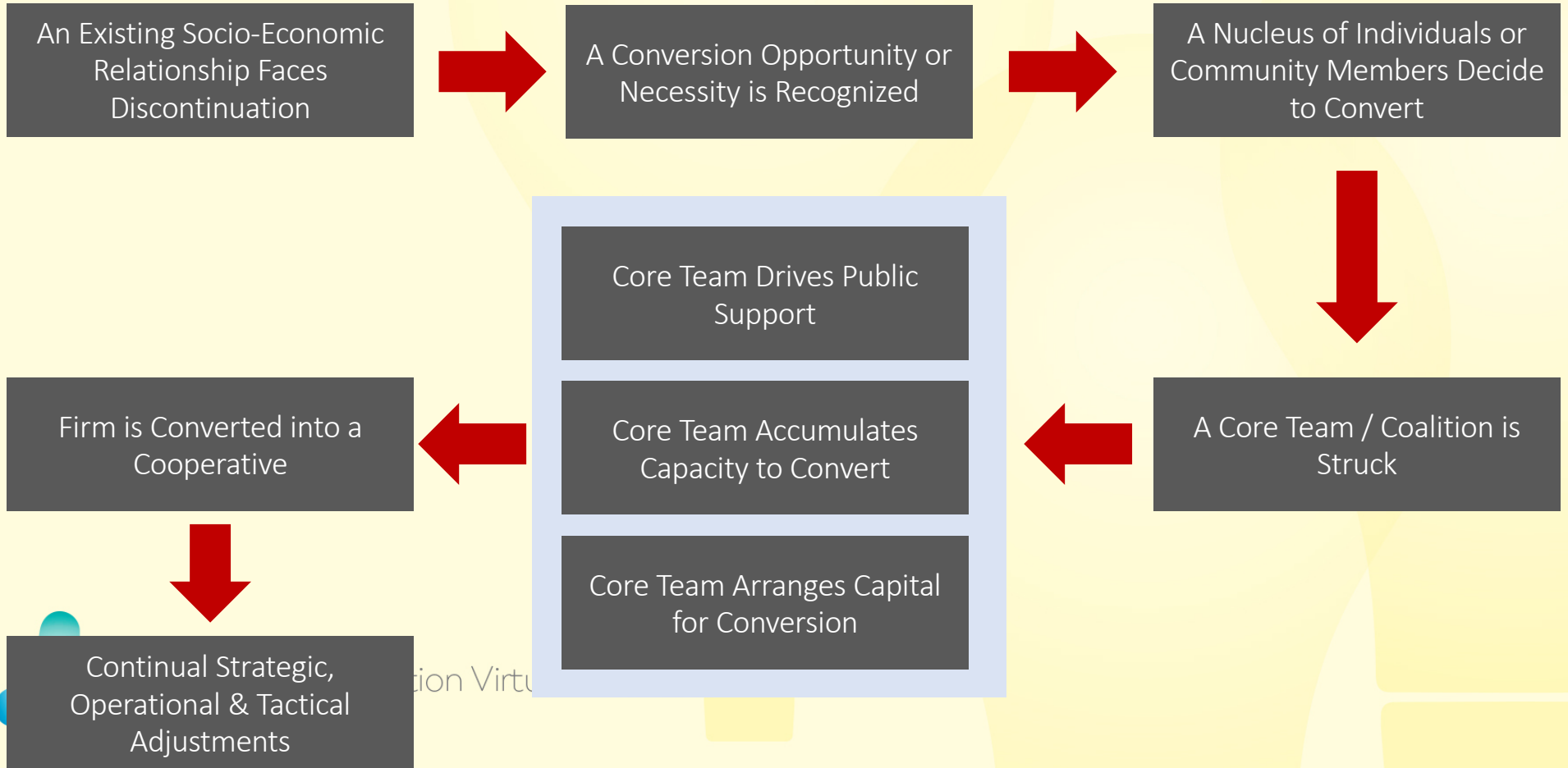
Funding & Financing

Professional & Business
Development Services

Catalyzers & Enablers



The overarching pathway to conversion in Canada



The conversion of an entity to a co-op can take on various trajectories, instigated / facilitated / motivated by a variety of possible stakeholders and for different reasons

- | | |
|---|--|
| 1. Acquisition simple (sans conversion) | 1. Simple acquisition (without conversion) |
| 2. Acquisition – integration | 2. Acquisition – integration |
| 3. Acquisition – transformation | 3. Acquisition – transformation |
| 4. Création – acquisition | 4. Creation – acquisition |
| 5. Création – reliance | 5. Creation – recovery |
| 6. Création – transmission | 6. Creation – transmission |
| 7. Transformation | 7. Transformation |
| 8. Transformation – transmission | 8. Transformation – transmission |
| 9. Transmission partielle | 9. Partial transmission |
| 10. Relance indirecte | 10. Indirect recovery |



How BCCs are financed in Canada, outside of Quebec...

- Mostly and ad-hoc approach. However, there are funding sources:
 - CWCF's Tenacity Works
 - Canadian Cooperative Investment Fund (CMC initiated)
 - Community Bonds via RRSPs and TFSAs
 - Social Impact Bonds, if applicable
 - Regional Community Economic Development funds from Federal and Provincial governments
 - Workers' savings
 - Credit Union micro loans and other community investment vehicles
 - Usual business funding – must build a sound business case, hard to get for BCCs and especially workers



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Meanwhile, in Quebec...

- “Repreneur d’entreprise” – related to “recuperation of firms” in Latin America
- Conseil québécois de la coopération et de la mutualité (CQCM) – publishes guides regarding the conversion of enterprises www.cqcm.coop/site/assets/files/1435/avantages_de_la_cooperation_pour_cedant.pdf
- MCE Conseils – a consulting firm acting, among other things, in support of cooperative entrepreneurship and affiliated with the Confédération des Syndicats Nationaux (CSN) labour union.
- Réseau de la coopération du travail du Québec (Réseau COOP)
- Coopérative de développement régional du Québec www.reseau.coop/
- Centre de transfert d’entreprise du Québec (CTEQ) www.ctequebec.com/
- Investissement Québec and the Caisse d’économie solidaire – indirect involvement, more financing solutions for conversions to co-ops



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6. Emerging partnerships with the Co-opConvert Project



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We continue to develop partnerships with the co-op sector, looking to this and future projects

- Co-operatives and Mutuals Canada (CMC)
- Canadian Worker Co-operative Federation (CWCF)
 - CWCF's Business Succession Committee
- Co-operatives First
- British Columbia Co-operative Association (BCCA)
- Alberta Community and Co-operative Association (ACCA)
- Ontario Co-operative Association (OCA)
- Atlantic Canada Opportunities Agency (ACOA)



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7. Expectations and Aims for the Future: Supporting the Co-op Sector, Encouraging BCCs



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To help develop mechanisms to bolster and consolidate Canada's BCC ecosystem

- To develop a BCC how-to and data and research repository website, housed at CMC and ceded to the co-op sector
- A national framework for conversions to coops (as in Spain, France, Italy, for eg.)
- An advantageous regulatory environment (taxation, formation, and transition rules) (as in Spain, France, Italy, for eg.)
- Promotion targeted to business owners
- Easier access to professional technical assistance (legal, accounting and development) (as in Italy, for eg.)
- Access to capital, assist with CWCF and CMC proposals to Federal Government for grants and soft loans (as with Italy's state/co-op sector model, for eg.).
- A strong federation/association or leadership centre for mutual support and aftercare of BCCs (as with Europe's co-op confederations, for eg., or US's new act including \$45 million to expand employee ownership centres)
- Access to ongoing business advisory and support services (Italy, France, for eg.)



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