

Co-operative Business Conversions

What is a co-operative conversion? It is when a business or organization chooses a co-operative model as its method of succession.

The main types of conversions are **1) worker co-operatives**, where the workers become the owners of the business so they both operate it as well as own it; **2) consumer co-operatives**, where the customers of a business purchase shares and then become member owners of a co-operative. This is often done to ensure that services or certain products continue to be available in their community; **3) producer co-operatives**, where producers join forces to process, market, and distribute the products they produce and in doing so, they bring down costs. The most common example is agriculture, but other examples include lumber, and crafts; and **4) multi-stakeholder co-operatives**, where there is more than one stakeholder group interested in forming the co-operative, e.g. the customers and the vendors at a local farmer's market may wish to form a co-operative together to purchase and to operate the market, or to purchase a building to operate the market in. These types of co-operatives meet the needs of multiple groups at the same time.

Conversion using the co-op model can:

- create, maintain and protect employment opportunities;
- support the community through local ownership and increase customer or client loyalty;
- in a worker co-op context, it can leverage skills and knowledge among staff to ensure business continuity;
- increase workforce loyalty and encourage empowerment, and lead to greater retention and effectiveness in the business.
- promote socio-economic equity, risk sharing, and customer loyalty, just to name a few.

However, according to the [Co-op Convert Project](#) report on [SME Succession and Conversion to Co-ops](#), only 14% of retired small business owners have a solid exit plan. This means that many of Canada's 1.2 million small and medium-sized enterprises (SMEs) are at risk of disappearing. Furthermore, although business succession through a co-operative model is a viable solution in any sector and any community, many stakeholders do not know or do not understand the co-operative model and therefore do not take it under consideration.

Recommendations

1. More active promotion of co-operatives through provincial government channels and agencies, including a broader information campaign to both retiring small business owners and potential young entrepreneurs, would be one effective way to ensure that business owners in Ontario are aware of the full array of succession possibilities open to them when putting together their exit plan.
2. More incentives, both financial and non-financial, should be made available to encourage businesses to use co-op conversion. It is valid in any industry and any setting, but it is particularly effective for those living in smaller, rural and remote areas in order to maintain and or increase the number of services and products available to residents in those communities.
3. More financial support to organizations such as OCA, CCO and Local Farm and Food Coop would help to make technical support around co-op conversions more accessible. Available support would make it easier for business owners to take on co-op conversions as a succession model.

Key figures

Among small business owners aged 45 and over:

- 48% want to retire within five years;
- 14% have a succession plan ; and
- 53% are familiar with succession issues.

Some small business owners are open to Co-op Conversion:

- 7% have already considered converting to a Co-op
- 17% consider it somewhat likely or probable to choose this option for the next generation
- 14% consider that converting to a Co-op has advantages

Examples in Ontario

[Moobeam co-op grocery store](#) A Northern Ontario grocery store that was bought back and saved by the community when there was no succession plan in place.

[Aron Theatre Co-operative](#) In 2009, the theatre in Campbellford, a small town in Northumberland County, was in danger of shutting down. The community came together to rescue it and they used a co-op model to do it. The Aron Theatre is now a thriving community co-operative and revitalized cultural hub.

Attawapiskat First Nation Currently, Impact ON is currently working with Attawapiskat First Nation to convert the Northern Store to a locally owned consumer co-operative. It is a way for the members of the community to gain control of what they consume and how the surplus income can be redistributed within the community to benefit everyone.