

# Saskatchewan Business Succession pilot program

The Regina Regional Opportunities Commission (RROC) and the Saskatoon Regional Economic Development Authority (SREDA) are partnering on a pilot project to facilitate successful business transition in Saskatchewan. This project is funded through the Ministry of Advanced Education, Employment and Labour.

The Saskatchewan Business Succession initiative will seek to provide a pool of qualified prospective buyers to Saskatchewan business owners looking to transition out of their business.

While buyers for the pilot will be recruited privately, RROC and SREDA are actively looking for Saskatchewan-based business owners looking to sell their businesses. By entering into the pilot project, businesses sellers will be provided a confidential channel to promote their opportunity. Once a buyer shows interest in a company, a formal introduction will be facilitated by the project team and private negotiations can begin.

The program is open to any Saskatchewan business owner looking to sell a company. Anyone interested in participating in the program is encouraged to contact the program partners:

## **Southern Saskatchewan**

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## **Saskatchewan Business Succession Pilot Questions and Answers**

### **Why is RROC involved in leading the pilot?**

RROC decided to get involved in promoting and facilitating business succession because of the profound impact it will have in shaping the future of the Saskatchewan economy. Studies indicate up to 2/3 of entrepreneurs plan to retire within the next 10 years (CFIB – 2006). Across Canada, and including Saskatchewan, there is no confidential method for many small businesses to list their businesses for sale as a going concern. In addition, there are likely to be many more sellers of businesses in the Province than buyers unless we can attract new buyers to the Province. This pilot program is designed to help connect buyers and sellers, and that we could help facilitate connections by providing a confidential mechanism to share information. We also wanted to run a pilot that dealt specifically with challenges faced by immigrant entrepreneur buyers as well as by First Nations and Metis buyers. Finally, it is our hope that by running the pilot we will make business succession top of mind for Saskatchewan business owners. We hope that business owners will start contemplating succession planning, and will seek out business professionals to assist them in ensuring their business can be prepared for successful transition when the time for retirement or a sale of the business arrives.

### **Do other provinces have a program like this in place?**

In our research we did not find any similar programs in other provinces.

### **What exactly will RROC do to facilitate business succession planning?**

RROC will act as a confidential liaison between business sellers and prospective buyers. RROC will gather information from sellers and pass it on to individual buyers for initial analysis. If a prospective buyer shows interest in a specific opportunity, RROC will pass along the expression of interest to the business seller, and facilitate a meeting between the two parties.

### **How will you know if the pilot is a success?**

The pilot seeks to connect willing business sellers with motivated buyers, so it will be a success if the process leads to serious negotiations between buyers and sellers. Selling a business is a complex process, so we can never guarantee that a deal will be made. However, by creating an environment where serious negotiations take place among interested parties, it will greatly enhance the likelihood of deals being completed.

### **How likely is this to become an ongoing program?**

The pilot program is being run to test the viability of having an independent third party acting as a confidential intermediary between buyers and sellers. If the process leads to extensive discussions between prospective buyers and sellers, then it could point to the need for an ongoing program. It may turn out that an ongoing program using the program's framework would be administered by a public or private organization that is not involved in the initial pilot.

## **Why is business succession planning important?**

Business succession planning is critical not only to business owners themselves, but to the

Saskatchewan economy as a whole. Succession planning is critical for business owners to ensure they can convert the value of their business into actual personal wealth when they are ready to exit the business. Business succession is critical for the Saskatchewan economy to ensure that successful businesses continue to operate and expand instead of simply closing operations and selling off assets.

## **How much will the pilot cost?**

The administration of the pilot is being funded by the Government of Saskatchewan through the Ministry of Advanced Education, Employment, and Labour. There is no cost to buyers and sellers to enter the program.

## **How are you choosing the seller audience?**

The program is open to any Saskatchewan business owner looking to sell his/her company.

## **Why are you choosing to focus on immigrant entrepreneurs, First Nations and Metis people?**

Immigrant entrepreneurs and aboriginal people are being used as the primary buyer pools for the pilot. The reason we are using immigrant entrepreneurs is because they are already pre-qualified by immigration prior to getting approval to immigrate to Canada. Also, immigrant buyers face unique challenges when trying to purchase businesses in Saskatchewan, so we felt the program could help better facilitate the process.

First Nations and Metis people are being included in the pilot as a buyer pool to ensure we are including Saskatchewan residents, and to continue to encourage entrepreneurship among aboriginal people. This group also faces unique challenges when looking to purchase a business, so we felt they would be another buyer pool that would benefit from being involved in the pilot. Since they are also Saskatchewan-based, findings with this buyer pool should help determine necessary conditions for creating a successful program for other Canadian buyers.

## **How can buyers or sellers get involved?**

Anyone interested in participating in the program is encouraged to contact the program partners:

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## **How important are small and medium sized businesses to the Saskatchewan economy?**

According to Industry Canada, there are currently 39,121 employer businesses in Saskatchewan. Approximately 15,062 of these businesses have between five and fifty employees (small to medium in size). The Canadian Federation of Independent Business estimates 6,025 business owners in this target segment are expecting to exit in the next five years and 10,694 are planning to exit in the next ten years. Using the median of each employee number category in the target segment, business transitions will impact approximately 94,500 employees over the next 5 years and 167,700 over the next ten years.

## **What have business sellers been doing in the past to transition their businesses?**

Proactive business sellers have been working on succession planning for a number of years, many with the help of financial professionals. However, there are a large number of business owners that did not prepare proper succession plans, and were forced to sell their business due to a distressing event.

## **Why is the process confidential?**

It is imperative to keep the information sharing process confidential to protect buyers and sellers.

Buyers may wish to remain confidential when evaluating opportunities because it could have an impact on existing business interests, or potential negotiations.

There are several reasons that a business owner would want to keep the sale process confidential, including:

- to ensure competitors cannot take advantage of his/her desire to sell,
- to ensure employees maintain performance,
- to ensure company partners and suppliers do not alter their business agreements,
- and to ensure customers carry-on business with the company.