



# Rural Ontario Foresight Papers

2017

Rural Business  
Succession

# Rural Business Succession: Innovation Opportunities to Revitalize Local Communities

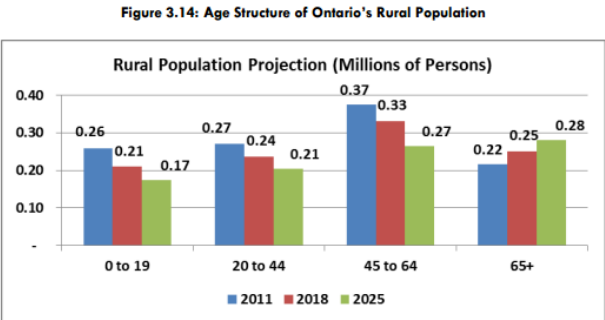
Paul Chamberlain

## Introduction

Business succession is an important issue for the future vitality of rural Ontario communities. According to the Canadian Federation of Independent Businesses (CFIB), “75% of Canadian business owners will exit their business before 2022” and that nationally, over the next decade, this could affect as many as two million jobs with more than a trillion dollars being transferred.

A 2015 letter to the then-new Minister for Small Business and Tourism, quoted below, eloquently highlights the need to pay attention to business succession.

“Dear Minister Chagger, congratulations on your new appointment! You are in charge of a very important portfolio. Small business is the backbone of our economy. According to Statistics Canada, 98% of all Canada’s businesses are small. They make up ...43% of our GDP. // Unfortunately, it’s a vulnerable backbone. Small business, ... is in serious trouble. Many of the owners of these businesses are a stone’s throw away (or closer) from retiring. Nearly 60% are over 50. // Already in small towns across the county we see the evidence of this problem. Many shops on Main Streets are closed or for sale—the previous owners waited too long, didn’t make their business sustainable, didn’t find a buyer, or just got tired and gave up” ([PROFITguide.com](http://PROFITguide.com))



Aging populations are a crisis for all of Canada but, as the above letter points out, what is a crisis in an urban centre is even more critical on rural main streets. Ontario’s “rural population is aging rapidly not only due to the declining birth rate but also due to an out-migration of youth between the ages of 20 and 30 years old” ([Moazzami](#)). A trend of population decline affects many parts of rural Ontario. Canada has “one of the lowest rural population among G8 countries.” Not surprisingly, where we see declining populations we also see corresponding declining local economies ([Caldwell](#)).

The closing of rural businesses and shrinking of rural economic centres is a significant challenge, but it has also led to the creation of many innovative approaches to rural succession that are based in local asset-based community economic development.

For those who wish to learn more about any of the strategies presented, a selection of relevant case studies to inspire replication is included throughout, as are recommendations for policy and practice that point the way to an enabling environment for rural business succession.

Business succession usually refers to the life of an individual business being continued when its owner retires. This paper postulates a broader place-based perspective that enterprise succession needs to focus on the continuation of the entire local business community. This approach includes the more traditional individual business succession, but it also adds starting new businesses or growing existing businesses. This community-based and community-wide framework provides the rationale for a broader approach to succession that includes newcomer and youth enterprise development, as well as the development of local food systems, food hubs, co-ops and social enterprises. Succession for a rural business community requires all of these approaches if the business life of that community is to continue.

The agriculture and resource sectors have traditionally been the backbone of rural and northern communities. This paper will focus on agriculture with the presumption that many of the strategies are adaptable to other sectors.

“Employment on farms and in food-related sectors (still) represents about 15% of total employment in Ontario’s non-metro census divisions” (ROI). Given that the family farm is central to the agricultural sector, succession planning based on the established concept of transferring family farms, usually from one generation to the next, is an important starting point. The paper then explores alternative approaches to succession that are based in agriculture and food production. Farm diversification, land trusts, local food movements and food hubs are included. Youth and newcomers are two specific population demographics critical to rural Ontario communities and both are included in the succession strategies presented. There are also innovative business structures that are being employed in rural communities: co-operatives are a proven alternative succession strategy for enterprises in many sectors, and social enterprise development is another significant new strategy supporting rural community development. A discussion of both business structures is included.

To summarize, the paper examines one significant industry sector, two specific target populations and two alternative business structures and thus provides a review of innovative business succession strategies that could inform broader multi-sectoral efforts. The examples and illustrations of innovation that the paper touches on reflect those that also link up with community benefit purposes since those principles are inherent in the perspective of the Community Economic Development Network and that the author is most familiar.

### Rural Business Succession

The authors of *The future of family farming: A literature review on innovative, sustainable and succession-oriented strategies* express their concern that research on the subjects of succession, innovation and sustainability is fragmented and that each topic remains in its own silo. They call for a multidisciplinary dialogue to bring these issues together. By taking a broad place-based perspective on the future of rural enterprise, this paper aims to play a part in stimulating that desired dialogue.

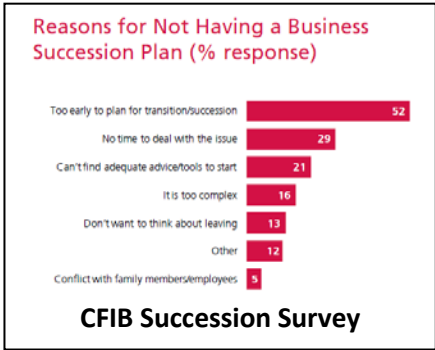
Australia’s Peter Kenyon, founder of the Bank of Ideas ([www.bankofideas.com.au/](http://www.bankofideas.com.au/)), proposes an asset-based community development approach to rural revitalization. He says that “the best way to predict the future is to create it — successful rural communities need to play a proactive role in their future.”

Kenyon’s message is that communities have the potential to create significant impacts themselves, rather than wait for politicians and policy makers, and the strategies and examples presented in this paper are ways in which communities can take on proactive roles to address rural Ontario’s burgeoning succession crisis. Supportive government policies and programs will stimulate this work, reduce obstacles and hence increase impact, but communities can begin the work themselves.

#### *The Family Farm: Succession, Diversification and Land Trusts*

“80% of all business owners would like to see their business stay in the family but 50% don’t expect that to actually happen” and only nine percent have a formal succession plan. The overall goal of family succession is similar for farmers but they fare better, with 19 percent having plans. However, only 40 percent say they have identified a successor (CFIB).

The current lack of planning and minimal success in implementing plans remains a significant issue for Ontario, despite the Ontario Ministry of Agriculture and Rural Affairs (OMAFRA) having had a business lead around succession planning and having published tools and guides for at least 13 years.



**Why 81% of family Farms have no Succession Plan**

- 50%+ Too soon
- 29% No time
- 21% No advice or tools
- 13% Too complex

**Fears:**

- 1 losing identity
- 2 loss of wealth
- 3 conflict

When it comes to succession planning and reasons why farmers have hesitated, more than half of farmers say it is too early — although they are less than a decade away from retirement — a third say they have no time and a fifth say they don't have adequate advice and tools, despite many being available through governments and farm organizations. However, when digging deeper, research shows that fear of losing their identity or control is the number one reason farmers do not engage in succession planning (Amy Petherick, Country Guide, 2014).

Keeping the farm in the family is an important option and one with complex challenges. To quote Concordia University research from Quebec, "succession planning is complicated because it involves matters of the heart and mind," it therefore requires innovative approaches that

can address the social and psychological barriers. For business as a whole, the current reality is that only 30 percent of family businesses successfully transfer from the first to second generation and that goes down to only 12 percent for the third generation (Dawson and others, Concordia).

Given these numbers and the challenges outlined, additional strategies and supports that address the complexity of the issues are clearly needed, along with financial incentives. In May 2016, a private members bill was introduced to provide tax incentives to support small business succession, Bill C 274 An Act to amend the Income Tax Act (transfer of small business or family farm or fishing corporation). Unfortunately, despite strong support from CFIB, the bill was recently defeated.

**On-Farm Diversification**

In looking at examples of successful young farmers (FCC video: www.fcc-fac.ca/en/ag-knowledge/inspiration/young-farmers-see-bright-future-in-agriculture.html), diversification is clearly a part of many of these stories and this usually includes on-farm diversification. This is a strategy for improving the economics of the farm and for maintaining agricultural land for agriculture-related work. It also fits within the context of general economic diversification which is so critical to rural economic development.

**On-farm diversified uses:** means uses that are secondary to the principal *agricultural* use of the property, and are limited in area. *On-farm diversified uses* include, but are not limited to, home occupations, home industries, *agri-tourism uses*, and uses that produce value-added agricultural products.

PPS, definitions

Farm Credit Canada explicitly discusses succession through diversification and highlights the fact that "Established farms sometimes head in different directions when the next generation becomes involved" (FCC). In fact, prior to any complete transition, it is often the younger generation that initiates and manages a diversification activity while their parents continue to manage the core farm activities.

To quote OMAFRA's website, "Prime agricultural areas are a finite resource. Ensuring many economic opportunities are available in our prime agricultural areas will help protect the resource while also strengthening the rural economy." The OMAFRA Guidelines on permitted uses clarifies what "allowable on-farm diversified uses" means and also provides several key examples. Haldimand County, looking to inspire increased on-farm diversification developed their own list of examples currently operating in Ontario.



**COUNTY OF HALDIMAND ON-FARM USES**

The County of Haldimand is currently exploring a number of options for on-farm uses, most currently operating in Ontario:

- On-farm bakeries, wineries, restaurants;
- Artisan factories for cheese/yoghurt;
- Resort ranches, heritage tours, on-farm festivals, mazes and farm vacations or bed & breakfasts;
- Community Supported Agriculture, delivery services, meals-on-the-go or frozen foods;
- Cooperative and specialty products such as wool, feeds, hay, pellets, wood products;
- Biomass facilities;
- Small abattoirs and exotic meats;
- Recreational use of private lands (swimming, hiking, skiing);
- Aquaculture;
- Corporate and wedding occasions.

Local municipalities are often key to facilitating or blocking on-farm diversification through their zoning, official plans and land-use approval processes. Ontario's 2014 *Rural*

*Roadmap: The Path Forward for Ontario* addressed rural planning challenges and called for “more flexibility for development in rural areas, permitting additional agriculture-related and diversified on-farm development that ranges from grain drying to agri-tourism” ([OMAFRA, 2015 update](#)).

The OMAFRA Guidelines are designed to make provincial policy clear for municipalities, planners and farmers and the [Ontario Federation of Agriculture](#) welcomes the Guidelines and strongly recommends their broad circulation and promotion. However, the [Ontario Farmland Trust \(OFT\)](#) cautions that some of the acceptable uses outlined have no real connection with agriculture and open the door to unacceptable industrial use.

The town of Caledon provides an example of a local municipality that has amended its official plan to specifically support “value-added agriculture, farm diversification, prevention of non-farm development and land uses, consumer education on the importance of local agriculture...” ([OFT](#)).

### ***Land Trusts***

Land trusts are private, non-governmental charities that permanently conserve land and other natural resources by acquiring and stewarding them. Farm trusts acquire farmland or place a conservation easement on it to keep it as farmland in perpetuity. This can be an important component of succession as “landowners can have a direct say in the future use of their land and be given the assurance that their farms will be protected from future housing developments, aggregate pits and quarries, dumps and other non-agricultural uses” ([Ontario Farmland Trust](#)). OFT has, to date, protected over 1300 acres on 13 farms. However, at this point, about half of urban development is built on former prime agricultural land ([Statistics Canada, 2005](#)) and *Ontario is losing prime farmland at a rate of 350 acres per day* ([OFT](#)). This means that a dramatic expansion of land trusts is needed as one component of rural succession, and farmland easement agreements need to be promoted ([OFT](#)). In addition to stronger provincial protection policies, local municipalities can be significant players in promoting and supporting protection of agricultural land and the development of land trusts.

### **Local Food Systems and Food Hubs**

Local food is not often directly referenced as a succession strategy. However, using a community-wide place-based approach, the economic benefits it provides — as well as the increasing youth engagement it promotes — means that it can reinforce a rural succession strategy.

A study by the **Canadian Co-operative Association** found that there were approximately 2,300 local food initiatives in Canada, with 24 umbrella organizations supporting and promoting these initiatives and over 200 co-operatives involved with local food. (CCA, 2009)

The Conference Board of Canada’s (CBOC) 2013 report *Cultivating Opportunities: Canada’s Growing Appetite for Local Food* reflects on the growing size and momentum of the local food systems and food hubs movement and its significant economic impact, and recommends strategies for further growth ([CBOC](#)). With 24 percent of Ontario food being sold in Ontario, this sector already represents an estimated \$8 billion GDP, employing some 187,000 people. Local farmers’ markets are one rapidly expanding manifestation of this movement and [2008 research](#) on the direct, indirect and induced economic impact of Ontario farmers’ markets estimated this to be about \$2.5 billion.

[Research out of Alberta](#) on farm direct-to-consumer sales indicates a 40 percent increase between 2008 and 2012. Ontario’s increase is similar and [Farmers’ Markets Ontario](#) now lists 179 markets. Direct farm-to-consumer sales include farmers’ markets, on-farm stores and stalls, U-pick, CSA and internet sales. US research quoted by the CBOC shows that revenue per unit through direct supply chains varies from equal to seven times as much as mainstream supply chains. This growth in local food is also linked to growing demands for organic food and it has a significant role in engaging young people with farming (see the section on Youth Entrepreneur Engagement on page 79).

The growing trends in local food also include the development of local food system approaches described by Nourishing Communities: "Food hubs are actual or virtual spaces through which food is collected and distributed to processors, retailers, restaurants, or other organizations. They can also provide space for other food-related activities including food preparation, handling and/or processing, education and skill-building and increasing food access." Their site features 17 Food Hub Case Studies from across Northern and Southern Ontario ([Nourishing Communities](#)). These innovative approaches supporting local food help to improve revenue margins and increase the potential sustainability of small to medium enterprise (SME) farms.

**Local Food Fund**  
This \$30 million Ontario fund launched in 2013 has leveraged \$100 million for 163 local food projects.

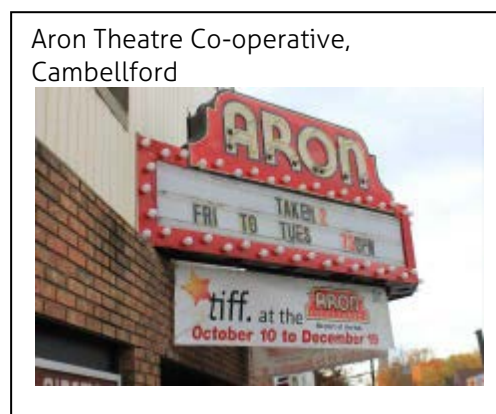
The Ontario government has recognized the economic impact of local food and developed a [local food strategy](#) with the [Local Food Act, 2013](#) as its centrepiece. The plan aims to increase the consumption of local food through consumer awareness and education, improve access to local food and ensure that there is sufficient supply to meet demand. [Foodland Ontario](#), the [Greenbelt Fund](#) and [OntarioFresh.ca](#) are three examples of provincial supports for local food. The province and Association of Municipalities Ontario (AMO) have also developed [Best practices in local food A guide for municipalities](#), an important tool to guide local government support for local food systems.

Co-operatives have been an integral part of all aspects of the local food movement, including production, processing, marketing and retail. In 2009, the Canadian Co-operative Association identified more than 200 local food co-ops and their [Working Together for Local Food](#) profiles eleven of them, four of which are in Ontario. It also highlights national, provincial and regional food co-op resources. There are also organizations such as the [Local Organic Food Co-ops Network](#) that have developed since then.

## Co-operatives and Employee Stock Ownership Plans (ESOP) for Retirement Succession

### *Co-ops*

For well over a decade the co-operative sector, both internationally and in Canada, has promoted co-operatives, and particularly worker co-ops, as an effective community-based strategy to address the coming crisis in business succession as baby boomer SME owners retire. In Canada the basis of this work has been Peter Hough's groundbreaking 2005 research report, [Succession Planning Using the Worker Co-op Option](#). This Canadian Worker Co-op Federation research used case study interviews to clearly outline the information and strategies to be considered in the decision making required to transfer ownership. It includes the roles and perspectives of the owners, managers and employees.



This comprehensive outline has been refined into [guides and fact sheets](#) for rural communities and is actively promoted by many provincial associations including the [Ontario Co-operative Association](#) and [Le Conseil de la coopération de l'Ontario](#) here in Ontario. With an estimated half million Canadian SME business owners expected to retire in the next 5 to 10 years, the co-op sector is actively promoting this model, with Quebec having the most established infrastructure. As described in recent Saskatchewan research, "the retirement succession campaign in Québec builds on three decades of successful worker co-operative development, and is promoted through a network of eleven state-funded but sector-managed regional development co-operatives." This research goes on to point out that the worker co-operative can help structure economic action in low-income communities ([Diamantopoulos & Bourgeois, 18](#)).

Although not developed specifically as a rural strategy, this co-op approach has been adopted in rural communities and the Saskatchewan research makes this potential role in rural revitalization explicit,

explaining that “co-operative succession plans can also help remedy the potential closure of key rural and remote community services on proprietor retirement; this tool can provide a vital prop to the revitalization of these strained communities” (24).

There is a long history of agriculturally based co-operatives in rural communities, including producers, marketing and purchasing co-ops. More recent examples of agriculture co-ops include local farms, greenhouses and food hubs. Beyond the agricultural sector, rural succession co-ops include solar energy, senior home care, community theatre and, in one Alberta example, Sangudo Opportunity Development Co-op was formed to find and finance a successor for a private meat packer.

Manitoba 2015 research provides US examples and compares case studies of two local transitions to worker co-ops: a yarn retail store and restaurant and catering business. In both cases, accessing capital was a barrier in the transition process. This same report highlights the fact that, despite there being more than 400 co-ops in the province, only six could be identified as having transitioned from a retail business to a worker or multi-stakeholder co-op in the past 20 years (Gould). Although there is not specific research to show it, based on the limited number of case studies available, this underutilization of the worker co-op succession model in Manitoba would seem to be true in Ontario and across most of the country.

The recent *Report on Business* article, “How the co-op model keeps businesses alive when boomers cash out,” quotes Russ Christianson, Ontario Co-op developer, on co-op possibilities as many thousands of SME business owners retire, “Even if we got a small percentage of [companies changing hands] going to co-operative ownership, that would still be a large number” (*Globe & Mail*). At this point it is a succession model that has not gained the momentum required if it is to provide the impacts needed in Ontario’s rural communities.

## Employee Stock Ownership Plans

In *Becoming Employee Owned: Options for business owners interested in engaging employees through ownership* (2014), the Democracy at Work Institute describes, compares and provides case studies for three primary business transition approaches to share ownership with employees: Worker co-operatives, Employee Stock Ownership Plans (ESOP), and Management buy-outs. It highlights the growth and stability advantages of employee-owned firms and describes the popularity of the ESOP in the US.



ESOPs — where employees can own a small percentage of the business but do not collectively have controlling interest — have long been used by corporations of all sizes, primarily as a strategy for employee engagement and retention. Two larger Canadian examples include Simpsons-Sears from the '60s and WestJet today. These ESOPs need to be distinguished from those that are about succession — with actual transition of ownership to employees having controlling interest.

In the US, regulations and related tax benefits are national, while in Canada ESOPs are regulated provincially. Despite provincial jurisdiction, there is a national Canadian Employee Ownership Association dedicated to promoting ESOPs. According to *Advantage Magazine*, “forty percent of companies on the 2011 Profit 200 list, which compiles the 200 fastest-growing companies in Canada, are composed of businesses with some form of employee share-ownership program.” It goes on to quote Sherman Kreiner, then the president and CEO of Crocus Investment Fund, from a 2001 meeting of Parliament’s Standing Committee on Finance, “Employee-owned companies with participative management outperform conventional companies with regard to productivity, sales growth, and employment growth... Employee ownership is an effective mechanism for intergenerational transfer of family-owned businesses, and it also ensures that decisions affecting local businesses are made locally” (*Advantage Magazine*).

The Canadian Chamber of Commerce strongly recommends that the federal government increase information and tax incentives to support business succession and ESOPs. It acknowledges BC’s ESOP

program but considers it inadequate. In 2014, Manitoba introduced an effective ESOP tax credit which is endorsed by the [Canadian Federation of Independent Business](#). Ontario had an Employee Ownership Program with tax credits for labour-sponsored employee ownership but unfortunately it was discontinued in 2005. Ironically, this was the same year that the Canadian Worker Co-operative Federation called for a pan-Canadian strategy to address the coming crisis in business successions ([Hough](#)). Currently, the federal government's [Canada Business](#) website provides advice on succession which includes the sale of a business to employees as one possible option. However, this online advice page is by no means the national strategy called for.

## Immigrant Enterprise for Rural Succession

Developing a strong immigration plan is an important component of the Government of [Ontario's policy](#) to address skills shortages and to create a strong Ontario economy. The [Community Immigrant Retention in Rural Ontario \(CIRRO\)](#) provides newcomer attraction and retention tools were designed to support "succession planning, skills attractions and business growth" for rural communities.

Now concluded, the REAP project researched immigrant entrepreneurship in agri-food. The REAP literature review clarifies that "the literature on IE's (immigrant enterprises) in rural areas and smaller communities is limited," however studies have highlighted the increased entrepreneurial depth IE's provide and the currently "unrealized pool of talent and experience" they represent ([REAP](#)). Studies have also posited that immigrant entrepreneurship is a form of societal inclusion because it increases interdependence and participation ([Eraydin et al in Caldwell](#)).

Immigrants usually prefer to settle where they have family and friends and economic and educational opportunities, which can be a challenge for smaller rural communities ([REAP](#)), as are "lack of public transportation, affordable housing and childcare ...(and) lack of settlement services" ([Passmore on RDI report](#)).

For immigrant entrepreneurs, challenges include: "language barriers, lack of start-up fund, lack of networks, discrimination, (their) own cultural restrictions," as well as their "motivation to become self-employed (choosing to be self-employed vs. being pushed into it as a result of labour market difficulties)" ([Chuong & Rashid](#)). These challenges were identified in a York Region study included in a review of the priorities of seven LIPs (Local Immigration Partnerships). It is worth noting that York was the only one of the seven LIPS to specifically include self-employment or entrepreneurship as a priority.

Is your  
community  
immigrant  
entrepreneur  
friendly?

Wise5  
Community  
Guide Checklist  
& Case studies

[REAP](#) concludes that, "attraction and retention is built on several key factors, most notably economic opportunities and acceptance and inclusion into the receiving community" ([REAP](#)). There are several rural Ontario municipalities that have been doing research and implementing strategies to attract immigrant entrepreneurs. An [ROI infographic](#) summarizes recommendations for newcomer engagement that builds social capital and the [WISE5 Winning Strategies for Immigrant Entrepreneurship in Five Communities \(Wayland\)](#) provides a checklist and case studies to guide effective policy and practice.

A number of rural counties are seeking to attract entrepreneurial immigrants. The Leeds & Grenville Immigration Strategy "suggest(s) that there is a sound interest among both skilled immigrants (including those interested in self-employment) and business immigrants to consider alternative living destinations to the large cities where they have landed upon arrival. ... 63% of business immigrants were interested in relocation." This strategy also highlights their needs. "Business immigrants,... primarily requested information support to help them identify and connect with business opportunities in the region that provide highest return on investment, as well as incentives programs to subsidize their investment" ([Leeds & Grenville](#))



Online portal in 7 languages  
includes Business Support &  
Resources



Looked at with the perspective of this paper's community-wide succession approach, immigrant enterprise business development and the development of any rural businesses by immigrants is integral to rural business succession whether they are purchasing a business from a retiring owner or developing a brand new business.

In 2016, the Conference Board of Canada hosted the first-ever conference on *Entrepreneur & Investor Immigration Summit 2016: Vision, Action, Prosperity* and the "Active Matters" session looked at "How can they leverage their options to attract business immigrants to smaller communities, and replace retiring Canadian business owners across the country?" Such mainstream focus on rural succession through immigrant entrepreneurs as part of business succession is to be commended and should be built upon.

The LIPs are not a complete solution and their terms of reference seldom include a focus on entrepreneurship. However, they do facilitate local place-based approaches to encourage and support newcomer settlement and this has opened the door to some effective practice that promotes and supports immigrant entrepreneurs. Based on the perspective of this paper, entrepreneurship should be integrated into every rural LIP.

While immigrant enterprise in rural communities goes far beyond the agri-food sector, REAP's research reports and tools provide significant information to further develop policy and practice in the agri-food sector. Many of these findings are transferable to other sectors for which similar rural research is recommended.

A 2005 Manitoba Rural Development Institute paper provides an extensive list of rural immigration challenges with recommended policy and program responses. The paper concludes with advice that provides an important perspective on rural immigration. "While many rural communities are looking to immigration as a means to stimulate economic development and increase population, immigration is not a panacea for the challenges they face. At best, immigration may serve as an important facet of well-conceived community/regional development strategies, but only when stakeholders are fully aware of and prepared to meet both opportunities and challenges with equal enthusiasm" (*Silvius and Annis*).

## Youth Entrepreneur Engagement

As the *Strengthening Rural Canada* paper makes clear, youth out-migration, particularly of 20–30 year olds, is significantly exacerbating the rural population decline based on birth rates and aging. Out-migration is highest in the 25–29 age group but then drops dramatically above age 30 and particularly above age 40. This drop is a positive indication that that, once well established in rural communities, families are staying. Despite this, current projected rural populations for all age groups other than seniors are expected to decline and that decline is sharpest in the prime earning years (45–64) (*Moazzami*). In addition, the average age of Canadian farmers is 52. This is 13 years older than the workforce average (*FCC video*: <https://www.fcc-fac.ca/en/ag-knowledge/inspiration/young-farmers-see-bright-future-in-agriculture.html>).

Strategies to keep youth in rural communities and to attract new youth include many of the entrepreneurship initiatives already discussed: family farm succession, on-farm diversification, local food and food hubs as well as immigrant entrepreneurship.

Approaches to keep youth in rural communities and to attract new youth are critical to the vitality of rural communities, and both the federal and provincial governments have initiatives that help with this goal. Both levels of government integrate youth entrepreneurship as a subset of broader employment strategies, though few are specifically geared to rural communities. The federal *Youth Employment Strategy* includes Skills Link, Career Focus and Summer Work Experience, yet only Skills Link specifically mentions rural. Ontario's Youth Jobs Strategy includes Youth Job Link and Youth Job Connection and Youth Employment Fund, a 4–6 month placement that does reference rural. The Youth Entrepreneurship Fund and Youth Innovation Fund include programs to support entrepreneurship through both high school curricula and college-level coaching and include the Summer Company, a program of the government of Ontario that helps young people between the ages of 15–29 to start and run their own summer business by providing

funding, advice and services. Information on the Government of Ontario's support for rural youth entrepreneurship is brought together in *Rural Roadmap: The Path Forward for Ontario* but that report would not speak to any new programs over the last few years

Initiatives such as 4H clubs have been engaging rural youth in agriculture for generations and anecdotally these are still considered successful. ROI's Build Leadership and Youth Engagement Showcase are more recent initiatives. Many youth move away to go to post-secondary education but evidence shows, if the interests and passions of youth are engaged in communities prior to leaving for school they are more likely to return. A recent ROMA conference session, presented by the Rural Ontario Institute, on "Counteracting Youth Out-Migration" made this point by asking two of the Youth Engagement Showcase nominees to speak about their involvement in their rural or northern Ontario communities.

Peter Kenyon who describes Australia's *Are your MAD?* (Making A Difference) program also makes clear that "one of the key characteristics of rural revitalization is an inclusive youth leadership growth strategy to make them part of the solution" (FCC - Kenyon: <https://www.fcc-fac.ca/en/ag-knowledge/inspiration/community-development-and-rural-renewal-with-peter-kenyon.html>).

Research emphasizes the importance of taking a holistic approach to youth entrepreneurship that integrates other strategic components such as youth recreation and employment opportunities. A few specific strategies that have proven successful include providing opportunities to really listen to youth, engaging them on local committees and establishing peer youth awards. A Nebraska organization that provides *20 Clues to Rural Community Survival* includes, "Deliberate Transition of Power to a Younger Generation of Leaders, People under 40 regularly hold key positions in civic and business affairs."

FarmStart was an innovative Ontario program that supported the development of young and new Canadian farming entrepreneurs for 10 years. Unfortunately, funding for this program has been discontinued. Coming out of this work, "the creation of a Farm Renewal and Business Development Pillar in the next Agricultural Policy Framework" is recommended to support the farming challenges facing rural communities.

A northeastern Ontario study shares several proven Youth Attraction and Retention Strategies that include being proactive and intentional, using an asset-based approach, being youth-led, branding the community as pro-youth and involving youth that have stayed or returned. The importance of setting specific goals and promoting local entrepreneurship are also emphasized (Robichaud).

Outside of farm succession, rural youth entrepreneurship is not often specifically associated with rural business succession. BC's Project Comeback provides some exceptions and presents a model worth sharing. This project worked in six rural communities to "identify, build and share community-based knowledge and evidence about innovative strategies that enable youth to stay in or move back to their rural hometowns." Within the many strategies identified, entrepreneurship was often included, sometimes with a specific focus on women, First Nations, mentorship or social enterprise (BC Rural Network and others).

In most rural communities, Community Futures Development Corporations (CFDCs) play a critical role in entrepreneurial development and most have programs or services specifically geared towards youth, a few examples include Cornwall's Be the Boss program, the Northern Ontario Youth Enterprise Camps or PELA's Empowering Young Entrepreneurs.

Understanding the Realities: Interim report of the Expert Panel on Youth Employment, 2016 shows that Ontario youth unemployment rate is 10.6 percent, over twice the rate for 30–64 year olds and highlights that "while entrepreneurship is only a small part of the employment equation, it can have a big impact." This report also points to transportation as a major barrier that needs to be addressed for rural youth. For entrepreneurs this specifically means "limited access to innovative programs like incubators and accelerators that exist in urban areas." The report also recognizes social enterprises as "innovating to bring young people and employers together in small towns through mentorship and project-based employment".

## Social Enterprise: Business Innovation for Community Benefit

Social enterprise (SE) is a term developed in the 80s for organizations selling goods or services in the market to effect social impacts, something that has been happening without a specific name for centuries. SE has no universally accepted definition. For the Government of Ontario, "social enterprises use business strategies to achieve a social or environmental impact. While generating revenues from the sale of goods and services, social enterprises also expressly intend to create positive outcomes...." The federal government is more specific about what happens to profits and adds that "the social enterprise can be for-profit or not-for-profit but the majority of net profits must be directed to a social objective with limited distribution to shareholders and owners." Both of these definitions include a host of organizations, some of which have been part of rural Ontario communities for generations; key examples include farmers' markets, thrift shops, community theatres, museums and heritage sites. Similarly, Ag. Societies and Fair Boards across Ontario conduct money-making activities and direct the revenues to agricultural education and awareness.

As the concept of SEs has developed, so has their diversity and innovation. SEs include non-profit organizations seeking to diversify revenue or seeking to support their marginalized clients through training or employment, they also include individual social entrepreneurs developing a for-profit business with a social or environmental mission. Ontario-wide research from 2015 shows that, as a sector, SEs generate an estimated \$2 billion in annual sales and employ some 58,000 people. Approximately \$0.6 billion of these sales and 10,000 of these employees would be in rural Ontario communities (Chamberlain and others).

Social enterprise intersects with much of what has been discussed in this paper, including youth entrepreneurship, food systems and co-ops. As highlighted in the Rural Roadmap, the Rural Social Enterprise Constellation (RSEC) was a partnership that supported and reported on the roles of local, regional and provincial intermediaries that develop rural social enterprise. Examples of the diverse types of non-profit organizations currently providing these intermediary supports included a CFDC, a United Way, a housing organization, a women's self-employment program and local networks (Lang & Ferguson).

SEs are also being developed and run by municipal governments and First Nations. As with non-profit organizations, SEs often enable municipalities to earn revenue while supporting employment and maintaining cultural, social or environmental assets. A forthcoming PhD dissertation with an in-depth literature review entitled, *Literature Review, Rural Municipalities as Intermediaries in Social Enterprise Development: The Role of Place-Based Public Policy* highlights the fact that "Ontario municipalities are operating diverse social enterprises that include: museum shops, community halls and arenas, art galleries, public transit, festival heritage days, solar & renewable energy, library enterprises, a ski hill & ski school, a community radio station, humane societies/ shelters, gravel & road services, seniors & assisted housing, a recycling plant, community gardens, a youth centre with numerous enterprises, and an environmental assessment firm." In addition, it describes how "rural municipalities are also supporting non-profit social enterprises by providing free or low-priced space leasing, entering into co-ownership of buildings, sitting on committees, providing volunteers, facilitating accessible housing, grants, and enacting by-law revisions to support organizations like Habitat for Humanity; waiving water, sewer, water hook-up fees."



This literature review has shown that the "intersections of place-based policy and social enterprise development in rural Ontario municipalities" are plentiful and potentially powerful. It concludes with the reflection that there is currently little rural-focused social enterprise research in Canada and that, given the potential for significant economic and social benefit for rural communities, this research and the resultant policy development is much needed (Ferguson, Mary).

This literature review has shown that the "intersections of place-based policy and social enterprise development in rural Ontario municipalities" are plentiful and potentially powerful. It concludes with the reflection that there is currently little rural-focused social enterprise research in Canada and that, given the potential for significant economic and social benefit for rural communities, this research and the resultant policy development is much needed (Ferguson, Mary).

The province of Ontario's new Social Enterprise Strategy 2016-2021 will expand the range of resources for social enterprise. To date, access for many rural communities remains a challenge and unfortunately the strategy does not provide much in the way of targeted support for the intermediary organizations

identified as so essential by RSEC. The strategy is planning to support social enterprise capacity building through four regional ONE partnerships. At this point many ONE's do not have the expertise to support rural social enterprise development but this is something that should improve as these regional partnerships develop.

## Missing Pieces, Connecting Fragments and Moving Forward

The forgoing brief overview of several innovative rural community-based succession approaches has, due to space limitations, omitted several industrial sectors that are significant to rural community-based business succession. These missing enterprise sectors include, manufacturing, energy, arts, tourism and the knowledge sector, including IT and, of course, the resource sector. Some have been omitted altogether and some have been fleetingly referenced through one of the linked case studies. Tourism is explored through *The Visitor Economy and Rural Cultural Amenities* (page 113) another of these *Foresight Papers*.

This paper has also not addressed the implications of the fastest growing Canadian population, Indigenous peoples. Ontario has the highest number of Indigenous people in the country and, as advocated by CRRF in their *State of Rural Canada, 2015*, "(r)ural development in Canada must address the needs of the Aboriginal People of this country and embrace them as full partners in rural development, particularly as it relates to the development of the natural resources sector" (Lauzon and others).

Despite these omissions, the paper has demonstrated that beyond the continuation of individual businesses, effective rural business succession will focus on ensuring the continuation or revitalization of rural business communities. The array of place-based approaches link succession, innovation and sustainability together. The sections, having been organized around several different principles — an industrial sector, agri-food, two business structures, co-operatives and social enterprises, and two target populations — immigrants and youth, overlap and interconnect. Many rural immigrant entrepreneurs are young entrepreneurs. By definition, family farm succession involves young entrepreneurs. But young entrepreneurs are also a significant part of on-farm diversification, local food systems, food hubs, co-operatives and social enterprises. Many co-operatives are engaged in the agri-food sector and many would also be considered to be social enterprise. The areas of overlap and interconnection are numerous.

The succession strategies profiled here are asset-based community development approaches. Although Australia's Bank of Ideas has been referenced several times, here in Ontario, the Tamarack institute's Vibrant Communities program utilizes a similar approach. Although most of Tamarack's work is broader than rural communities, they do share a number of resources specifically designed for small and rural communities.

Family farms and agri-food remain hugely important for rural communities and innovative diversification approaches are taking advantage of current food trends to create growth in a number of communities. Youth and newcomers are key to population stabilization and enterprise development and communities that have focused welcoming and engagement strategies are having an impact. Co-operatives and social enterprises are two forms of business development particularly suited to community-based business succession.

A number of relevant case studies and tools have been shared with the aim of supporting practice and inspiring adaptation and replication. While it is helpful to learn from the successes in other communities, ultimately a place or community-based approach acknowledges that the solutions to the succession crisis in rural communities will be developed in and grown by those communities. Each section has pointed the way to enabling policy and practice. The policy and program directions called for here should be supported and implemented but they alone are not sufficient. In enabling communities with appropriate tools and resources, governments and policy makers will make this work easier and more impactful. But communities do not need to wait, indeed many are not waiting, they are leading the way, working to mobilize their own assets for business succession and creating strategies together to solve the crisis in their own communities.

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# NORTHERN PERSPECTIVES

## Rural Business Succession: Innovation Opportunities for Local Communities

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*Charles Cirtwill & Emma Helfand-Green<sup>4</sup>*

Business succession planning is critical in an area like northern Ontario that — like many other rural communities — is experiencing a combination of both population aging and decline.

In his paper, Chamberlain pays specific attention to business succession with regards to farming. Therefore, a quick note on the agricultural sector in the northern part of the province is warranted. According to the 2016 Census of Agriculture, the total number of farms operating in northern Ontario (across the north's 11 districts) decreased from 2,261 in 2011 to 1,985 in 2016. Furthermore, the average age of farm operators in northern Ontario in 2016 was 54.7 years, up from 54.3 in 2011 and there were only 270 farmers under the age of 35.

Interestingly, the average age of farmers in northern Ontario is actually slightly below that of southern Ontario (54.7 years compared to 55.9 in 2016). Nonetheless, with many of the current farm operators in northern Ontario approaching retirement age, the need for succession planning is apparent. This is especially relevant given the fact that many in the north see agriculture as an important economic opportunity for the future of the region, as more and more farmers from southern Ontario move their operations north to take advantage of government grants and to access property at a more affordable rate (White, 2017).

More generally, succession planning is key for northern Ontario, and unfortunately major gaps still remain. A 2015 study by the Sudbury Chamber of Commerce found that 51 percent of business owners surveyed had no succession plan in place. The top reasons cited for not having a succession plan in place were: no one to take over, no buyers, not interested/no need, uncertainty over future or too early. The report also found that around 80 percent of businesses without a succession plan end up shutting their doors — a troubling figure. Unfortunately, this report focused on an urban centre and data was unavailable for rural areas. Nonetheless, the results demonstrate that this issue is a real problem facing communities in the north.

As Chamberlain proposes, immigrant entrepreneurs offer an important response to the gap left by retiring business owners in northern Ontario. A report by the Far Northeast Training Board interviewed 55 immigrant business owners in northeastern Ontario (Curry, 2017). As author Don Curry explains, “the immigration of newcomer business owners represents a new flow of entrepreneurs to maintain the regions vitality.” One of the recommendations stemming from this report was that communities in northeastern Ontario “become more involved in business succession planning. This could include developing a framework for the activities of EDOs [economic development officers] in relation to recruiting new business owners” (Curry, 2017). This demonstrates that many communities, both rural and urban, are beginning to consider the important role that newcomers can play in succession planning.

For northern Ontario, rather than focusing only on international newcomers, communities can and should consider the role that newcomers from other communities within Ontario, or those from other provinces in Canada, can play in business succession planning. There are many opportunities to attract new residents, especially those in larger urban areas looking for a different type of lifestyle and more affordable housing.

Another interesting consideration, especially relevant in northern Ontario, is the role that the Indigenous

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<sup>4</sup> The authors gratefully acknowledge the contributions to this piece made by James Barsby.

population can play in filling positions vacated by retirements. Unlike the general population, the Indigenous population in the northern part of the province is growing and will represent an important contribution to the future labour force. A series of reports by Moazzami and Cuddy highlight that the Indigenous population as a share of total population is projected to increase in all eleven districts in northern Ontario (Table 1). The region has already seen a rise of Indigenous entrepreneurship with a number of highly successful operations opening up across the region. There may be opportunities for this population to play a role in purchasing and running existing businesses, representing an innovative approach to business succession planning.

**Table 1: Projections of the Indigenous population’s share of the working-age population (aged 20–64) as a percent of total.** (Sources: Moazzami & Cuddy, Human Capital Series reports, Thunder Bay: Northern Policy Institute)

	<b>2013</b>	<b>2041</b>
Greater Sudbury	8.1	10.6
Algoma	15.8	23.9
Kenora	28.8	43.5
Rainy River	23.4	46.8
Manitoulin	40.3	62.1
Nipissing	10.4	12.9
Thunder Bay	11.0	19.3
Cochrane	11.2	20.6
Timiskaming	4.9	7.2
Parry Sound	5.9	7.3
Sudbury	15.1	24.6

Finally, there have been some unique innovations for business succession planning implemented in northern Ontario through the post-secondary education system. The Northern Ontario School of Medicine in Sudbury and Thunder Bay, and the Bora Laskin Faculty of Law through Lakehead University in Thunder Bay have developed unique curriculums and placement programs to help keep graduates in northern districts. The programs also have specialization areas that further facilitate northern experiences, such as offering a focus on Indigenous, environmental and small practice. The two programs were created to address shortages of doctors and lawyers in northern Ontario, and to ensure that new professionals filling these roles have the right skills, experience and support systems to practice in a northern context. Northern College has also implemented similar programs, such as the announcement of a new Emergency Medical Services complex that merges educational areas with community-responder space. The merging of student and practitioner spaces enables students to gain hands-on learning experiences which may help with succession down the road. These unique programs are a few of the ways that communities in northern Ontario are addressing upcoming skills shortages and conducting business succession planning.

Overall, the solutions proposed by Chamberlain have all been implemented in communities across northern Ontario and highlight the fact that a combination of strategies is important to address this looming reality. Considering the role of a broad definition of newcomers — including international immigrants, those from within Canada and Ontario, and the role that the growing Indigenous population might play, will be important for rural business succession planning in the region.

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