

Succession Tsunami

Preparing for a decade
of small business
transitions in Canada



SUCCESSION
MATCHING



CANADIAN FEDERATION
OF INDEPENDENT BUSINESS™

Contents

| | |
|--------------------------------|----|
| Highlights | 2 |
| Introduction | 3 |
| Exit Timelines | 3 |
| Reasons for Exiting | 6 |
| Exit Approach | 7 |
| Succession Planning | 9 |
| Succession Barriers | 12 |
| Conclusion and Recommendations | 14 |

CFIB would like to thank SuccessionMatching for sponsoring this report. SuccessionMatching is a two-sided marketplace that uses a unique algorithm to match business owners looking to sell with entrepreneurs looking to buy.

About the Authors



Laure Anna Bomal
Research Analyst



Marvin Cruz
Director of Research



Corinne Pohlmann
Senior Vice-
President of
National Affairs

Highlights



76% of Canada's business owners plan to exit their business within the next decade — meaning that over \$2 trillion worth of business assets could change hands during this period.



Only 1 in 10 business owners (9%) have a formal business succession plan in place to ensure a smooth transition.



39% of owner's have changed their business exit date because of the COVID-19 pandemic — with about 17% accelerating their timeline, and 22% delaying it.



Most owners (75%) will leave their business for retirement, while a smaller share will leave because of stress (22%) or to step back from their responsibilities as owners (21%).



Finding a suitable buyer is the most common obstacle to succession planning (54%), followed closely by business valuation (43%) and the reliance on the owner for day-to-day operations (39%).



Just under half of owners (49%) will exit their business by selling to an unrelated buyer(s), while 24% will sell to a family member and 23% to their employees.

Introduction

Maximizing succession planning involves the safe and orderly transfer of assets and is critical for the wellbeing of the owner(s), the business itself, and Canada’s economy. This is particularly relevant with Canada’s aging population and the ongoing retirement of baby boomers. Poorly managed ownership transitions may result in business owners making a premature sale (thus not receiving the full value of their business), bankruptcies, closures, a lack of services in the communities where the business is situated, job losses, reduced productivity, and a destabilized economy. This report is part of CFIB’s effort to provide information on business succession and help small- and medium-sized businesses (SMEs) better plan their exit strategy. To learn about the perspectives of small-and-medium sized businesses on succession planning, CFIB conducted a national survey of business owners between June and August 2022 (See *Appendix* for copy of survey).¹

Exit timelines

Our latest findings show 76% of owners plan to leave their business within the next 10 years – 15% within 12 months, 41% within 1 to 5 years, and 20% within 6 to 10 years (See Figure 1). This data suggests the business landscape is poised for a dramatic shift as many businesses are expected to be transferred to a new generation of owners – potentially worth as much as \$2 trillion in assets over the next decade.^{2,3}

Figure 1

Expected business exit date (% response)



Compared to CFIB’s last report on business succession in 2018, the share of business owners planning to exit their business within the next decade has increased from 72% to 76% (see Figure 2).⁴ Further, the amount of business assets at stake has also increased by 33% from \$1.5 trillion in 2018. While this shift in ownership may bring new opportunities, it also brings challenges for business owners. It is essential that owners manage their exit well, as the impacts on jobs and Canada’s economy may be huge otherwise.

¹ The CFIB Business Succession Planning survey was conducted online June 27 - August 17, 2022 and is based on a sample of 2,479 small business owners from Canada. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-2.0%, 19 times out of 20.

² CFIB calculation based on Statistics Canada data: the share of owners exiting their business in the next 10 years (76%) multiplied by the total assets for incorporated SMEs (almost \$2.8 trillion), totaling \$2.1 trillion. To simplify, “over \$2 trillion” is used as a ballpark estimate.

Source: Statistics Canada, Industrial Organisation and Finance Division, 2020. Special tabulation includes assets for incorporated SMEs with assets up to \$25 million.

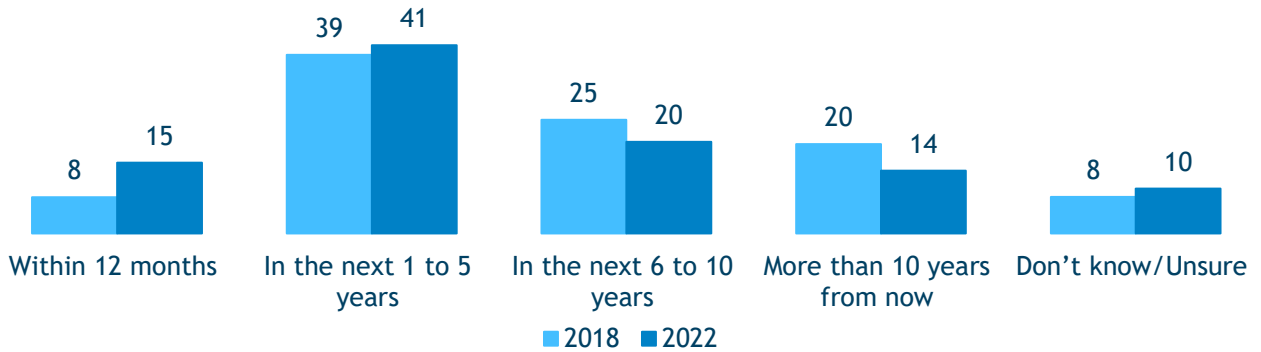
³ The main reason explaining this change is the higher rate of business owners planning to exit within the next ten years in 2022 compared to 2018. The change in the estimate of total business assets from 2018 to 2022 may be due to a number of reasons including economic growth/decline, inflation, mergers and acquisitions activity, industry reclassifications and revisions to the data.

⁴ Cruz, Marvin, *Getting the Transition Right*. CFIB, 2018.

Small businesses are the backbone of the economy and as the pandemic recedes, the government must remain focused on spurring recovery by supporting owners as they exit their businesses and encouraging the next generation of entrepreneurs.

Figure 2

Expected business exit date, by year, 2018 and 2022 (% response)

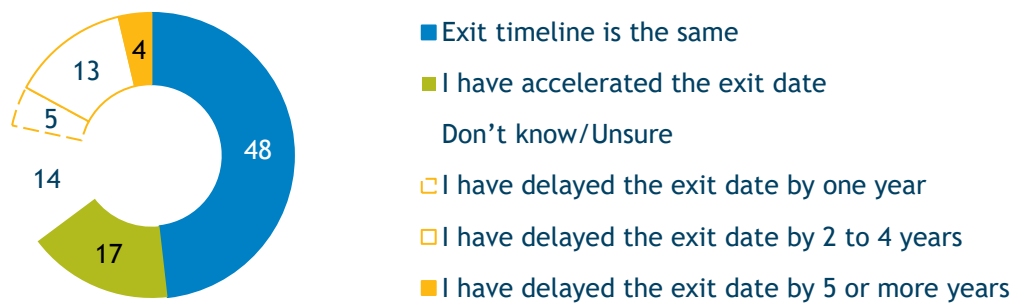


Exit timeline – The impact of COVID-19

The COVID-19 pandemic has taken a heavy toll on the global economy, deeply affecting Canada’s small businesses. While some businesses may have been more impacted than others, at the time of this report 56% of businesses are still making less than normal revenues, 64% are still holding pandemic debt and 77% are still under pandemic stress.⁵ Given these impacts, it’s no surprise that the pandemic has also affected owners’ expected business exit timeline. The latest data shows 4 in 10 owners have changed their exit date: about 17% have accelerated their timeline, while 22% have delayed it by at least one year (see Figure 3).

Figure 3

Effect of COVID-19 on exit timeline (% response)



An analysis of the comments provided by business owners indicates that when their exit timeline was accelerated, this was primarily due to overwhelming stress, changing customer expectations, supply chain disruptions and staffing issues. On the other hand, owners who delayed their exit were influenced by the accumulation of pandemic debt, lower than normal sales, or business growth (e.g., higher sales or potential expansion) and owners wanting to keep their business longer to reap the benefits (see Table 1).

⁵ CFIB’s Small Business Recovery Dashboard. As of September 26, 2022. <https://initiative.cfib-fcei.ca/dashboard/>

Table 1

What we heard: top impacts from COVID-19 leading business owners to change their exit date

| Delayed Exit Date | Accelerated Exit Date |
|--|---|
| <p>Business debt incurred</p> <p><i>“Business made much less profit due to closures, had to borrow money instead of paying down debt, profit was less which devalues the business in the short term. Must wait until sales bounce back to get the sale price we could have pre-covid.”</i></p> <p>–Hospitality Business Owner, Manitoba</p> | <p>Overwhelming stress</p> <p><i>“The pressures of existing during COVID and the stress of being very busy with limited staff since COVID have created ‘burnout’ in the key employees. It’s time to go.”</i></p> <p>–Hospitality Business Owner, Ontario</p> |
| <p>Poor sales or less than normal revenues</p> <p><i>“During COVID our sales dropped to average less than 35% of our pre-COVID sales. We would like to bring our business back to pre-COVID numbers before we sell. Could take some time because of the economy since COVID.”</i></p> <p>–Personal Services Business Owner, Alberta</p> | <p>Supply chain disruptions and rising costs</p> <p><i>“With the rising costs of products, and the lack of availability it’s harder to turn a profit without gouging my customers which I don’t want to do. I’m feeling more stressed and burnt out at the end of the day and would like to spend more time with my family.”</i></p> <p>–Personal Services Business Owner, Nova Scotia</p> |
| <p>Business growth</p> <p><i>“More profitable than ever, so extracting what I can towards equity.”</i></p> <p>–Retail Business Owner, Ontario</p> | <p>Customer expectations</p> <p><i>“Customers are getting more and more unreasonable. With the stress of the last two years due to supply chain, customer, and staffing issues, I’m burned out.”</i></p> <p>–Retail Business Owner, Ontario</p> |
| <p>Uncertainty</p> <p><i>“Business is worth considerably less and potential buyer we were in talks with wants to wait due to uncertainty in Canadian market, supply chain, and political uncertainty.”</i></p> <p>–Personal Services Business Owner, Alberta</p> | <p>Staffing issues</p> <p><i>“The impacts of the pandemic had a direct effect on labour shortages, which required much more management and generated more stress during a period of expansion/growth. The plan to sell/retire is inevitably accelerated if this trend continues in the long run.”</i></p> <p>–Professional Services Business Owner, Quebec</p> |

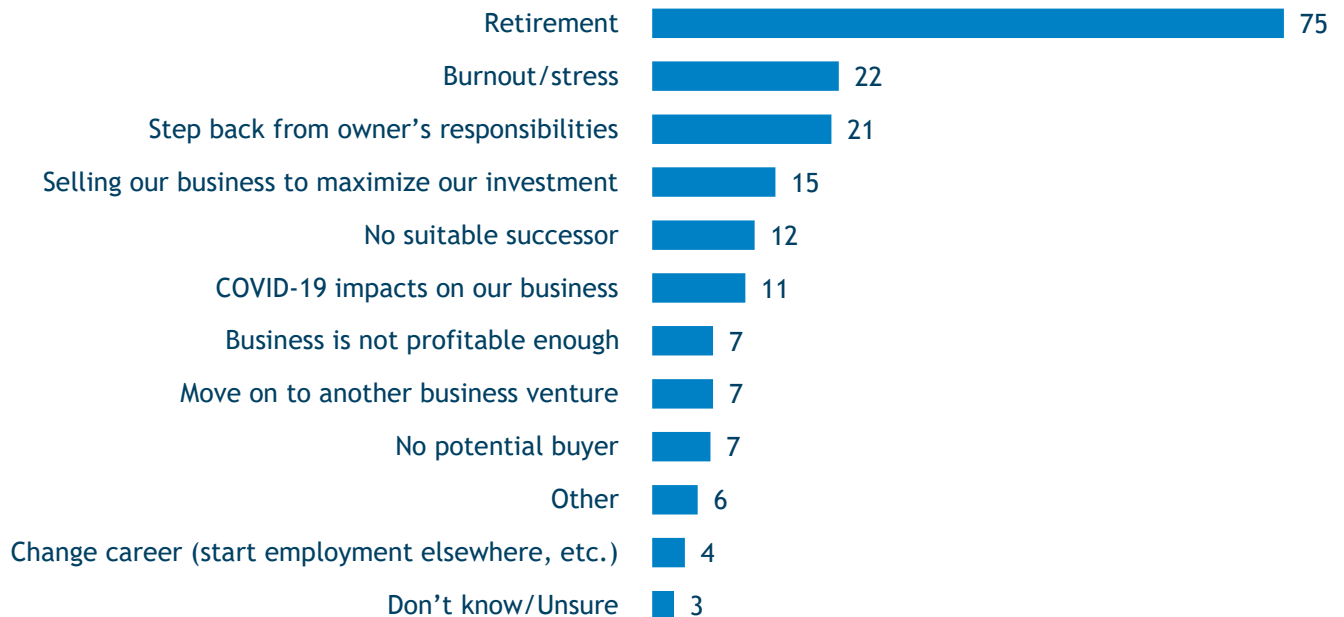
Reasons for exiting

The main reason for owners exiting their business, by far, is retirement (75%) – business owners under the age of 50 are less likely to exit due to retirement (55%) as they have more years of working life ahead of them. Another 21% of owners want to step back from their responsibilities and 22% will exit because of burnout or stress likely worsened by the challenges many faced during the COVID-19 pandemic (see Figure 4). Further, only 7% of business owners plan on moving to another business venture, but this reason is mostly shared by those under the age of 50 (18%).

Given business owners tend to rely significantly on the sale of their business as a source of retirement income, any obstacles encountered by owners looking to sell a business may not only be problematic to the business itself but to the wellbeing of the owner and their family.⁶

Figure 4

Reasons for exiting (% response)



⁶ Cruz, Marvin, Getting the Transition Right. CFIB, 2018.

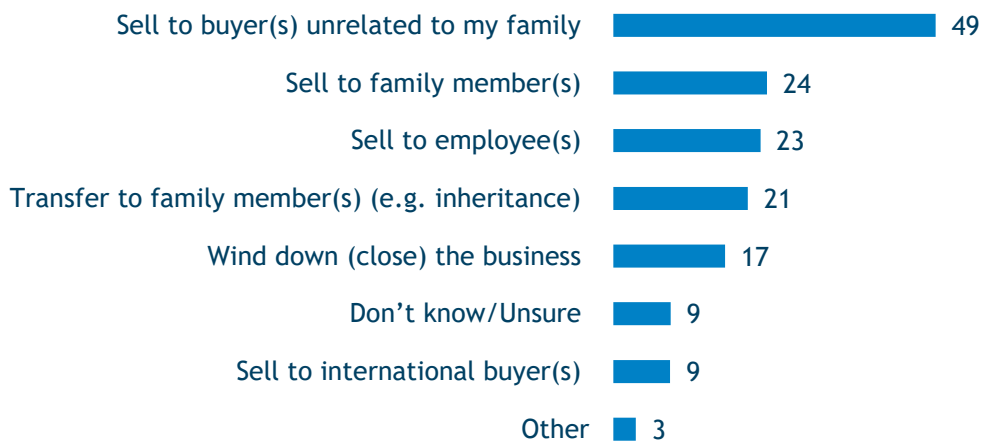
Exit approach

Method of exiting

When it comes to how business owners intend to exit their business, the most common approach is to sell their business to buyer(s) unrelated to their family (49%) (see Figure 5). About a quarter (24%) plan to sell to family member(s), while 23% and 21%, respectively, will sell to employee(s) or transfer to family member(s).

Figure 5

Method of exiting (% response)



To ensure business owners successfully accomplish their transition, it is essential they have the necessary tools and resources at their disposal. For example, those selling to an outside buyer will need help finding potential buyers. With regards to family transfers, it is more important than ever that government policy encourages and supports the successful transfer and sale of small businesses. In past years, tax laws discouraged business owners from selling their business to a family member as it was more advantageous from a tax perspective to sell to an unrelated third party. But as of June 2021, an amendment to the Income Tax Act (Bill C-208) provides a uniform tax treatment whether a business is sold to a family member or an unrelated third party. The federal government has indicated it will make amendments to this Bill. To make it easier to sell a business within a family, government should continue to honour the spirit of Bill C-208 should any amendments be introduced.

“I am selling to my son and can’t believe that I am penalized (taxed more) than if I would have sold to an unrelated party. Plus, I would have sold at a higher price. So, selling to my son at a lesser value, then being taxed and ending up with less money for my retirement.”

**-Wholesale Business Owner,
Quebec**

Regarding selling to employees, a policy tool that has proven to encourage and facilitate employee ownership in the U.S. and the U.K. is the employee ownership trust. Traditionally, these trusts are designed in such a way that employees do not pay out of pocket upfront; instead, a trust is formed to secure a loan to purchase the company’s shares on behalf of the employees. This structure allows the owners to sell their business for full market value and be repaid out of company profits over time. In the U.S. such trusts have been in place for 45 years resulting in nearly 14 million American workers holding over \$1.6 trillion (USD) in total business assets.⁷ Further, the U.K. has seen rapid growth in number of employee ownership trusts since they were first introduced in 2014.⁸ There are now over 700 businesses owned through these trusts, with over 200 business owners selling to their employees in 2021 alone.

In its Budget 2022, Canada’s federal government proposed to create the Employee Ownership Trust (EOT).⁹ Though the rules surrounding EOTs are under development in Canada, CFIB is encouraged by the initiative to facilitate employee ownership. In fact, 53% of owners cite that they would be more likely to sell their business to their employees if such options were available.¹⁰

Factors considered when selling a business

Owners looking to sell their business must consider several factors, from the impact on their employees to the financials of the sale. With regards to the level of importance owners place on some of these factors, the most important is ensuring their current employees are protected (90% Net important - strongly and somewhat); a close second (84%) is getting the highest possible price (see Figure 6). Also important is selecting the right buyer who will carry forward their way of doing business, to ensure their investment will continue (84%).

Figure 6

Essential factors for owners when selling their business (% response)



■ Very important □ Somewhat important □ Don't know/Unsure □ Not very important ■ Not important at all

Note: Numbers may not add to 100 due to rounding.

⁷ National Centre for Employee Ownership. Employee Ownership by the Numbers. December 2021. Retrieved: September 9, 2022. <https://www.nceo.org/articles/employee-ownership-by-the-numbers#2>

⁸ Employee Ownership Association. EOT Survey, 2021 Results. Retrieved: September 9, 2022. <https://secure.toolkitfiles.co.uk/clients/32555/sitedata/files/EOT-Survey-2021-Flash-results.pdf>

⁹ Government of Canada. Budget 2022, A Plan to Grow Our Economy and Make Life More Affordable. Retrieved: September 9, 2022. <https://budget.gc.ca/2022/home-accueil-en.html>

¹⁰ CFIB Survey: Your Voice - March 2021

Succession planning

Succession planning is critical to ensuring business owners can smoothly exit their business and transition into the next stage of their life. Succession plans can be informal or formal in nature. A formal succession plan sets out the process and schedule for a business owner’s withdrawal, including legal and supporting documents needed to put the plan into effect. An informal plan is more ad-hoc in nature.

Benefits of having a formal succession plan

Formal succession plans have many benefits which cannot be replaced by informal plans. For example, formal written succession plans are typically developed with the input of various advisors, including accountants and legal professionals who help to address the technical aspects of transferring a business – e.g., financial, tax and legal considerations including the mechanics for the transfer, a process for resolving disputes, and a timetable.

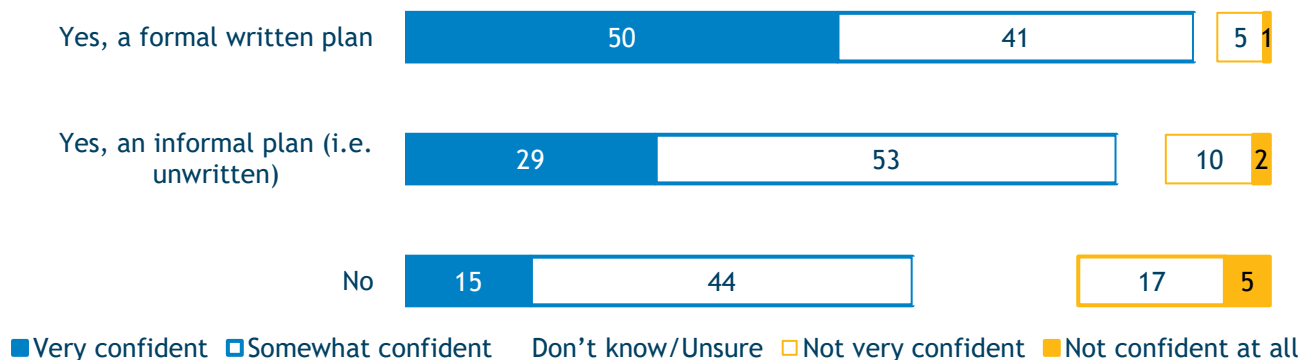
Given the benefits of having a formal plan, it stands to reason that business owners with formal written plans feel more confident about having a successful exit process – 91% of business owners feel confident when they have a formal written plan, compared to 82% when they have an informal unwritten plan (see Figure 7). Only 59% are confident in having a successful exit when they have no plan at all.

“A succession plan is the same as starting a business, in that it is best to have a plan that allows you to have a path to follow to be successful for your family, company, employees and customers.”

**-Wholesale Business Owner,
Ontario**

Figure 7

Owner’s level of confidence that the process of exiting their business will be successful, based on the type of succession plan (% response)



Only 17% of business owners have already been involved in a formal written succession plan with their current (12%) or previous (5%) business. When asked about the benefits of having a formal written succession plan, business owners pointed to the clarity provided for each party allowing them to better manage expectations. Some also mentioned that formal planning helped them follow steps and provided guidance. However, a few also shared that formal planning should stay quite flexible, as things can change quickly, and owners will have to adapt. This is particularly true in the context of the pandemic and the resulting uncertainty. As such, it is important business owners monitor and assess their succession plan on a regular basis to ensure it remains relevant and adapts to changes in personal and business circumstances.

“The advantages [to succession planning] are that the goals are clear, and the timeline is there to guide you through actionable steps to obtain your goals. Disadvantages are that rarely things happen the way you plan, and it will always change and adapt so you need to be able to pivot based on the situation.”

**-Arts, Recreations & Info. Business Owner,
British Columbia**

Existence of a succession plan

Despite the benefits and confidence gained from having a succession plan in place, only 9% of business owners have a formal written plan and 45% an informal unwritten plan (see Figure 8). About 46% of business owners still don't have a plan, written or not. The lack of formal planning is alarming as it gives rise to significant risks for Canada's competitiveness and prosperity. With potentially \$2 trillion in assets changing hands during the next ten years, Canada cannot afford to have so many small- and-medium-sized business owners unprepared to make the transition.

Figure 8

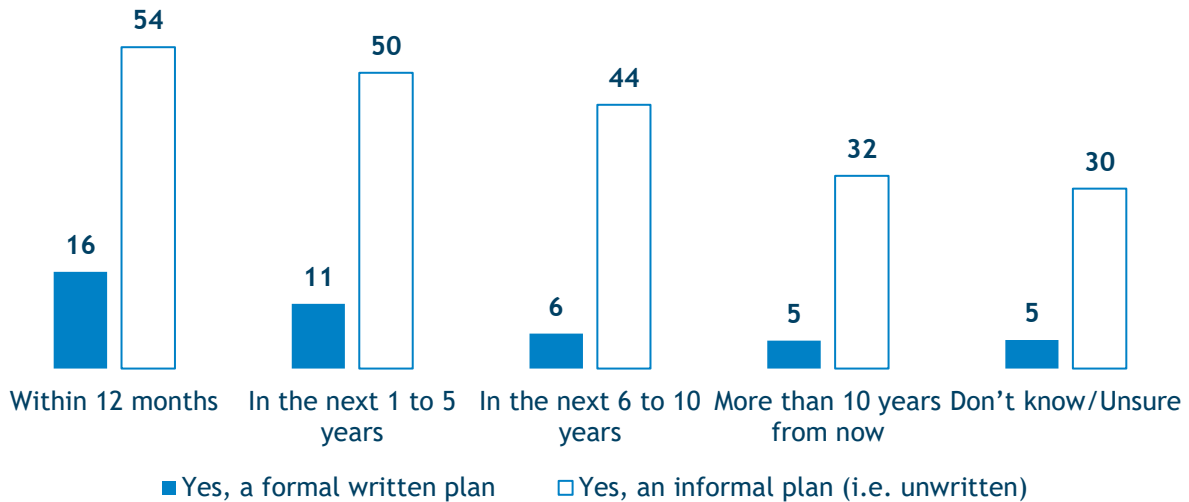
Existence of a succession plan (% response)



A closer look at business owners having a succession plan (written or unwritten) shows that the closer an owner is to the exit date, the more focus is placed on having a succession plan. For example, about 16% of business owners intending to exit within 12 months have a formal plan, compared to only 6% for those exiting in the next 6 to 10 years (see Figure 9). This trend is stronger for owners who have an unwritten plan, with 54% of those planning to exit within 12 months having such a plan compared to 44% for those exiting in the next 6 to 10 years. Further, most of the plans are informal regardless of the exit timeline.

Figure 9

Existence of a succession plan according to exit timeline (% response)

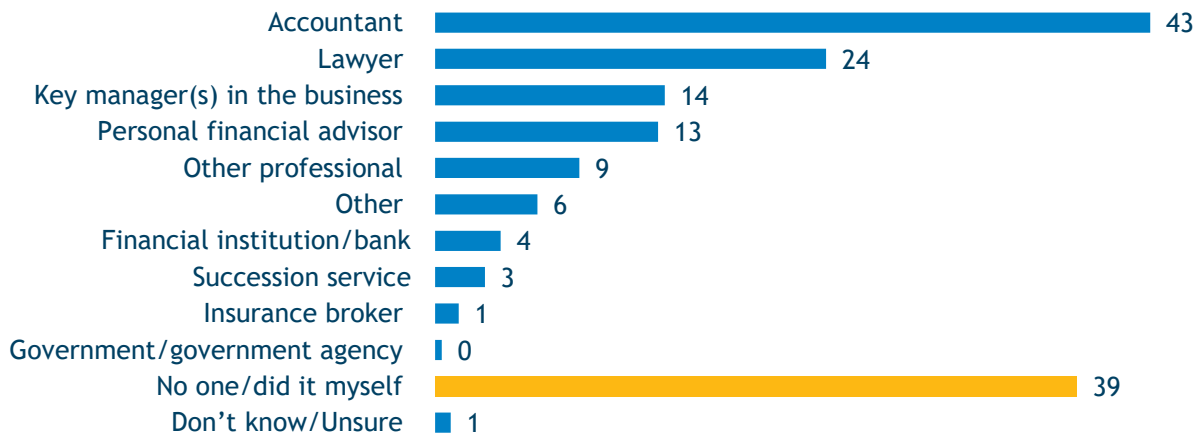


Sources of information and advice for succession planning

When developing a business succession plan, owners can reach out to professionals for assistance and advice. In terms of who business owners reach out to, accountants serve as the main source, with 43% of owners relying on their services to develop their plan, while lawyers come second (24%) (see Figure 10). The help from tax and legal experts is required to assist business owners maneuver through the various technical aspects of succession planning, including the transfer of ownership, tax implications, and financing a successor.

Figure 10

Resources business owners rely on when developing their succession plan (% response)



Note: Only respondents with a formal written or informal plan answered this question.

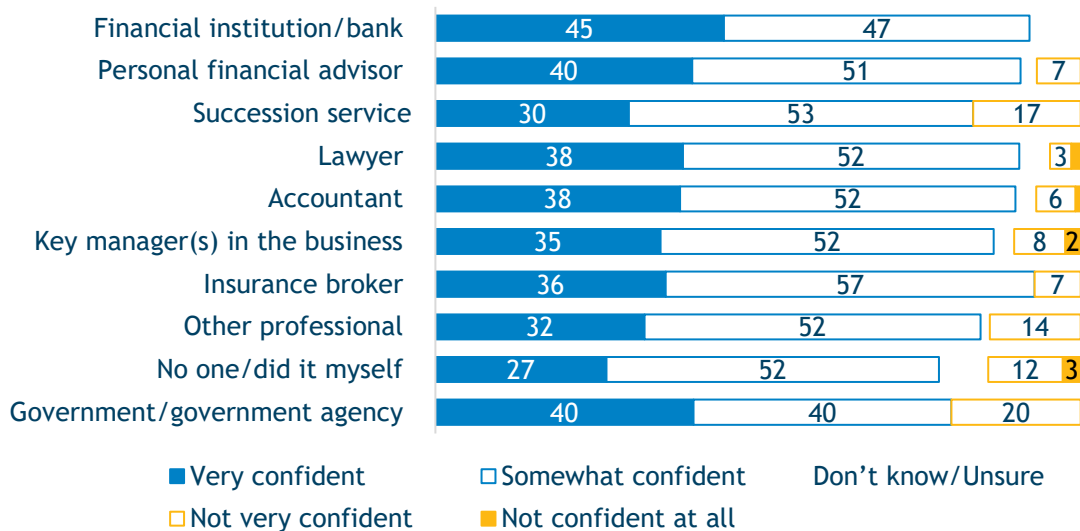
About 2 in 5 of business owners rely solely on themselves in developing a succession plan. Those who develop their own business succession plan are less likely to feel confident (79% Net confident – very and somewhat), while those who are using financial institutions, personal financial advisors, and succession services (such as *SuccessionMatching.com* or KPMG¹¹) feel more confident – 92%, 91%, and 83% respectively (see Figure 11).

“A succession plan provides direction during the awkward moments. It caused us to address potential concerns before committing to anything. It helped us explain our requirements to the accountant/lawyer when completing a shareholder’s agreement.”

**-Manufacturing Business Owner,
British Columbia**

Figure 11

Business owner’s level of confidence in having a successful business exit, based on advisors consulted while developing a succession plan (% response)



Succession barriers

Business owners can come across several obstacles when developing a succession plan. The top obstacle encountered by owners (54%) relates to finding a buyer or a suitable successor (see Figure 12). Indeed, family members may not have any interest in taking over the business, and entrepreneurs are interested in starting their business from scratch rather than purchasing an existing one. In fact, 49% of current business owners started their business from scratch. Currently, there are only a handful of options in Canada to connect those looking to exit their business with those who may be interested in purchasing a business and the quality of the service can vary greatly. Governments could explore working with the private sector to broaden the options and help guide small businesses through the process.

¹¹ KPMG, *Transitioning Your Business*. Accessed: September 29, 2022.

Figure 12

Barriers to succession planning (% response)



Valuing a business presents an obstacle for 43% of business owners. Of those owners who cited valuing the business as a barrier, 84% noted it was very (26%) or somewhat (58%) difficult to determine the value of their business (see Figure 13). There are various reasons why valuing a business can be an obstacle. One of them is the uncertainty and negative impacts on some business revenues created by the pandemic. Profits can be lower than before the pandemic and assessing current value is harder due to economic conditions. On the other hand, for businesses that experienced growth during the pandemic, the sustainability of their recent or current expansion can be difficult to assess. Another issue is the cost of valuation, or finding the right professionals (such as accountants, auditors, etc.), as each have different ways to calculate the worth of a business. Naturally, there are also different types of business valuation methods, which depend on business size and industry. In addition, there are differing opinions on the right or fair value of the business. Lastly, valuing a customer list, business reputation and goodwill, are broadly intangible assets.

“The value of the business changes continually because there is nothing stable in the economy, the global economy or government policy. This changes the value of the business and the worth of the business to the shareholders and purchasers.”

**-Manufacturing Business Owner,
Saskatchewan**

“There are so many different ways to value a business and they all provide quite different results. It’s extremely confusing and this makes it difficult to settle on a price.”

**-Hospitality Business Owner,
Ontario**

Figure 13

Difficulty determining the value of a business (% response)



Additional barriers to succession planning include too much dependence on the current business owner (39%), the lack of time needed to build a plan (36%), financing the successor (30%), difficulty in finding where to start (23%) and the cost of accessing professional advice (20%) (see Figure 12). There is no single solution to all barriers, but given the scope of the problem, greater efforts must be made by all players in the succession space to help address them. This includes governments, advisors, financial institutions, and organizations focused on small businesses like CFIB and SuccessionMatching.

Conclusion and recommendations

With over \$2 trillion in assets set to change hands within the next ten years, and only a fraction of business owners having a formal succession plan, the risks associated with improper planning are undeniable. When there is no plan, it may be more challenging to find a buyer and it is more likely the business owner will run into interpersonal issues with potential buyers as there are fewer guidelines in place. When a business owner has a plan, the successor tends to do better (e.g., grows profits, adds employees) and the owner also optimizes their success. Ultimately, having a well-designed succession plan not only helps to improve the transition of a business from one generation to another, but also ensures the vitality of the SME sector, its employees, and the Canadian economy at large. To ensure SMEs can better plan, CFIB offers the following recommendations:

For business owners:

- Plan early for business succession and include proper professional advice where possible.
- Include the future successor in the plan to help maintain stability within the business.
- Consider alternative exit strategies to account for uncertainties.
- Monitor and assess the business succession plan on a regular basis to ensure it remains relevant and adapts to changes in personal and business circumstances.

For professionals (e.g., financial advisors):

- Create a better service offering that is targeted towards the unique needs of SMEs and ensure value for money for services offered. Ensure those service offerings are tailored to the size and complexity of the business.
- Develop and distribute “how to” templates for solving common issues related to succession planning, including finding a buyer, financing a successor, and the tax implications involved in selling a business.
- Help SMEs understand the valuation of their business.
- Move towards a consistent approach in valuating a business.

For financial institutions:

- Adopt more flexible lending practices that take into consideration the financing needs related to business succession. In particular, provide financing options for those looking to purchase an existing business.
- Develop more affordable packages with clear guidelines (written in plain language) for diverse types of business owners on how to start planning their business succession.

For governments:

- The Lifetime Capital Gains Exemption (LCGE) is a very important tax measure because for many business owners, the sale of their business is their retirement income. The LCGE threshold is \$913,630 in 2022 and \$1 million for farmers and fishers. CFIB recommends the following changes to the LCGE: (i) Simplify LCGE and expand it to include at least some assets; (ii) Increase the LCGE amount to \$1.2 million for all SMEs (including fishers and farmers).
- To make it easier to sell a business to family members, government should continue to honour the spirit of Bill C-208 should any amendments be introduced – so that intergenerational transfers of small businesses to family members are treated in a similar manner as those to a third party.
- Allow small corporations to defer the tax on the capital gains from the transfer of a business to the owner’s children.
- There is already some very good information available on succession from a variety of sources, including the Canadian government through CanadaBusiness.ca. However, the succession content on this site can be difficult to find and government sources are the least used resource for small businesses (Figure 10). Governments need to increase awareness of existing information they offer to help small businesses with their succession planning (e.g., through social media, education, and advertising campaigns).
- Increase awareness, particularly among young entrepreneurs, about the opportunities and advantages of purchasing an existing business.

- Consider creating a business succession immigration stream that allows potential immigrants to purchase and operate an existing business in Canada.
- Ensure the rules developed for Employee Ownership Trusts facilitate and encourage employee ownership and help to provide a viable option for owners looking to sell their business. This can be done by:
 - Quickly bringing forward legislation to create employee ownership trusts as promised in Budget 2022.
 - Following the United Kingdom's example of eliminating capital gains taxes for business owners who sell the majority of their company to an employee ownership trust.
 - Ensuring the structure of this new trust is simple and straightforward so it is well understood by a broad cross-section of Canadian business owners.

CFIB Research Resources

Questions or data requests

Marvin Cruz
Director, Research
Marvin.Cruz@cfib.ca

Simon Gaudreault
Chief Economist and Vice-
President, Research
Simon.Gaudreault@cfib.ca

**Need information on succession planning?
Visit cfib.ca/SuccessionStart or call our business
helpline**

We're here for you!

Call: 1-833-568-2342

Additional information

All CFIB research
cfib.ca/research



[@CFIB_FCEI_Stats](https://twitter.com/CFIB_FCEI_Stats)

Appendix: Succession Planning Survey

Succession Planning Survey

Your answers will remain strictly confidential and will only be published in an aggregate form.

Business strategy

1. What are the overall plans for your business? (Select one)
 - Expand/Diversify
 - Maintain current status
 - Downsize
 - Close business
 - Sell or transfer business
 - Other (Please specify)
2. Approximately when do you expect to exit (sell, transfer, wind-down) your business? (Select one)
 - Within 12 months
 - In the next 1 to 5 years
 - In the next 6 to 10 years
 - More than 10 years from now
 - Don't know/Unsure
3. What are the reasons you plan to exit (sell, transfer, wind down) your business in the future? (Select as many as apply)
 - Retirement
 - Move on to another business venture
 - Change career (start employment elsewhere, etc.)
 - Step back from owner's responsibilities (still working at the business, as an employee)
 - Business is not profitable enough
 - No suitable successor
 - No potential buyer
 - COVID-19 impacts on our business (such as reduced profits, revenues, staffing issues, supply chain disruptions, higher costs of doing business, etc.)
 - Burnout/stress
 - Selling our business to maximize our investment (i.e. making a profit)
 - Other (Please specify)
 - Don't know/Unsure

4. How have the impacts of the COVID-19 pandemic affected the timeline for exiting your business? (Select one)
 - Exit timeline is the same
 - I have accelerated the exit date
 - I have delayed the exit date by one year
 - I have delayed the exit date by 2 to 4 years
 - I have delayed the exit date by 5 or more years
 - Don't know/Unsure

If Q5 = "Exit timeline is the same" skip to Q6

5. Please explain how the impacts of COVID-19 have resulted in your decision to change your exit timeline.

Succession planning

Succession planning is the process by which a business owner chooses the best exit strategy for them to successfully transition into the next stage of their life. Succession plans can be informal or formal in nature. A formal succession plan sets out the process and schedule for a business owners' withdrawal, including legal and supporting documents needed to put the plan into effect. An informal plan is more ad-hoc in nature.

6. Do you have a business plan to sell, transfer, or wind down your current business in the future? (Select one)
 - Yes, a formal written plan
 - Yes, an informal plan (i.e. unwritten)
 - No

If Q6 = "No" skip to Q8

7. Who assisted with the development of this business plan? (Select as many as apply)

- No one/did it myself
- Key manager(s) in the business
- Accountant
- Lawyer
- Financial institution/bank
- Personal financial advisor
- Insurance broker
- Succession service (such as SuccessionMatching.com, BuyAndSellABusiness.com, etc.)
- Other professional
- Government/government agency
- Other (Please specify)
- Don't know/Unsure

8A. How do you plan to exit your business in the future? (Select as many as apply)

- Sell to buyer(s) unrelated to my family
- Sell to international buyer(s)
- Sell to family member(s)
- Sell to employee(s)
- Transfer to family member(s) (e.g. inheritance)
- Wind down (close) the business
- Other (Please specify)
- Don't know/Unsure

Q8 on Qualtrics platform

8B. How likely are you to use the following options to exit your business in the future?

| | Not likely at all | Neutral | Very likely |
|---|-------------------|---------|-------------|
| | 1 | 2 | 3 |
| Sell to buyer(s) unrelated to my family | | | |
| Sell to international buyer(s) | | | |
| Sell to family member(s) | | | |
| Sell to employee(s) | | | |
| Transfer to family member(s) (e.g. inheritance) | | | |
| Wind down (close) the business | | | |

If Q8 = "Wind down (close) the business" or "Transfer to family member(s) (e.g. inheritance)", answer Q9

9A. Please rate each of the following factors when considering the sale of your business. (Select one for each line)

| | Very important | Somewhat important | Not very important | Not important at all | Don't know/Unsure | No Answer |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Getting the highest possible price | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Selecting a buyer who will carry forward our way of doing business | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Ensuring the legacy our business has built will carry on | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Protecting our current employees | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Ensuring our business remains in the community | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q9 on Qualtrics platform

9B. How would you rank the following factors when considering the sale of your business? (Please drag each item in preferential order from first to last preference.)

- Getting the highest possible price
- Selecting a buyer who will carry forward our way of doing business
- Ensuring the legacy our business has built will carry on
- Protecting our current employees
- Ensuring our business remains in the community

10A. Overall, how confident are you that the process of exiting your business will be successful? (Select one)

- Very confident
- Somewhat confident
- Not very confident
- Not confident at all
- Don't know/Unsure

Q10 on Qualtrics platform

10B. Overall, how confident are you that the process of exiting your business will be successful?

| Not confident at all | Neutral | Very confident |
|----------------------|---------|----------------|
| 1 | 2 | 3 |
| | | |
| | | |

Personal business plans

11. Do your personal business plans include purchasing an existing business or creating a new business during the next 3 years? (Select as many as apply)
- Yes, purchasing an existing business partly or entirely
 - Yes, creating a new business
 - No
 - Don't know/Unsure

Barriers to succession planning

12. In your experience, what are the barriers, if any, to business succession planning? (Select as many as apply)
- Not applicable - No barriers encountered
 - Finding a buyer/suitable successor
 - Valuing the business
 - Conflicting business vision of family members
 - Conflicting business vision of employees
 - Too much dependence on my active involvement
 - Financing the successor
 - Access to cost effective professional advice
 - Where to start in developing a succession plan
 - Too busy running our business (we do not have the time)
 - Other (Please specify)
 - Business succession is not a priority for me now

If Q12 = "Valuing the business", answer Q13 and Q14

13. Please explain how valuing your business is a barrier to business succession planning.

- 14A. How difficult is it to determine the value of your business? (Select one)
- Very difficult
 - Somewhat difficult
 - Not very difficult
 - Not difficult at all
 - Don't know/Unsure
 - Not applicable

Q14 on Qualtrics platform

- 14B. How difficult is it to determine the value of your business?

| Not difficult at all | Neutral | Very difficult | | | |
|----------------------|---------|----------------|---|---|--|
| 1 | 2 | 3 | 4 | 5 | |

Your past experiences

15. How did you acquire ownership and/or control of your current business? (Select one)
- Purchased from previous owner(s) (unrelated to my family)
 - Purchased from family member(s)
 - Transferred from family member(s) (e.g. inheritance)
 - Spun-off from another business
 - Started business from scratch (start-up)
 - Other (Please specify)
16. Have you been involved in a formal written succession plan in the past? (Select as many as apply)
- Yes, with my current business
 - Yes, with previous businesses
 - No

If Q16 = "Yes", answer Q17

17. In your experience, what are the advantages and/or disadvantages of having a formal written succession plan?

18. To help us categorize your responses, when were you born?

- Prefer not to answer
- Select year (1920 to 2022)

If you have general comments or other remarks, please share them in the space below.



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

In business for your business™