

EDG Bulletin Article
Business Transition Planning
April 10, 2008

One of the Economic Development Group's goals is to foster a business-friendly environment that welcomes and supports business. A large portion of our population is close to retirement, and so it is increasingly important that our businesses are informed about business transition planning. The City of Nanaimo Economic Development Office, in partnership with Community Futures of Central Island, recently conducted a survey of Nanaimo's business community to better understand how this transition period will impact them, and to assist in developing the resources required for the community's succession planning needs.

In 2006, the Canadian Federation of Independent Businesses received over 9,000 responses to a survey of its members. It found that one-third (42% in British Columbia) of business owners plan to exit their businesses within five years, and two-thirds plan to exit within ten years. In Nanaimo, age distribution figures from the 2006 Statistics Canada census indicate that a large portion of the population is heading towards retirement. 32% of Nanaimo residents are over 55, which makes it all the more important for business owners to consider how they will exit their businesses, and recover their financial investment to afford comfortable retirement years.

The business transition planning survey was mailed out with the City's 2008 business licence renewal applications. 499 completed surveys were returned, representing almost 10% of Nanaimo businesses. The results indicated that 26% of business owners plan to exit their business within the next five years, and 21% within the next six to ten years. The number one reason cited was retirement. 31% of respondents said that they will close the business down, while 35% plan to sell to a non-family member. Only 13.4% plan to transfer or sell to a family member, while the remaining will transfer the business to a non-family member or sell to another franchisee.

The vast majority of Nanaimo businesses have not identified a successor or begun the search for one. In fact, 66% do not have a succession plan in place. Business succession planning is one of the most important aspects of business planning because the worth of a business can be directly linked to how well a succession plan is prepared. When thousands of people are looking at Vancouver Island as a desirable place to relocate, coupled with a trend from employment to self-employment, this period of succession represents a tremendous opportunity for both buyers and sellers of businesses in this community. The Nanaimo Economic Development Office is taking a proactive approach to ensure that the business community is properly informed and has adequate services in place to support businesses in transition.

Nanaimo Economic Development is researching resources or programs to assist Nanaimo businesses with their business transition planning needs. For now, the BusinessBEST team can answer questions businesses have on planning for their future. For more information, please contact Katie Ferland, Economic Development Coordinator, at 250-755-4465.