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TO THE SUCCESSION:

A MAJOR ISSUE FOR THE QUÉBEC ECONOMY AND THE SUSTAINABILITY OF SMES

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MICHEL LEBLANC

MESSAGE FROM THE PRESIDENT AND CEO

Small and medium enterprises (SME) are the heart of Québec's economy. Half of the wealth created and 87% of the jobs in the private sector are generated by SMEs. Their health and sustainability are therefore crucial for Québec's future.

SMEs are born, grow and, quite often, die. After five years of existence, nearly two third of new businesses will have closed their doors. This life cycle obviously requires the constant launching of new business projects to replace those that were unable to cope with adversity and to stimulate the rise of innovative ideas. Those that have survived the instability of the first few years then will tend to develop, find a niche for their know-how, grow, and provide more jobs.

Even if these experienced firms, which have broken away from the whims of their market and the many challenges of their business environment, are durable and well established, their sustainability may be threatened by a universal physiological constraint: the aging of their founders and owners. The personality and leadership of a CEO are inseparable from the firm's identity, and even from its competitiveness. The owner's eventual retirement represents a break in the continuity of the firm's operations. This transition may be traumatic for some organizations. Quite often, in the smallest firms, it puts an end to the firm's existence, because the CEO's know-how is its raison d'être.

Owners who intend to retire in the near future and who want to maintain the firm's continuity must sell it or transfer it to a successor. Several studies and reports over the past few years have shown a negative imbalance for these transferors: the number of new entrepreneurs is largely insufficient to offset the retirement of older owners. Furthermore, a large majority of future entrepreneurs intend to create their own business instead of acquiring one that already exists. Without a business succession, a large number of our best SMEs are exposed to a high risk of closure.

This study focuses on another aggravating factor in this context of a shortage of successors. Most transferors are poorly equipped to prepare the transfer of their business, whether to find a buyer or to pass the torch to a chosen successor, such as a family member or a longstanding collaborator. This lack of preparation appears to be a major cause, explaining the difficulties of ensuring the sustainability of businesses whose owners retire. The study innovates on this specific point, in the tradition of other studies of the business succession problem. It even offers a projection of the economic impacts of this phenomenon if the trend is maintained.

Based on criteria we will explain in the next chapters, we estimate that between 8,000 and 10,000 Québec businesses are threatened with closure over the next 10 years, due to the entrepreneurial deficit. We forecast that 5,700 of them are almost guaranteed to close during the same period, for the same reason. If they occur, these closures will result in total minimum gross losses of $8.2 billion of GDP and 80,000 jobs.

These figures, which we call the status quo costs, must pose a challenge to all of us. We make several recommendations in the last chapter to improve the succession and business transfer situation.

The study innovates by emphasizing the risk represented by the propensity of transferors not to plan their succession, and estimates the costs. But it also reminds us that it is crucial to take action with the buyer population. During the recent Québec election campaign, we noted that the Liberal Party undertook to implement a very concrete measure concerning the succession: [TRANSLATION] "A Liberal government [...] would exempt business and farm transfers from taxes to facilitate the succession. This tax exemption alone would cost $103 million per year."[1] We invite the Government to act on this commitment. In our opinion, the cost of this tax exemption will be offset by the improvement of the conditions offered to our transferors.

Our most durable SMEs are considerable economic achievements for Québec. In this uncertain growth period, Québec must be able to count on all its strengths. We think it is possible to confront the challenge of entrepreneurial succession and the disappearance of SMEs that could have taken their place over decades of development.

[1] "Le PLQ propose 160 millions pour aider les PME", La Presse, March 13, 2014 [Liberals propose $160 million to help SMEs]

EXECUTIVE SUMMARY

This study addresses a theme that eventually will affect all firms that have ensured their initial sustainability: the transfer of the firm to a new owner. This stage is a crucial transition in the life of a business and can trigger major organizational changes, including closure. Nowadays in Québec, more and more SMEs are closing due to the absence of transfer to a succession, or the failure of the succession because of poor preparation for this change. The entrepreneurial deficit – the insufficient number of buyers to make up for the number of business owners who must retire over the next few years – accentuates the risk that these owners will not find buyers and will have to go out of business.

Various studies and reports recently sounded the alarm on this issue, given that aging of the population, and of entrepreneurs as well, has an increasingly pronounced incidence on the entrepreneurial deficit. This study is in continuity with this reflection on the risk represented by the entrepreneurial deficit in Québec, and adds new elements:

- For the first time, we estimate the overall cost of the current trend over the next 10 years, in terms of the number of businesses that will close or that will be strongly exposed to the risk of closure, the number of jobs, and economic activity expressed as GDP. Between 5,700 and 10,000 Québec businesses could close their doors in Québec within the next 10 years, leading to the elimination of 79,000 to 139,000 jobs, and the loss of $8.2 billion to $12 billion of GDP. Part these jobs and this economic activity can be recovered by other businesses, but these numbers give an idea of the scope of the problem and will have other negative repercussions.
- While the previous studies are based on the worrying statistics, with the aim of soliciting more actions to stimulate the Québec succession, we put the emphasis on the intentions and behaviours of owners nearing retirement age.
- We apply our analysis to the agricultural sector, fully integrating it into the discussions on the entrepreneurial succession issue.

These findings lead us to a more detailed discussion of the steps of business transfer and the obstacles it involves. We find that owners greatly underestimate the complexity of this transition and the time it takes to transfer their business successfully. Emotional factors are also added to the administrative and financial considerations impeding the decision to commit to planning the succession, a key success factor for any business transfer.

Fortunately, several support programs exist to guide the transferors in their transfer process. We describe the categories and, as an appendix, provide profiles of the programs offered in Québec. Once again, we find that owners generally are reluctant to do what is necessary to benefit from these programs, and we propose possible explanations for this situation. In fact, owners are much more inclined to resort to the services of professionals intervening on the transactional aspects of the transfer, than to programs and specialists who can advise them on the process as a whole.

These lessons allow us to generate several conclusions on the services offered to transferors and buyers. These conclusions are based, in particular, on the attitudes and behaviours observed among transferors. In our opinion, these attitudes and behaviours merit increased attention from decision-makers to increase the effectiveness of the programs that will be implemented to mitigate the entrepreneurial succession problem. To accomplish this, we recommend courses of action based on four lines of intervention:

- Stimulate entrepreneurial succession and raise owners' awareness about the issue of planning the transfer;
- Take action for fairer taxation and strengthen the programs to fund transfer planning advisory services;
- Harmonize and coordinate the programs of organizations active in entrepreneurial succession and business transfer;
- Resolve issues specific to the agricultural sector.

INTRODUCTION

In the early 1990s, Jean Légaré, founder and owner of the leasing company Location Jean Légaré, was preparing to close his business so that he could retire. His children, Nathalie and Benoît, instead convinced him to transfer the firm to them gradually, by selling blocks of units. Twenty years later, Nathalie is the majority owner of Location Jean Légaré. She manages the business and is continuing to buy the remaining units from her parents.

Throughout this long transfer process, interspersed with interventions by advisors, financial support from Fonds de solidarité FTQ and a good degree of planning, Nathalie has continued to ensure the growth of Location Jean Légaré. Today it is the biggest vehicle leasing company in Québec, serving its market from three branches, which provide employment to about sixty people.

If her father, Jean Légaré, had carried out his plan to liquidate the firm's assets for his retirement in the 1990s, the Québec economy today would be deprived of a major commercial success, a creator of wealth and jobs. Location Jean Légaré is not the only Québec entrepreneurial gem that has stayed in business through a successful transfer to the next generation. Here are some other examples of well-known businesses that have been transferred successfully or have a transfer in progress:

- Cora Tsouflidou, founder of the Chez Cora breakfast restaurant chain and owner of the 130-restaurant franchise, transferred the presidency of the company to her son Nicholas;
- Danièle Henkel, President and founder of Entreprises Danièle Henkel, is transferring the firm to her four children;
- Pierre Crevier, outgoing President of Crevier Group, and his sisters were able to transfer this petroleum product distribution company to their children, who represent the third generation of owners;
- Librairie Pantoute, a bookstore that is a real institution in Québec City, recently was able to stay in business through a buy-out by its employees, who formed a cooperative in anticipation of the owners' departure.

The Board of Trade of Metropolitan Montreal considers that such commercial success ought to survive their owners' withdrawal from activity. The value of an experienced business is greater than the value of its assets. Its contribution to wealth and job creation is greater than that of a startup. The absence or failure of a business transfer to a succession therefore represents unrealized sales potential for the owner, but above all, it involves a cost for society as a whole.

This study seeks to estimate this post and proposes solutions to mitigate it. More specifically, it has the following objectives:

- outline the status of entrepreneurial succession issues in Québec by synthesizing the various recent reports and studies on the subject and mapping the players and programs in the field;
- construct an economic impact model by estimating the direct and indirect costs of inaction, in qualitative and quantitative terms;
- identify the key success factors and make recommendations.

To achieve these objectives, we performed the following activities:

- Identification of the studies and reports in the field
  - Comparative analysis of the various results of these studies (list in Schedule I)
- Interviews with experts in the field (list in Schedule II)
  - Consolidation of the results obtained to identify the major issues and the key levers of action within the context of our recommendations
- Development of two economic impact models to estimate the cost of inaction
  - Breakdown of the results for three target regions of the study (Montréal Census Metropolitan Area, Montérégie and Capitale-Nationale) and for the agricultural sector. The main socioeconomic data of the three regions studied is presented in a sidebar on the next page.
- Validation with a focus group of experts in the field

This document is structured around five chapters:

CHAPTER 1 introduces the problem of succession and business transfer, and outlines the status of this issue in Québec.

CHAPTER 2 estimates the economic impacts of this problem over the next few years, if the trend continues, based on two innovative models for calculating these costs. These two models allow the analysis of the succession problem to be pursued with new perspectives, thus completing the previous studies and reports published by other organizations.

CHAPTER 3 explains the pitfalls and obstacles of business transfer, which requires rigorous planning by the owner. This complexity is not unrelated to the fact that the succession problem has become so sensitive today.

CHAPTER 4 presents a profile of the key practitioners and programs offering solutions to these pitfalls affecting entrepreneurial succession in Québec, and puts certain field observations in perspective.

CHAPTER 5 proposes courses of action and recommendations to favour succession and business transfer.

Terminological clarifications

- In the French version of this study, the terms "transfert" and "transmission" are used without distinction to refer to business transfers, although we will use the term "transfert" more often. In the English version, only the term "transfer" is used, except in BDC references, which use the term "transition". However, a "transfer" is different from the "sale" of a business, because it does not mean the official property transfer process, but rather the transaction between the parties, even if this transaction may be carried out gradually over several years of the transfer process.

- The "transferors" (in French, "cédants") are the owners who intend to transfer their firm to successors or buyers. For the purposes of the study and to streamline the text, we will usually refer to these transferors as owners who are nearing retirement age and who intend to transfer the business with the specific intention of retiring. However, we should mention that the attention to transfer may arise at other ages and for other reasons. These other types of transferors are not covered by the study.

- The term entrepreneurial "succession" (in French, "relève") does not refer to the new generation going into business, but to entrepreneurs of any age before the imprecise age of retirement, who have the interest and ability to become owners of existing businesses. They may be "successors" (in French, "successeurs") (related to the transferors), or unrelated "buyers" (in French, "repreneurs"), regardless of whether they are already part of the firm's personnel.

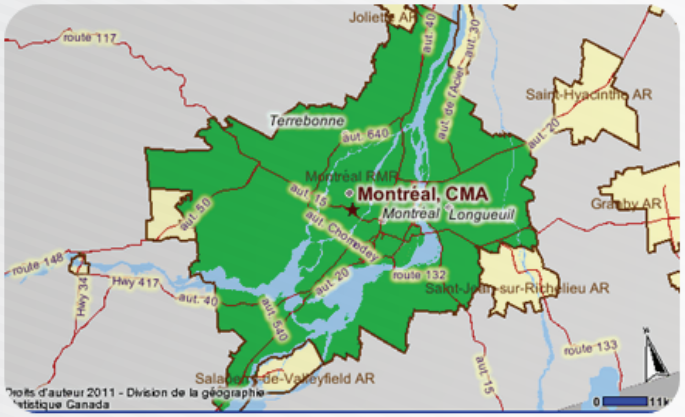
- The French terms "repreneur" (buyer) and "releveur" (successor) are almost synonymous. We will favour the use of "repreneur" in the French version, even though "releveur" is more reminiscent of the connection with entrepreneurial succession (in French, "relève").

BACKGROUND

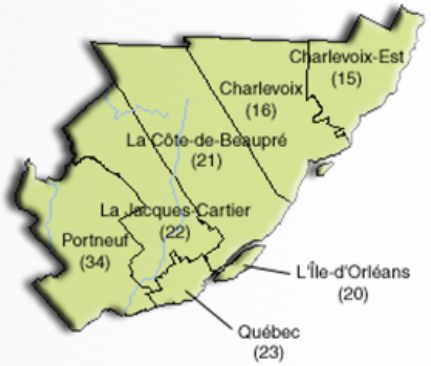
Socioeconomic data for the three geographical zones covered by the study

	CMA	Administrative Region	
	Montréal[1,2]	Capitale-Nationale[1,2]	Montérégie[1,2]
Total population (2013)[a]	3,824,221 **(47% of QC)**	725,095 **(9% of QC)**	1,499,088 **(18% of QC)**
Ages 25-64	2,138,725 *(56%)*	404,463 *(56 %)*	827,957 *(55 %)*
Age 65 and over	630,560 *(16%)*	133,109 *(18 %)*	240,210 *(16 %)*
Employment rate (March 2014)	61%	66%	63%
Unemployment rate (March 2014)	8%	5%	7%
GDP in billions of $ (2011)	$171.7 **(53%** of QC)	$31.6 **(10%** of QC)	$48.5 **(15%** of QC)
Number of businesses[3]	109,916	19,552	41,608

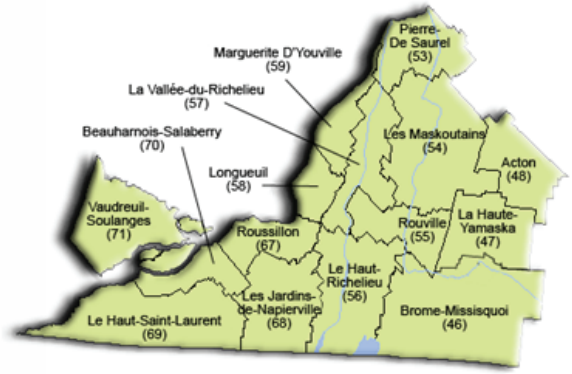
Montréal CMA



Capitale-Nationale



Montérégie



Notes:: a. 2011 data for the Montréal CMA

Sources:: 1. Statistical profiles by region, ISQ; 2. 2011 Census, Statistics Canada, 2011; 3. Statistics Canada, December 2013.

1 THE STATE OF ENTREPRENEURSHIP AND BUSINESS SUCCESSION IN QUÉBEC

Entrepreneurship is a determining factor in a region's wealth creation. Small and medium enterprises (SME) run by entrepreneurs occupy a predominant place in the Québec economy:

- 99.8% of businesses in Québec are SMEs;[2]
- They contribute more than half of the Québec GDP;
- They concentrate 87% of the private sector jobs in Québec;[3]
- 90% of Québec SMEs are family businesses,[4] assuring 50% of the total employment in the province. Yet only 30% make it past the first generation and 10% survive the second generation.[5]

Considering the importance of SMEs, there is no lack of reports, surveys and studies on the state of entrepreneurship in Québec. Every year since 2009, the Fondation de l'entrepreneurship (FDE - Entrepreneurship Foundation) has published the Quebec Entrepreneurship Index, based on a survey that measures the intentions of current and future entrepreneurs, among other information. This entrepreneurship index has particularly revealed the extent that Québec lags behind the rest of Canada in entrepreneurial intentions. However, there is an encouraging sign: the 2014 Quebec Entrepreneurship Index shows a notable increase in the entrepreneurial intention rate and an increase in the steps taken in this sense compared to 2013 among Québec's general population. In particular, this increase is attributable to increasingly dynamic young entrepreneurs, twice as many of whom intend to take over family and non-family businesses, compared to young people in the rest of Canada.

The entrepreneurial deficit

For the past few years, the question of entrepreneurial succession and business transfer has become increasingly important in this field of study. The aging Québec population support the assumption that, over the next few years, more business owners will withdraw from active life than there will be new entrepreneurs to replace them. This negative difference between the number of new entrepreneurs and the number of entrepreneurs who exit the labour market (regardless of the exit mode) during a given period (past or projected) is called the entrepreneurial deficit.

The entrepreneurial deficit is one of the direct causes of the declining number of businesses: there are not enough new entrepreneurs to take over from all the exiting owners. They are thus compelled to close the business and sell the assets instead of keeping it in operation, unless they sell to foreign buyers.

This phenomenon is exacerbated by the fact that new entrepreneurs preponderantly intend to create businesses rather than take possession of existing businesses.

Thus, in 2014, only 17.5% of Quebecers going into business prefer the option of taking over or buying out an existing firm[6].

On the other hand, it must be considered that exiting owners do not all intend to sell or transfer their business. Some businesses, including those created by self-employed workers, are based on the know-how of one person, who primarily conceives of his or her business as a job that cannot be transferred. In other cases, only the equipment and facilities are sold, since the business has almost no inherent value. It is estimated that 30% of owners who are considering retirement within the next 10 years intend to close their business without seeking to sell it.

[2] *Business Register,* Statistics Canada, June 2013.
[3] *Labour Force Survey,* Statistics Canada, 2012.
[4] "La relève dans les organisations. Gestion d'un évènement ou d'un processus?", *D'une culture de retraite vers un nouveau management des âges et des temps sociaux,* Tremblay, D.G., Presses de l'Université du Québec, 2007, p. 256. ["Succession in organizations. Management of an event or a process?" From a retirement culture to new management of ages and social times]
[5] *La transmission d'entreprise au Québec: des stratégies diversifiées,* Richer, St-Cyr, Lambaraa, November 2004, Gestion 29 (3), p. 95. [Business transfer in Québec: diversified strategies]
[6] *2013 Entrepreneurship Index,* Fondation de l'entrepreneurship, April 2013, p.27.

We should mention that owners are well aware of the entrepreneurial deficit and its potential economic impacts. Indeed, 92% of them believe that the SME entrepreneurial deficit will have an impact on Québec economic growth.[7]

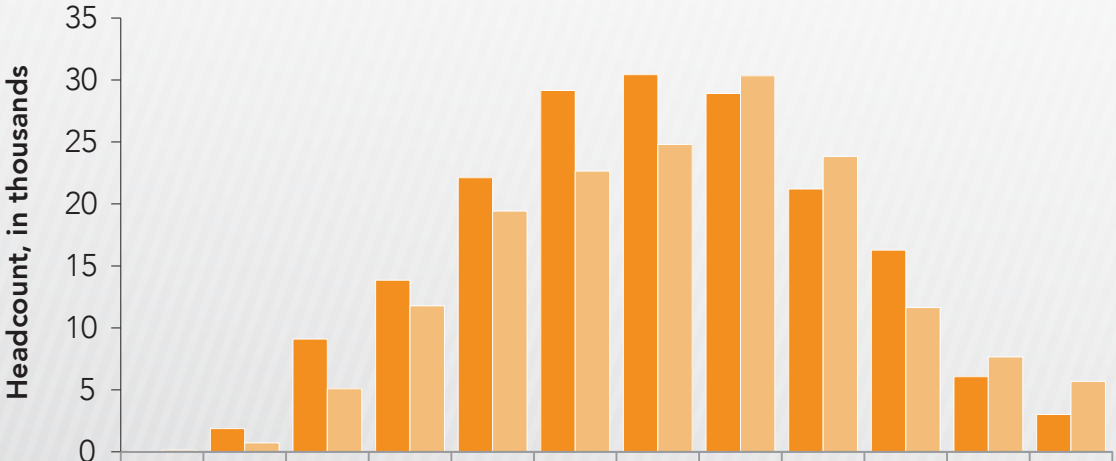
State of the entrepreneurial deficit

The Canadian Federation of Independent Business (CFIB) influenced the debates on the entrepreneurial deficit question in 2005, announcing that 71% of Canadian SME owners were planning to retire within the next 10 years, and that 65% of the same population had no formal succession plan.

In 2010, the FDE analyzed the situation in Québec and updated the data on the intentions to transfer a business over the next 10 years, but added to the calculation the number of individuals with entrepreneurial intentions. Between the 60,000 entrepreneurs who were supposed to go into business within this time horizon and the 98,000 current owners planning to exit, there was a negative difference of 38,000. The entrepreneurial deficit thus could be estimated at 38,000 owners who could not find buyers between 2010 and 2020. [8]

This deficit trend was also raised in a report by the Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE) in 2010, but based on the total number of entrepreneurs with employees. These entrepreneurs were estimated at 182,000 for Québec as a whole in 2008. The report forecast a 14% reduction in this headcount by 2013, particularly due the aging entrepreneurial population. In 2013, entrepreneurs age 55 and over accounted for 30% of total entrepreneurs, compared to 26% in 2008. When this period expired in 2013, the Ministère des Finances et de l'Économie du Québec (MFEQ) compared the initial forecasts with the reality. It estimated the number of entrepreneurs at 163,000, down 10% in five years, which was below the MDEIE's forecasts in 2010.[9] But the finding remains valid: the aging entrepreneurial population translates into the disappearance of businesses. This relatively rapid aging of the entrepreneurial population is clearly illustrated in the following table by the displacement of the age pyramid of business owners.

HEADCOUNT AND DISTRIBUTION OF ENTREPRENEURS WITH EMPLOYEES, BY AGE GROUP, 2008 AND 2013, QUÉBEC, IN THOUSANDS



	Ages 15-19	Ages 20-24	Ages 25-29	Ages 30-34	Ages 35-39	Ages 40-44	Ages 45-49	Ages 50-54	Ages 55-59	Ages 60-64	Ages 65-69	Ages 70-74
2008	0.1	1.9	9.1	13.8	22.1	29.2	30.4	28.9	21.2	16.3	6.1	3.0
2013	0.1	0.7	5.1	11.8	19.4	22.7	24.8	30.4	23.8	11.6	7.7	5.7

[6] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future,* CROP-RCGT survey, November 2013.

[7] *La relève est-elle au rendez-vous au Québec?*, Centre de vigie et de recherche sur la culture entrepreneuriale, Fondation de l'entrepreneurship, 2010. [Is the succession ready for action in Québec?]

[8] *Le renouvellement de l'entrepreneuriat au Québec : un regard sur 2013 et 2018,* MDEIE, 2010; Compilation and update by the MFEQ, 2013. [Entrepreneurial renewal in Québec: a look at 2013 and 2018]

The entrepreneurial deficit put to the test

The reports and studies of the past few years, which focused on the entrepreneurial deficit in Canada and Québec, clearly show that the number of new entrepreneurs is insufficient to offset the number of retiring owners. The logical conclusion of this finding is to call for stimulation of entrepreneurship, and especially for the succession and buy-out of existing businesses, so that more people in the labour force develop the intention to take over businesses and achieve this ambition.

We take a similar position, because the development of entrepreneurship is a major source of wealth creation, for which Québec has growth potential. Furthermore, it is important to favour takeovers, or acquisition of existing firms, to make up for the disappearance of businesses. However, the entrepreneurial model can give reason to believe that the transferors, i.e. the owners who intend to sell or transfer their business, are faced with a shortage of potential buyers, and that the few potential buyers have many options regarding what business to buy.

It may seem paradoxical, but the practitioners in the field, such as the Centres de transfert d'entreprises (CTE - Business transfer centres) find the opposite: many more potential buyers are expressing interest than there are transferors. There are indeed businesses for sale, but in a much lower proportion than the entrepreneurial deficit indicates. This is a reality that will be analyzed from different angles in a later section of this study. This phenomenon, whereby too few transferors ultimately proceed with the sale or transfer of their business, or do so inadequately, preponderantly explains the problem of the shortage of business transfers in Québec, much more than can be explained by the difference between the number of new entrepreneurs and the number of owners wishing to retire.

The next chapter of the study thus proposes two methods to estimate the number of businesses threatened with disappearance due to failed transfers. Each of these methods results from assumptions based on the transferors' current reality, in the event the trend is maintained for the next decade. They thus allow an update of the state of the succession in Québec and its potential economic impacts.

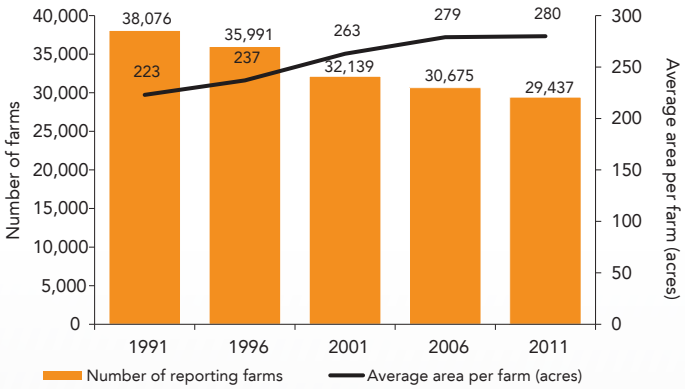
Before proceeding with this analysis, we must make some clarifications regarding the farm succession issue.

The farm succession question

The farm succession question has received heavy media coverage over the past few years, to the extent this subject, most of the time, is discussed independently of entrepreneurial succession. However, farm owners are full-status entrepreneurs. This question nonetheless has special dimensions, because it directly addresses the question of land occupancy. On the other hand, the succession deficit is even more pronounced in agriculture than in other economic sectors, and the outlook is fairly unfavourable, according to some experts.

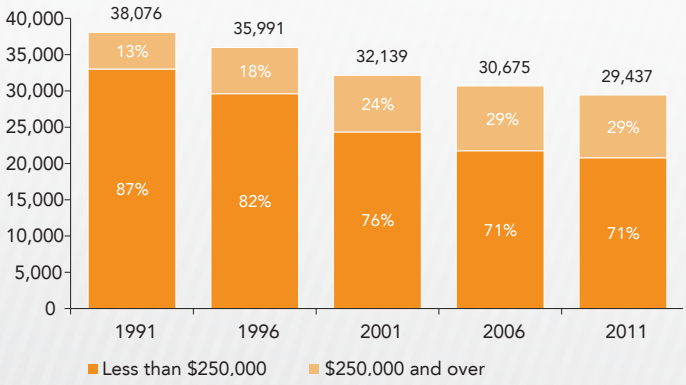
We find that the number of farms has decreased considerably in the past two decades. There were 29,500 farms in Québec in 2011, down nearly a quarter from 38,000, twenty years earlier. On the other hand, their average area has expanded by 25%, or 57 acres, during the same period, reaching 280 acres. A significant share of the reduction of the number of farms in Québec is due to the consolidation of the agricultural sector and the merger of numerous operations within certain farm businesses. This farm consolidation often allows economies of scale and greater efficiency of agricultural production. The growth in the proportion of farm operations belonging to the upper echelon of gross farm incomes clearly demonstrates this phenomenon, as illustrated by the second graph below. These operations, which generate income of $250,000 and over, increased from 13% in 1991 to nearly 30% in 2011, boosting their number from 5,000 to 8,700.

NUMBER OF REPORTING FARMS AND THEIR AVERAGE AREA IN QUÉBEC FROM 1991 TO 2011



Sources: Statistics Canada, 2011 Census of Agriculture.

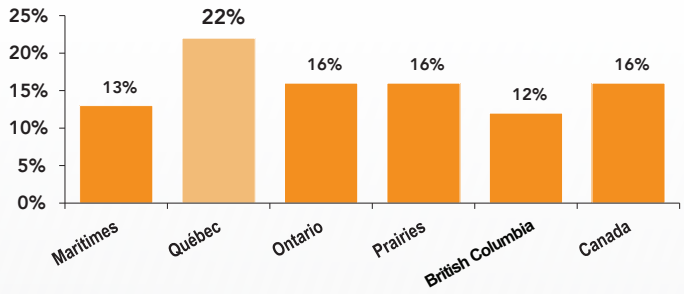
BREAKDOWN OF FARMS BY GROSS FARM INCOME FROM 1991 TO 2011 (IN 2010 CONSTANT $)



The entrepreneurial deficit partially explains this trend. But in comparison with the other Canadian provinces, Québec can consider itself fortunate in farm succession terms:

- For all types of agricultural production combined, Québec has Canada's highest percentage of farm businesses with a succession (22% compared to 16% in Canada).

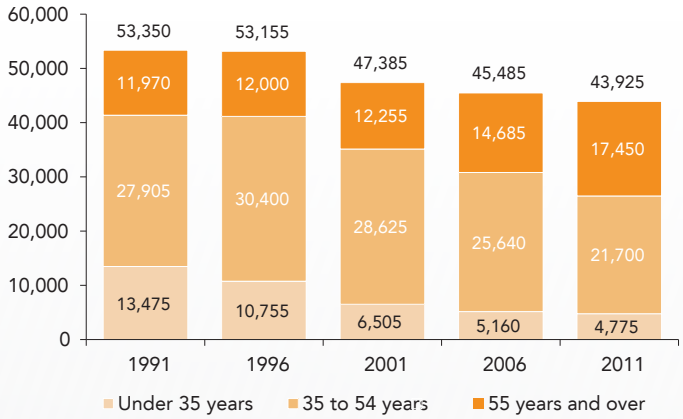
PROPORTION OF FARM BUSINESSES IN CANADA WITH A SUCCESSION IN 2011



- Nearly one Québec farmer out of five (18%) is under 40 years of age and holds units in a farm business. These people represent the "established farm succession" (farm entrepreneur under 40 years of age who holds at least 1% of the units of a farm business). This is the highest proportion in Canada, which reports an average of 14%.
- Québec has the lowest proportion of farm operators age 55 or over (40%); the Canadian average is 48%.
- Moreover, Québec agricultural producers are the youngest in Canada: their average age is 51 years, compared to 54 years for all of Canada.

It would be wrong to take consolation from these statistics, because Québec's farm population is aging rapidly. While the proportions of farmers age 35 and under and age 55 and over were similar in 1991 (nearly 25%), the proportion of "young" farm operators fell to a little over 10%, twenty years later, while farmers age 55 and over increased to 40% during the same period.

EVOLUTION OF THE NUMBER OF FARM OPERATORS PER AGE GROUP IN QUÉBEC FROM 1991 TO 2011



Source: Statistics Canada, 2011 Census of Agriculture.

Moreover, it is estimated that about 40% of farmers will leave agriculture within the next 10 years, since farmers are retiring at a rate of 4% per year.[10] The mass retirements of farm operators, combined with the shortage of young farmers who can succeed them, thus will represent a major challenge for the Québec agricultural sector in the years ahead.

It is not the purpose of this study to explain in detail the many factors that specifically affect the problem of farm succession and the transfer of farm operations. However, we should note that a trend specific to this sector is observed: the widening of the gap between market value and economic value of farm assets. Given that the market value of farm assets is increasing faster than its economic value, it is becoming difficult for the next generation of farmers to repay a loan used to purchase farm assets based on their economic value, when this loan is based on the market value of the assets. The evolution of this financial ratio is therefore detrimental to new acquirers of farm assets, making the transfer and buy-out of farm businesses even more difficult.

To summarize, if the trend is maintained and nothing changes:

- the number of farms will continue to decline;
- the number of transferors will continue to increase;
- the concentration of production will continue to grow;
- business transfers will diminish, because this option will become less and less viable;
- there will be an increase in startups on small undercapitalized structures;
- the succession will have less and less access to farm capital.

[10] *Nouveau portrait de l'agriculture québécoise?*, Jean-Philippe Perrier, TRAGET Laval, May 2013. [New picture of Québec agriculture]

2 ECONOMIC IMPACTS OF THE STATUS QUO

The reports and studies surveyed in the previous section made it possible to analyze the issues represented by entrepreneurial succession and business transfer in Québec. These studies, particularly the FDE, CFIB and MFEQ studies and the survey published in 2013 by CROP-Raymond Chabot Grant Thornton, reported on the negative effects of the entrepreneurial deficit for a business confronted with this problem.

However, to date, none of these studies has made it possible to estimate the economic impacts these issues will have on the Québec economy over the next few years. Therefore, the objective of our study, and especially of this section, is to drive the analysis of this problem by attempting to quantify, for the first time, the number of businesses that will be at risk of closure due to the entrepreneurial deficit or the absence of buyers, as well as the GDP losses and job losses that will result from these closings.

The economic impacts presented in this section not only were estimated for the Québec economy as a whole, but broken down according to the main economic sectors, more specifically for the regions of Montréal (CMA – Census Metropolitan Area), Montérégie and Capitale-Nationale.

Methodology used and limits

There are various ways to estimate economic impacts or spinoffs of a problem, according to the different aspects that one wishes to measure or demonstrate. The indicators most often used are losses (or the contribution) in terms of GDP, the number of jobs lost (or created) and the tax revenue shortfall (or tax revenues generated) for the different levels of government. Whenever possible, these economic impacts are also calculated according to their "impact level" and presented according to whether they are generated directly or indirectly, or induced.

We have chosen to use two distinct methods to calculate the number of businesses that will be at risk of closure, precisely due to the shortage of successors or buyers, over a 10-year horizon. These businesses at risk then are distributed per economic sector for the regions considered. Finally, after estimating a GDP and an average number of jobs per business, we are able to calculate the potential GDP and job losses that could result from these business closings.

Each of the methods is justified by assumptions that will be explained in the next sections of the study. Different data exists that supports the argument predicting the reduction of the number of businesses, due to the failure of their transfer to a successor. We have sought to offer two angles of approach to explain the problem.

The **first method** is based on the number of entrepreneurs (with employees) age 65 and over and the proportion of these entrepreneurs who do not have a formal succession plan. Based on the surveys conducted in 2010 by FDE, we estimate that this proportion is between 60% and 75%, which represents a total number from 8,000 to 10,000 businesses at risk of closure in Québec over the next 10 years.

For the **second method,** we instead use the number of outgoing businesses, based on the survival rate of Québec businesses, and the owners' intentions to close, once again coming from the surveys conducted by FDE over the past few years. A 10-year projection of outgoing businesses, multiplied by the proportion of entrepreneurs who intend to close their business due to the shortage of successors or buyers, allows us to estimate the number of businesses that will "exit the market" for these reasons over the next decade. The economic impacts calculated by this second method are also distributed per economic sector and presented for each of the three regions considered.

Although these two methods differ considerably in the selection of the data used, the reader will recognize that the order of magnitude of the results obtained is relatively similar. Thus, the use of two distinct methods based on different data sources and complementary assumptions confers greater validity on the results presented.

However, our economic impact model does not allow us to calculate the impacts of business closings due to the issue of entrepreneurial succession, in terms of tax revenues not realized by the different levels of government. Moreover, the model does not allow a distinction to be made between direct, indirect and induced economic impacts.

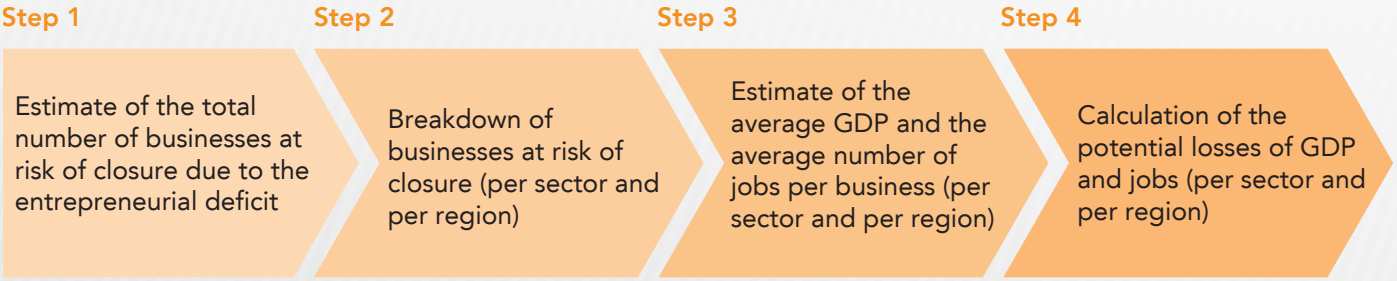
Data used

The data considered and its sources to calculate the economic impacts of the entrepreneurial deficit are as follows:

- The total GDP and the GDP per economic sector in 2011 for Québec as a whole and the regions considered (Institut de la statistique du Québec);
- The total number of businesses and the number of businesses per economic sector at the end of 2013 for Québec as a whole and for the regions considered (Statistics Canada);
- The total number of jobs and the number of jobs per economic sector in 2013 for Québec as a whole and for the regions considered (Statistics Canada);
- The number of entrepreneurs with employees by age group in Québec in 2013 (MFEQ);
- The net business entry and exit rate per economic sector in Québec from 2000 to 2010 (Statistics Canada);
- The proportion of entrepreneurs age 65 and over who had no succession plan or who only had an informal succession plan in 2010 (FDE);
- The proportion of entrepreneurs age 65 and over who intend to close their business upon retirement due to a shortage of potential successors or buyers (FDE).

The following pages present in detail the different steps of the two methods used and the results obtained for each of them.

FIRST METHOD: BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER



Step 1: Principal projection in terms of number of businesses at risk

1. Based on the surveys conducted by FDE in 2010 of entrepreneurs age 35 to 54 and age 55 and over, we estimate that the proportion of entrepreneurs age 65 and over, with employees, who have no succession plan or who only have an informal succession plan is between 60% and 75%;

   Assumption: businesses whose owners are age 65 and over and that have no succession plan or that only have an informal succession are at the highest risk of closure over a 10-year horizon, due to an entrepreneurial deficit.

2. By applying this proportion to the 13,335 entrepreneurs age 65 and over according to the 2013 MFEQ data, we estimate that between 8,000 and 10,000 businesses are at risk of closure over the next 10 years.

   Assumption: We consider that no "business" from the utility, education services and public administration sectors will close due to an entrepreneurial deficit.

Principal projection
according to the method based on the number of owners age 65 and over

Based on the number of owners age 65 and others, the proportion of these owners who do not have a formal succession plan, and the high risk of business transfer failure associated with the absence of a formal succession plan, we estimate that **between 8,000 and 10,000 Québec businesses are strongly threatened with closure over the next 10 years due to the entrepreneurial deficit.**

Step 2: Breakdown of the number of businesses at risk per economic sector and per region

1. Breakdown of the 8,000 and 10,000 businesses at risk of closure per economic sector in Québec according to the North American Industry Classification System (NAICS), based on the proportion of the number of businesses with employees in each sector (December 2013 data from the Statistics Canada Business Register) relative to the province's total number of businesses (with employees).
2. Calculation of the proportion of the number of businesses per economic sector for each region relative to the total number of businesses per sector in Québec.
3. Based on this proportion, we distribute the number of businesses at risk of closure per sector in Québec, for each economic sector and in each region.

Step 3: Allocation of the average GDP value and the average number of employees by business for each sector and region

1. Projection of the 2012 and 2013 sector GDP for each region and for Québec as a whole by iteratively applying the 2007-2011 average annual growth rate (AAGR) to the 2011 sector GDP of each region (data from the Institut de la statistique du Québec).
2. Estimate of the average GDP per business by dividing the 2013 estimated GDP by the number of businesses for each economic sector and for each region.
3. Estimate of the average number of jobs per business by dividing the total number of jobs per sector (2013 data from the Statistics Canada Labour Force Survey) by the number of businesses, for each economic sector and for each region.

Step 4: Economic impact in terms of GDP and jobs for the province as a whole, for each sector and for each region studied

1. Calculation of the potential GDP losses and job losses by multiplying the average GDP and the average number of jobs per business, calculated in the previous step, by the number of businesses at risk of closure for each economic sector and for each region (calculated in step 2).
2. The calculation of the potential GDP losses and job losses does not account for the utility, education services, healthcare and social assistance sector and public administrations.

The following tables present the results obtained by applying the method based on the number of owners age 65 and over and the proportion of these owners who have no succession plan or who only have an information succession plan.

METHOD BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER

QUÉBEC AS A WHOLE	8,000 BUSINESSES AT RISK			10,000 BUSINESSES AT RISK		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**8,000**	**$9,602**	**111,510**	**10,000**	**$12,003**	**139,388**
Agriculture, forestry, hunting and fishing	502	$207	2,071	628	$258	2,589
Mineral extraction and oil and gas extraction	13	$201	1,193	17	$251	1,491
Construction	1,158	$919	9,796	1,448	$1,149	12,245
Manufacturing	515	$1,729	18,489	643	$2,161	23,112
Wholesale	459	$684	6,125	574	$855	7,656
Retail	990	$745	18,083	1,237	$932	22,604
Transportation and warehousing	462	$533	6,737	578	$667	8,421
Information industry and cultural industry	113	$446	3,960	141	$558	4,949
Finance and insurance, real estate and leasing services, and corporate and business management	675	$2,295	8,771	844	$2,869	10,964
Professional, scientific and technical services	895	$722	11,536	1,119	$903	14,420
Administrative, support, waste management and sanitation services	411	$393	5,588	513	$491	6,985
Arts, entertainment and recreation	172	$123	3,173	215	$153	3,966
Hospitality and restaurant services	701	$295	9,476	877	$369	11,846
Other services, except public administrations	933	$311	6,513	1,166	$389	8,141

*** Excludes utilities, education services, healthcare and social assistance, and public administrations.**

Projection in terms of GDP
according to the method based on the number of owners age 65 and over

Based on the number of owners age 65 and over, the proportion of these owners who do not have a formal succession plan and the high risk of business transfer failure associated with the absence of a formal succession plan, we estimate that **Québec risks losing between $9.6 billion and $12 billion of its GDP over the next 10 years, due to the entrepreneurial deficit.**

Projection in terms of jobs
according to the method based on the number of owners age 65 and over

Based on the number of owners age 65 and over, the proportion of these owners who do not have a formal succession plan and the high risk of business transfer failure associated with the absence of a formal succession plan, we estimate that **Québec risks losing between 112,000 and 140,000 jobs over the next 10 years, due to the entrepreneurial deficit.**

Breakdown of the economic impact for the metropolitan area

Within the Montréal CMA, between $5.3 billion and $6.6 billion of GDP, and between 58,000 and 72,000 jobs are at risk, due to the potential closure of 3,700 to 4,700 businesses.

METHOD BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER

MONTRÉAL CMA	BREAKDOWN OF THE 8,000 BUSINESSES AT RISK			BREAKDOWN OF THE 10,000 BUSINESSES AT RISK		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**3,729**	**$5,281**	**57,547**	**4,661**	**$6,602**	**71,933**
Agriculture, forestry, hunting and fishing	38	$30	205	47	$37	256
Mineral extraction and oil and gas extraction	4	$7	129	5	$9	161
Construction	500	$373	4,282	625	$467	5,353
Manufacturing	246	$895	8,565	308	$1,119	10,706
Wholesale	281	$451	3,245	352	$563	4,056
Retail	436	$382	9,579	545	$478	11,974
Transportation and warehousing	186	$319	3,416	232	$399	4,270
Information industry and cultural industry	75	$334	2,538	94	$418	3,172
Finance and insurance, real estate and leasing services, and corporate and business management	366	$1,338	5,249	457	$1,673	6,561
Professional, scientific and technical services	553	$495	7,379	692	$619	9,224
Administrative, support, waste management and sanitation services	223	$255	2,913	279	$319	3,641
Arts, entertainment and recreation	76	$82	2,033	94	$102	2,542
Hospitality and restaurant services	323	$134	4,856	404	$168	6,070
Other services, except public administrations	422	$185	3,158	527	$232	3,947

*** Excludes utilities, education services, healthcare and social assistance, and public administrations.**

Breakdown of the economic impact for the Montérégie region

In the Montérégie region, the potential shutdown of operations of 1,400 to 1,800 businesses over the next 10 years would trigger losses of $1.5 billion to $1.9 billion of GDP and 22,000 to 27,000 jobs.

METHOD BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER

MONTÉRÉGIE	BREAKDOWN OF THE 8,000 BUSINESSES AT RISK			BREAKDOWN OF THE 10,000 BUSINESSES AT RISK		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**1,440**	**$1,508**	**21,708**	**1,800**	**$1,886**	**27,135**
Agriculture, forestry, hunting and fishing	101	$54	631	127	$68	788
Mineral extraction and oil and gas extraction	1	$8	87	2	$10	109
Construction	253	$145	1,961	317	$181	2,451
Manufacturing	93	$340	3,887	116	$426	4,859
Wholesale	81	$114	1,186	101	$143	1,483
Retail	166	$128	3,503	207	$161	4,378
Transportation and warehousing	89	$69	1,478	111	$86	1,848
Information industry and cultural industry	14	$28	797	17	$35	997
Finance and insurance, real estate and leasing services, and corporate and business management	109	$377	1,693	136	$471	2,116
Professional, scientific and technical services	166	$80	2,189	207	$100	2,736
Administrative, support, waste management and sanitation services	75	$55	963	94	$69	1,204
Arts, entertainment and recreation	29	$17	639	36	$22	799
Hospitality and restaurant services	108	$40	1,508	135	$50	1,886
Other services, except public administrations	154	$51	1,186	193	$64	1,482

*** Excludes utilities, education services, healthcare and social assistance, and public administrations**

Breakdown of the economic impact for the Capitale-Nationale region

In the Capitale-Nationale region, 700 to 800 businesses could disappear over the next 10 years, leading to the loss of $800 million to $1 billion of GDP and 9,000 to 12,000 jobs.

METHOD BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER

CAPITALE-NATIONALE	BREAKDOWN OF THE 8,000 BUSINESSES AT RISK			BREAKDOWN OF THE 10,000 BUSINESSES AT RISK		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**652**	**$827**	**9,419**	**815**	**$1,034**	**11,774**
Agriculture, forestry, hunting and fishing	22	$9	64	27	$11	80
Mineral extraction and oil and gas extraction	1	$4	16	1	$5	20
Construction	89	$84	851	112	$105	1,064
Manufacturing	38	$92	855	47	$115	1,069
Wholesale	29	$50	523	37	$62	654
Retail	83	$77	1,544	103	$97	1,930
Transportation and warehousing	34	$47	627	43	$59	784
Information industry and cultural industry	10	$36	335	12	$46	419
Finance and insurance, real estate and leasing services, and corporate and business management	58	$228	991	73	$285	1,239
Professional, scientific and technical services	85	$81	1,284	106	$101	1,605
Administrative, support, waste management and sanitation services	37	$36	434	46	$45	542
Arts, entertainment and recreation	17	$12	269	21	$14	336
Hospitality and restaurant services	66	$43	984	82	$54	1,230
Other services, except public administrations	84	$27	642	105	$33	803

*** Excludes utilities, education services, healthcare and social assistance, and public administrations.**

Breakdown of the economic impact by economic sector

In Québec, the sectors hardest hit in terms of the number of businesses are construction, retail and professional services, which concentrate 38% of the businesses at risk of closure due to the entrepreneurial deficit.

In terms of GDP losses, the main sectors affected are as follows: (1) finance and insurance, real estate services and leasing and corporate management, (2) manufacturing, and (3) construction.

In terms of job losses, the main sectors affected are (1) manufacturing, (2) retail, and (3) professional services.

METHOD BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER

ECONOMIC SECTORS (FOR QUÉBEC AS A WHOLE)	BUSINESSES LOST			GDP LOSSES ($M)			JOB LOSSES		
			% OF TOTAL			% OF TOTAL			% OF TOTAL
All sectors*	**8,000**	**10,000**	**100%**	**$9,602**	**$12,003**	**100%**	**111,510**	**139,388**	**100%**
Construction	1,158	1,448	14.5%	$919	$1,149	9.6%	9,796	12,245	8.8%
Retail	990	1,237	12.4%	38% $745	$932	7.8%	18,083	22,604	16.2%
Professional, scientific and technical services	895	1,119	11.2%	$722	$903	7.5%	11,536	14,420	10.3%
Hospitality and restaurant services	701	877	8.8%	$295	$369	3.1%	9,476	11,846	8.5%
Finance and insurance, real estate and leasing services, and corporate and business management	675	844	8.4%	$2,295	$2,869	23.9%	8,771	10,964	7.9%
Manufacturing	515	643	6.4%	$1,729	$2,161	18.0%	18,489	23,112	16.6%
Agriculture, forestry, hunting and fishing	502	628	6.3%	$207	$258	2.2%	2,071	2,589	1.9%
Transportation and warehousing	462	578	5.8%	533	$667	5.6%	6,737	8,421	6.0%
Wholesale	459	574	5.7%	$684	$855	7.1%	6,125	7,656	5.5%
Administrative, support, waste management and sanitation services	411	513	5.1%	$393	$491	4.1%	5,588	6,985	5.0%
Arts, entertainment and recreation	172	215	2.1%	$123	$153	1.3%	3,173	3,966	2.8%
Information industry and cultural industry	113	141	1.4%	$446	$558	4.6%	3,960	4,949	3.6%
Mineral extraction and oil and gas extraction	13	17	0.2%	$201	$251	$2.1	1,193	1,491	1.1%
Other services, except public administrations	933	1,186	11.7%	$311	$389	3.2%	6,513	8,141	5.8%

*** Excludes utilities, education services, healthcare and social assistance, and public administrations.**

Sector analysis

The construction sector would lose the most businesses over the next 10 years, due to the entrepreneurial deficit, with 15% of the total businesses lost (1,200 to 1,400 businesses at risk).

In terms of potential GDP losses, the finance and insurance, real estate services and leasing, and corporate and business management services would be the most severely affected. This sector's losses could represent $2.3 billion to $2.9 billion over the next decade, nearly 25% of Québec's total GDP losses.

Finally, for job losses related to the entrepreneurial deficit, the manufacturing and retail sectors risk being the hardest hit, with each accounting for 16% of the province's total job losses. We are talking about 18,500 to 23,000 jobs potentially lost for the manufacturing sector and 18,000 to 22,600 jobs at risk in the retail sector.

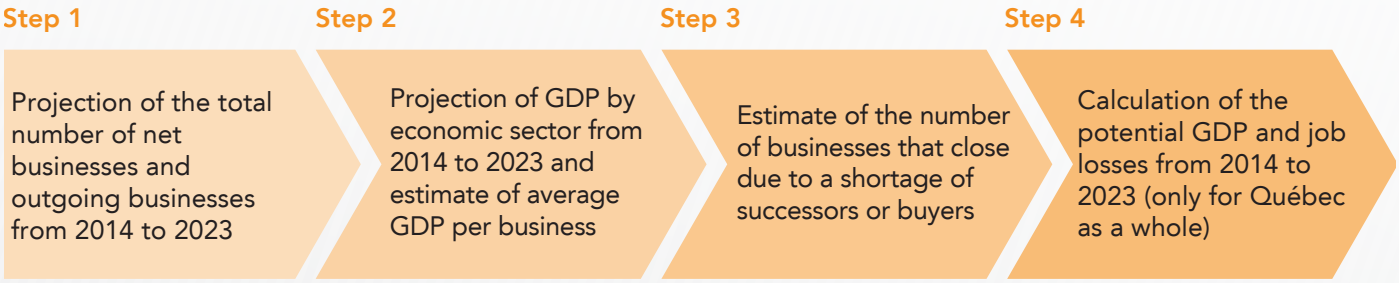
Regional analysis

A regional analysis of potential losses of businesses, GDP and jobs by economic sector shows that the construction, retail and professional, scientific and technical services sectors will lose the most businesses, for the three regions considered.

The hospitality and restaurant services sector will be particularly affected in the Montréal CMA, while businesses lost (from 320 to 400), account for 46% of the sector's total potential losses for Québec as a whole over the next 10 years. Moreover, this sector of Québec's metropolis could lose 4,900 to 6,000 jobs by the end of the next decade.

In the Montérégie region, the agriculture sector could suffer losses representing approximately 20% of the entire Québec agricultural sector during the same period. Indeed, 100 to 130 businesses will be at risk of closing in this sector, which would represent potential losses of $55 million to $70 million of GDP and 630 to 790 jobs.

SECOND METHOD: BASED ON THE NUMBER OF OUTGOING BUSINESSES AND THE OWNERS' INTENTIONS TO CLOSE



Step 1

1. Based on the number of businesses with employees in each region and for each economic sector (December 2013 data from the Statistics Canada Business Register), to which we apply the net sector business entry and sector business exit rates (average rate from 2000 to 2010 by economic sector coming from Statistics Canada), we project the number of net businesses and outgoing businesses from 2014 to 2023 for each economic sector and each region.

Assumption: The rates used (net sector business entry rates and sector business exit rates) remain constant for the period from 2013 to 2023 and are the same for Québec as a whole and the three regions considered.

Step 2

1. We calculate the sector GDP projections from 2012 to 2013 for Québec as a whole by iteratively applying the 2007-2011 AAGR to the sector GDPs from 2011 to 2023 (data from the Institut de la statistique du Québec).
2. We establish an estimate of the average GDP per business from 2014 to 2023 by dividing the projected GDP of each year by the corresponding net number of businesses, as calculated in step 1.
3. We establish an average number of jobs per business per economic sector for Québec as a whole by dividing the total number of jobs per sector (2013 data from the Statistics Canada Labour Force Survey) by the number of businesses, for each economic sector and for each region.

   Assumption: The average number of jobs per business per economic sector remains constant for the entire period considered from 2013 to 2023.

Step 3

1. Using the 2013 MFEQ data, we estimate that 8.1% of entrepreneurs in Québec are age 65 and over.
2. Using the results of the survey conducted by FDE in 2010, we consider that 39.9% of entrepreneurs age 65 and over intend to close their business when they retire, due to a shortage of potential successors or buyers.

   Assumption 1: 3.25% (8.1% x 39.9%) of "outgoing" businesses in Québec close due to shortage of potential successors or buyers.

   Assumption 2: The breakdown by age group of "outgoing" businesses is the same as the breakdown by age group in Québec (2013 MFEQ data).
3. By applying this 3.25% proportion to the sector projections of the number of outgoing businesses calculated in step 1, we estimate the number of businesses that close due to a shortage of potential successors or buyers for each economic sector and for each region.

   Assumption: This 3.25 proportion is the same for all economic sectors and all regions considered and remains constant for the entire period from 2014 to 2023.

Step 4

1. We calculate the potential GDP losses for each year from 2014 to 2023 by multiplying the average annual GDP per business (calculated in step 2) by the number of businesses that close due to a shortage of potential successors or buyers (calculated in step 3) for each economic sector and each region.
2. We calculate the potential job losses for each year from 2014 to 2023 by multiplying the average number of jobs per business (calculated in step 2) by the number of businesses that close due to a shortage of potential successors or buyers for each region.
3. The calculation of the potential GDP losses and job losses does not account for the utility, education services, healthcare and social assistance sector and public administrations.

The following tables present the results obtained by applying the method based on the number of outgoing businesses and the owners' intentions to close.

Principal projection
based on the number of outgoing businesses and the owners' intentions to close

Based on the survey according to which 39.9% of entrepreneurs age 65 and over intend to close their business upon their retirement due to a shortage of potential successors and buyers, we estimate that **5,700 Québec businesses are strongly threatened with closure over the next 10 years.**

METHOD BASED ON THE NUMBER OF OUTGOING BUSINESSES AND THE OWNERS' INTENTIONS TO CLOSE

ALL OF QUÉBEC	TOTAL 2014 TO 2018 (5 YEARS)			TOTAL 2014 TO 2023 (10 YEARS)		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**2,868**	**$3,773**	**39,839**	**5,700**	**$8,210**	**78,860**
Agriculture, forestry, hunting and fishing	156	$71	645	306	$152	1,260
Mineral extraction and oil and gas extraction	4	$81	384	9	$205	784
Construction	362	$332	3,057	747	$779	6,315
Manufacturing	155	$535	5,586	299	$1,047	10,734
Wholesale	140	$225	1,873	273	$464	3,637
Retail	340	$290	6,219	661	$625	12,071
Transportation and warehousing	182	$233	2,651	355	$496	5,181
Information industry and cultural industry	48	$209	1,684	96	$454	3,368
Finance and insurance, real estate and leasing services, and corporate and business management	251	$966	3,257	494	$2,118	6,411
Professional, scientific and technical services	369	$334	4,760	757	$758	9,752
Administrative, support, waste management and sanitation services	162	$178	2,206	330	$410	4,494
Arts, entertainment and recreation	56	$43	1,036	114	$91	2,097
Hospitality and restaurant services	307	$146	4,143	605	$319	8,170
Other services, except public administrations	335	$131	2,340	657	$293	4,585

*** Excludes utilities, education services, healthcare and social assistance, and public administrations**

Projection in terms of GDP according to the method based on the number of outgoing businesses and the owners' intentions to close

Based on the survey according to which 39.9% of entrepreneurs age 65 and over intend to close their business upon their retirement due to a shortage of potential successors and buyers, we estimate that **Québec risks losing $8.2 billion of its GDP over the next 10 years.**

Projection in terms of jobs according to the method based on the number of outgoing businesses and the owners' intentions to close

Based on the survey according to which 39.9% of entrepreneurs age 65 and over intend to close their business upon their retirement due to a shortage of potential successors and buyers, we estimate that **Québec risks losing nearly 80,000 jobs over the next 10 years.**

This second method has the merit of being based on the proportion of owners age 65 and over, and on the projections of their intentions. The first method is based on the principle that businesses whose owners age 65 and over have no formal succession plan are highly exposed to the risk of closure due to a failed transfer of ownership to a successor.

To summarize, the first method is based on the theory and the risk it highlights, while the second method is based on intentions. Both lead to projections and breakdowns based on assumptions (a theory and a survey of a population sample), which may not turn out, for several reasons:

- The first method's theory identifies a high risk of a failed business transfer due to a lack of preparation for the entrepreneurial deficit. Its incidence is high but is not calculated; not all businesses exposed to this risk will actually close.
- The survey reveals the intentions at a precise point in time. It can be considered that the intention to close the business due to an entrepreneurial deficit gives a better indication of the result than the mere risk of closure, but these intentions may evolve over time.

This is why we considered it important to present two distinct methods of evaluation of the problem's economic impacts. This distinction also explains the gap between the principal projections of the two methods. Indeed, it is completely normal that the approximately 5,700 owners who intend to close their business upon retirement due to a shortage of potential successors or buyers have not prepared a formal succession plan. The vast majority of them necessarily are among the owners of the 8,000 to 10,000 Québec businesses that are under a strong threat of closure over the next 10 years, because they do not have a formal succession plan to mitigate the entrepreneurial deficit.

Breakdown of the economic impact for the metropolitan area

Within the Montréal CMA, losses of nearly $4.5 billion of GDP and 41,000 jobs will be triggered by the potential closure of 2,700 businesses over the next 10 years.

METHOD BASED ON THE NUMBER OF OUTGOING BUSINESSES AND THE OWNERS' INTENTIONS TO CLOSE

MONTRÉAL CMA	BREAKDOWN OF THE 8,000 BUSINESSES AT RISK			BREAKDOWN OF THE 10,000 BUSINESSES AT RISK		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**3,729**	**$5,281**	**57,547**	**4,661**	**$6,602**	**71,933**
Agriculture, forestry, hunting and fishing	38	$30	205	47	$37	256
Mineral extraction and oil and gas extraction	4	$7	129	5	$9	161
Construction	500	$373	4,282	625	$467	5,353
Manufacturing	246	$895	8,565	308	$1,119	10,706
Wholesale	281	$451	3,245	352	$563	4,056
Retail	436	$382	9,579	545	$478	11,974
Transportation and warehousing	186	$319	3,416	232	$399	4,270
Information industry and cultural industry	75	$334	2,538	94	$418	3,172
Finance and insurance, real estate and leasing services, and corporate and business management	366	$1,338	5,249	457	$1,673	6,561
Professional, scientific and technical services	553	$495	7,379	692	$619	9,224
Administrative, support, waste management and sanitation services	223	$255	2,913	279	$319	3,641
Arts, entertainment and recreation	76	$82	2,033	94	$102	2,542
Hospitality and restaurant services	323	$134	4,856	404	$168	6,070
Other services, except public administrations	422	$185	3,158	527	$232	3,947

*** Excludes utilities, education services, healthcare and social assistance, and public administrations.**

Breakdown of the economic impact for the Montérégie region

In the Montérégie region, over 1,000 businesses risk closing within 10 years, leading to losses of $1.2 billion of GDP and 15,000 jobs.

METHOD BASED ON THE NUMBER OF OUTGOING BUSINESSES AND THE OWNERS' INTENTIONS TO CLOSE

MONTÉRÉGIE	TOTAL 2014 TO 2018 (5 YEARS)			TOTAL 2014 TO 2023 (10 YEARS)		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**512**	**$576**	**7,705**	**1,020**	**$1,241**	**15,239**
Agriculture, forestry, hunting and fishing	32	$20	196	62	$47	384
Mineral extraction and oil and gas extraction	0	$4	28	1	$12	57
Construction	79	$47	612	163	$102	1,264
Manufacturing	28	$104	1,174	54	$203	2,257
Wholesale	25	$37	363	48	$75	705
Retail	57	$50	1,204	111	$107	2,338
Transportation and warehousing	35	$29	582	69	$60	1,137
Information industry and cultural industry	6	$13	339	12	$28	678
Finance and insurance, real estate and leasing services, and corporate and business management	40	$162	629	79	$363	1,237
Professional, scientific and technical services	68	$36	903	140	$81	1,850
Administrative, support, waste management and sanitation services	30	$25	380	61	$59	775
Arts, entertainment and recreation	9	$6	209	19	$13	422
Hospitality and restaurant services	47	$20	659	93	$42	1,301
Other services, except public administrations	55	$22	426	109	$48	835

*** Excludes utilities, education services, healthcare and social assistance, and public administrations**

Breakdown of the economic impact for the Capitale-Nationale region

Within the next 10 years, approximately 500 businesses could close their doors in the Capitale-Nationale region, triggering the loss of over $740 million of GDP and 7,000 jobs.

METHOD BASED ON THE NUMBER OF OUTGOING BUSINESSES AND THE OWNERS' INTENTIONS TO CLOSE

CAPITALE-NATIONALE	TOTAL 2014 TO 2018 (5 YEARS)			TOTAL 2014 TO 2023 (10 YEARS)		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
All sectors*	**237**	**$336**	**3,447**	**471**	**$740**	**6,840**
Agriculture, forestry, hunting and fishing	7	$3	20	13	$7	39
Mineral extraction and oil and gas extraction	0	$3	5	1	$10	10
Construction	28	$30	266	58	$69	549
Manufacturing	11	$28	258	22	$54	496
Wholesale	9	$17	160	17	$37	311
Retail	28	$30	531	55	$64	1,031
Transportation and warehousing	13	$22	247	26	$48	482
Information industry and cultural industry	4	$18	143	8	$41	285
Finance and insurance, real estate and leasing services, and corporate and business management	22	$95	368	43	$205	725
Professional, scientific and technical services	35	$39	530	72	$91	1,086
Administrative, support, waste management and sanitation services	15	$16	171	30	$36	349
Arts, entertainment and recreation	5	$4	88	11	$10	178
Hospitality and restaurant services	29	$21	430	57	$45	848
Other services, except public administrations	30	$11	231	59	$23	452

*** Excludes utilities, education services, healthcare and social assistance, and public administrations.**

Summary of the quantifiable economic impacts: businesses, GDP and jobs lost over the next 10 years*

METHOD BASED ON THE NUMBER OF OWNERS AGE 65 AND OVER	8,000 BUSINESSES AT RISK			10,000 BUSINESSES AT RISK		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
Montréal CMA	3,729	$5,281	57,547	4,661	$6,602	71,933
Montérégie	1,440	$1,508	21,708	1,800	$1,886	27,135
Capitale-Nationale	652	$827	9,419	815	$1,034	11,774
All of Québec	*8,000*	*$9,602*	*111,510*	*10,000*	*$12,003*	*139,388*

METHOD BASED ON THE NUMBER OF EXITERS AND THE OWNERS' INTENTION TO CLOSE	TOTAL 2014 TO 2018 (5 YEARS)			TOTAL 2014 TO 2023 (10 YEARS)		
	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES	BUSINESSES LOST	GDP LOSSES ($M)	JOB LOSSES
Montréal CMA	1,354	$2,092	20,804	2,696	$4,521	41,220
Montérégie	512	$576	7,705	1,020	$1,241	15,239
Capitale-Nationale	237	$336	3,447	471	$740	6,840
All of Québec	*2,868*	*$3,773*	*39,839*	*5,700*	*$8,210*	*78,860*

*** Excludes utilities, education services, healthcare and social assistance, and public administrations**

Regardless of the chosen method, it is important to mention that these lost businesses, GDP and jobs do not represent net losses, but partial losses. They represent the negative impact of the business transfer failure caused by the entrepreneurial deficit and the lack of preparation for the succession. This having been said, the losses caused for this reason can be recovered or replaced as follows:

- The businesses that close can be replaced by the creation of new businesses. However, the entrepreneurial deficit in Québec reveals that new entrepreneurs entering the market are not enough to offset the owners' retirements.

- The lost GDP can be offset by the increased sales of the competitors of the exiting owners, considering that the demand for the goods and services provided by the closed businesses is not dependent on the supply. The market supplied by the closed businesses does not disappear, and can be recovered by the other businesses that offer a substitute for the goods and services that disappear from the market. The restaurant sector is a good example. This consolidation can prove to be beneficial for these businesses, which thus achieve growth and potential economies of scale. However, if the market replaces this local supply with imports, the economy will lose GDP.

- The employees who lose their jobs may be hired by other businesses. If their know-how is in demand, it may assure them of a quick transfer to other employers.

In short, these losses allow us to estimate the magnitude of the pressure suffered by the economy due to the entrepreneurial deficit. Moreover, a portion of these businesses, the GDP and the jobs they generate may disappear from the system permanently. This unrecovered share is very difficult to evaluate, and even impossible to determine for the same period, because the recovery happens later (after the business is closed), and over a distinct time horizon.

Other losses related to a failed business transfer, such as the loss of the owner's know-how or of gains due to the efficiency of the company's distribution network, are impossible to quantify. They have an impact on the overall cost of the entrepreneurial deficit, but must be presented independently of the quantitative impacts. The next section offers an overview of the main non-quantifiable losses related to the entrepreneurial deficit.

NON-QUANTIFIABLE ECONOMIC IMPACTS OF THE SUCCESSION AND BUSINESS TRANSFER PROBLEM

A large share of the wealth and jobs generated by closed businesses can therefore be recovered by the remaining businesses (substitution). Their disappearance can contribute to the growth of the remaining businesses (consolidation), and thus to the health of economy. However, the entrepreneurial deficit and the lack of preparation by the transferors to offset this shortage have impacts that cannot be quantified, whether for the businesses that must be transferred or for the economy as a whole.

- **Impact on investments**

  Since the transfer process is a pivotal period of organizational transformation, observations in the field often note a slowdown of investment, because the owners are seeking to present their business in the best possible financial light. Some investments are not made or are delayed during the five to eight years of a transfer process, years during which the economy is not stimulated.

  If the transfer is not done or is delayed, some business opportunities will be lost and opportunities for innovation lessened, because a person nearing retirement will tend to ensure maintenance of his or her business instead of taking risks and going into debt to develop new markets or to increase productivity.

  When the succession process is initiated, it is therefore important to activate a strategic plan with the aim of targeting growth, which can pay down the legacy debt (which previously did not exist in the business), so that the new owner is not subjected to pressure that produces the same consequences.

- **Impact on competitiveness**

  The direct consequence of slowed investment is reduced competitiveness. A less competitive business may be abandoned gradually by its clientele to the benefit of its competitors, and thus loses value. This is the perverse effect of the propensity to save with the aim of showing a more favourable financial position: the business has the merit of being less indebted, but its low competitiveness confers less value than it could have achieved if investment had been maintained.

- **Impact on regional development**

  The positive effects of substitution (of wealth creation and jobs) and consolidation (of the remaining businesses) apply to an entire economic environment (where the economic agents are integrated and can easily exchange production factors and market shares), as is the case for Québec. In the less densely populated regions that are part of this environment, fewer businesses are available to replace those that close and to benefit from the effects of substitution and market consolidation. More often, businesses from outside the region can take advantage of this situation. The closure of a business due to the absence of succession or due to lack of preparation for the absence of succession very often translates into a net loss of GDP and jobs for the region. The succession and business transfer problem is therefore a counter-development factor in many regions that are remote from major urban centres or sparsely populated.

  In the regions, the economic sectors composed of a large number of small businesses, such as the restaurant and retail sectors, are less affected in this regard, because the local market shares can be redistributed rapidly. However, it must be mentioned that these small businesses with four or five employees and sales in the vicinity of $1 million are often very difficult to transfer, which directly affects the dynamism of commercial arteries, both of villages and of large cities.

- **Tax impact**

  Transactions that are delayed, and sometimes not even realized, have an impact on government revenues. Governments collect less direct taxes on transactions. Indirectly, the poorer performance of businesses that delay or cancel their investments generate less economic activity and thus less tax revenues.

HIGHLIGHTS OF THE ECONOMIC IMPACTS OF THE STATUS QUO

This section of the study once again sought to sound the alarm on the succession and business transfer issue in Québec, by providing new data for a better understanding of the scope of the problem, as the CFIB, the MDEIE and FDE had already done. We have presented statistics that express the cost of the entrepreneurial deficit, projected over 10 years, if the current trends are maintained. The following table recapitulates the highlights of this analysis.

QUÉBEC AS A WHOLE	• Potential closure of 5,700 to 10,000 businesses • Losses of $8.2 billion to $12 billion of GDP, representing 2.5% to 3.7% of Québec's total GDP in 2011 • Losses of 79,000 to 140,000 jobs, representing 1.8% to 3.5% of the total jobs in Québec in 2013
MONTRÉAL CMA	• Potential closure of 2,700 to 4,700 businesses • Losses of $4.5 million to $6.6 billion of GDP, representing 2.6% to 3.8% of the total GDP of the Montréal CMA in 2011 • Losses of 41,000 to 72,000 jobs, representing 2.0% to 3.5% of the total jobs in the Montréal CMA in 2013
MONTÉRÉGIE	• Potential closure of 1,000 to 1,800 businesses • Losses of $1.2 billion to $1.9 billion of GDP, representing 2.6% to 3.9% of the Montérégie region's total GDP in 2011 • Losses of 15,000 to 27,000 jobs, representing 2.0% to 34.6% of the total jobs in the Montérégie region in 2013
CAPITALE-NATIONALE	• Potential closure of 500 to 800 businesses • Losses of $740 million to $1 billion of GDP, representing 2.3% to 3.3% of the total GDP of the Capitale-Nationale region in 2011 • Losses of 7,000 to 12,000 jobs, representing 1.8% to 3.1% of the total jobs in the Capitale-Nationale region in 2013
SECTORS HARDEST HIT • **Construction** • **Retail** • **Professional, scientific and technical services** • **Manufacturing**	• The economic sectors that will be the hardest hit by business closures in Québec due to the entrepreneurial deficit are construction, retail and professional, scientific and technical services. These three sectors combined account for nearly 40% of the businesses lost. • In terms of job losses related to these potential business closures, the manufacturing and retail sectors risk being the hardest hit. 18,500 to 23,000 jobs are at risk in the manufacturing sector and 18,000 to 22,600 retail jobs, representing 16% of the province's total job losses for each of these two sectors. • The sectors most affected by the entrepreneurial deficit in the three regions considered (Montréal CMA, Montérégie and Capitale-Nationale) will essentially be the same as for the province as a whole. However, the hospitality and restaurant services sector will be particularly affected in the Montréal CMA, with 46% of the total businesses lost over the next 10 years, while the agriculture sector will be more severely affected in the Montérégie region, where the businesses lost will represent 20% of the entire Québec agricultural sector over the same period.
UNQUANTIFIED IMPACTS • **Lack of investment and competitiveness** • **Counter-development in the regions** • **Tax shortfall**	• The entrepreneurial deficit and business transfer issue also generates economic impacts that are more difficult to quantify, particularly the lack of competitiveness due to slowed innovation and delayed investments. • The difficulty of transferring small businesses and, in the regions, the difficulty for existing businesses to replace the activities and jobs of the businesses that close, contribute to the devitalization of the economic fabric. • A different analysis, which our economic model did not permit us to perform, could attempt to estimate the shortfall of provincial and federal government tax revenues related to business closures and job losses due to a shortage of successors or buyers. Also, a complementary analysis could consider the indirect and induced impacts of job losses related to business closings due to a shortage of successors or buyers.

3 BUSINESS TRANSFER: A PROCESS OF UNDERESTIMATED COMPLEXITY

The entrepreneurial deficit in Québec has a major economic impact, especially if the trend is confirmed over the next decade and nothing is done to reinforce the action of the public bodies and practitioners that assist the transferors and the buyers in their steps. Although factors can contribute to the scope of the phenomenon we have just described and the impacts of which we have assessed. We have therefore chosen to focus our analysis of the impacts on the transferors' intentions and behaviours, because they have a determining effect on the number of businesses at risk of not being transferred to the next generation of owners. In this chapter, we will explain how a rigorous commitment by the transferors is essential in the years preceding their retirement to ensure the succession.

DEFINITION AND FORMS OF BUSINESS TRANSFER

This chapter focuses on the business transfer and the steps it involves. It is therefore important to define it properly from the outset. Some specialists define a transfer as follows:

"A transfer means that the business ensures its continuity by the effective deployment of the successor (in the case of a family transfer) or the buyer (in the case of other transfers), and by the withdrawal of the predecessor or transferor from the governance and ownership of that same business. […] The transfer results from a process that may extend from the time the protagonists start thinking about their transfer or takeover project and the time when the management and ownership of the SME are officially transferred."[11]

A business transfer is a fundamentally different transaction from a classic sale, because the transferor makes a gradual transition from management to the succession and often continues to be involved part-time in the business. The succession also benefits from coaching or mentoring and can use the firm's assets as financial leverage.

Three main forms of business transfer

Business transfers can be classified according to the type of buyer or successor. Here are the three main forms (or modes) of transfer:

Family transfer: When the owner transfers the business to at least one member of his or her family. Usually, this family member belongs to the next generation.

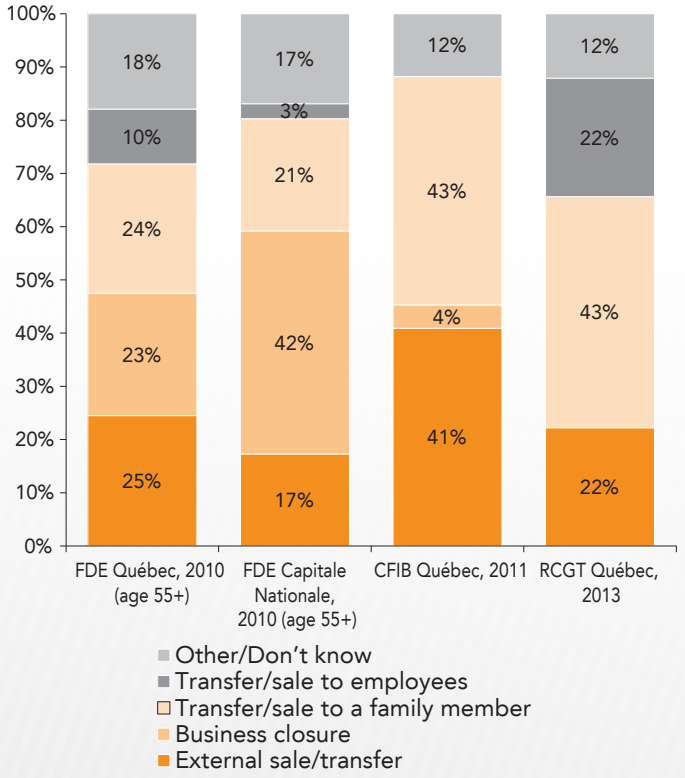
Internal transfer (often called "management buy-out"): When the owner transfers the business to an employee or an employee cooperative unrelated to the owner.

External transfer: When the owner transfers the business to one or more individuals unrelated to the family or the business.

[11] *La transmission des PME: enjeux et perspectives,* Louise Cadieux and François Brouard, Presses de l'Université du Québec, 2009. [Transfer of SMEs: issues and perspectives]

The following graph illustrates the distribution of the forms of transfer considered by Québec business owners, according to four surveys. The FDE survey concerns the intentions of transferors age 55 and over.

BREAKDOWN OF BUSINESS TRANSFER MODES



STEPS OF THE BUSINESS TRANSFER

The business transfer is a multi-step process. We offer an overview of this process according to the seven-step model developed by Raymond Chabot Grant Thornton. Other models suggesting between five and seven steps also exist, and refer to the same essential elements. These other models are appended.

THE SEVEN STEPS OF THE TRANSFER	INHERENT ACTIVITIES AND RESOURCES TO CONSIDER FOR EACH STEP
1. Diagnose the intentions and establish the feasibility of the transfer • Needs for support, level of preparation • Preparation of the succession	• Becoming aware of the difficulty the sale of the business may involve – 58% of owners admit having psychological difficulty selling their business[12] • Complete checklist questionnaires[13]: – Analysis of the different options available to the transferor, the timeline, the will, the list of partners, succession/estate planning • Take note that a transfer necessitates mobilization of a multidisciplinary team, accounting for the wide range of issues inherent in a business transfer – Tax specialists, appraisers, industrial psychologists, management consultants, entrepreneurial psychology specialists, wealth management advisors, legal advisors, etc.
2. Mobilize the strategic players • Resource person • Effective communications plan	• Identify a conductor who coordinates and mobilizes the multidisciplinary team • Develop a communications plan to ensure a smooth transition and reassure the employees as well as the suppliers, customers and creditors
3. Consider all the financial aspects • For the transferor • For the buyer	• Analyze the different scenarios available to the transferor, depending on the form of the transfer – Play an active role in the business: gradual exit, mentoring, cohabitation, etc. – Define the transferor's objectives and post-transfer financial needs • Consider the different financing options that are possible for the buyer – Loans, grants, succession assistance programs and funds, etc.
4. Conduct an in-depth strategic discussion • Future of the business • Needs of the succession • Strategic plan	• Study the firm's development outlook for the years ahead • Establish the value of the business by calling on chartered professionals – Maximize the market value by enhancing the business during the transfer process • Determine the governance modes – Board of directors, management committee, etc. – Transferor's mentoring plan
5. Analyze all the financial aspects • Minimize the tax expenses • Depending on the transfer	• Study and explore the tax, legal and succession scenarios – Succession freeze and crystallization; determination of the partition of shares; creation of a trust
6. Seek the necessary financing • Develop the financial setup • Resort to expert advisors	• Explore the financing strategies, based on the stakeholders' objectives – Choose the form of payment (capital investment, staggered payments, share purchase program, payment of dividends, financing by the transferor, etc.) • Negotiate with the financial partners according to the transferor's financial plan – Ambitions of the succession, team and financial assumptions, calculation of acceptable ratios
7. Deploy the transfer process • Ensure the sustainability of the business • Transfer knowledge	• With support, the entrepreneur fulfills his/her transfer plan – Communication (internal and external) is a key success factor – Succession committee; family council calling on a neutral participant – Mentoring and coaching to develop the buyer's aptitudes

[12] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future,* CROP-RCGT survey, November 2013, p. 3.
[13] *Investing in your future: Building a succession plan,* CFIB, pp. 3-13; and *Guide for the transferor,* Desjardins, February 2012, pp. 5-10.

This transfer process model can be integrated and adapted to each transferor's steps so that the transferor can prepare his/her own succession plan. A succession or business transfer plan formalizes the process and establishes the owner's exit timeline.

According to the Business Development Bank of Canada, there are several advantages to good succession planning and thinking about it in advance:

- Maximize the value of the business and, consequently, its eventual selling price;
- Widen the range of transfer options available;
- Have enough time to choose the right successor and familiarize him/her with the business;
- Put the appropriate financing in place;
- Create a positive impact on the long-term viability of the business.[14]

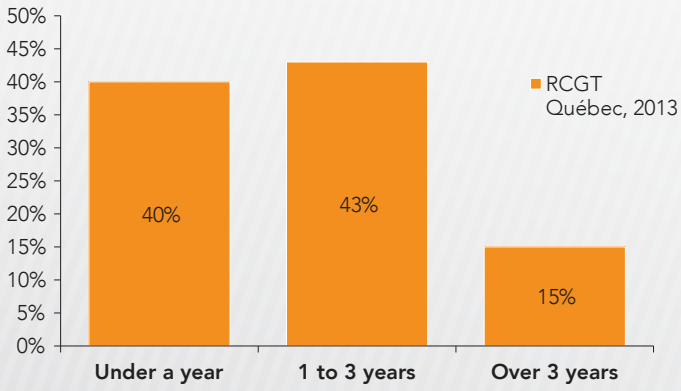
A business transfer is a process that is an integral part of the firm's development, and not an ad hoc process. It is planned only once in the owner's lifetime, which can result in a lack of formalization and structure.

An essential success factor of this process is support for the buyer from the transferor. This support defines the duration of the process and implies that the transferor will transfer his/her knowledge, share his/her business network, legitimize the buyer with the employees, and formalize the tacit knowledge. It is especially important to think out this process in advance in case the transferor dies suddenly. Otherwise, all these advantages that the transferor can confer and that contribute to the value and competitiveness of the business are at risk of disappearing abruptly.

TIME REQUIRED AND THE OWNERS' PERCEPTIONS

The experts agree that it takes between five and eight years[15] to plan a transfer; entrepreneurs trivialize and underestimate this stage. However, 83% of Québec entrepreneurs think they will need three years or less to plan their transfer. Only 15% expect this process to last longer than three years.[16] This major gap between reality and perception considerably hinders rigorous planning on a realistic timeline.

TIME NECESSARY TO PREPARE A TRANSFER (ACCORDING TO BUSINESS OWNERS)



[14] *The Entrepreneur's Guide – Business Transition*, Business Development Bank of Canada.
[15] *"Des entrepreneurs mal préparés et mal informés"*, La Presse, November 29, 2013. [Entrepreneurs poorly prepared and poorly informed]
[16] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future*, CROP-RCGT survey, November 2013.
[17] *La transmission d'entreprise au Québec : des stratégies diversifiées,* Richer, St-Cyr, Lambaraa, novembre 2004, Gestion 29 (3), p. 95; *Où est la relève?*, Le Mentor, volume 5 (3), 2012; *Guide de l'entrepreneur – Transmission d'entreprise*, Banque de développement du Canada, p. 5; "Des entrepreneurs mal préparés et mal informés", La Presse, 29 novembre 2013.

The transferor's decision is critical to trigger the business transfer planning process. However, over 90% of business owners have no formal plan regarding their business transfer. This proportion ranges between 60% and 75% of owners age 65 and over. Finally, 70% of SME owners say they are poorly prepared for this transfer.

Emotional aspects partially explain this lack of planning and the fact that entrepreneurs delay the transfer as long as possible. It is difficult for entrepreneurs to withdraw from the business community, especially when leaving a business that they founded and built and in which they are totally invested. This is called entrepreneurial grief, in which the owner has trouble letting go:

- 58% of owners admit having psychological difficulty selling their business;[18]
- Impression of giving up a certain status in the community;
- Difficulty speaking freely about the transfer to the employees, the partners, the family and the community.

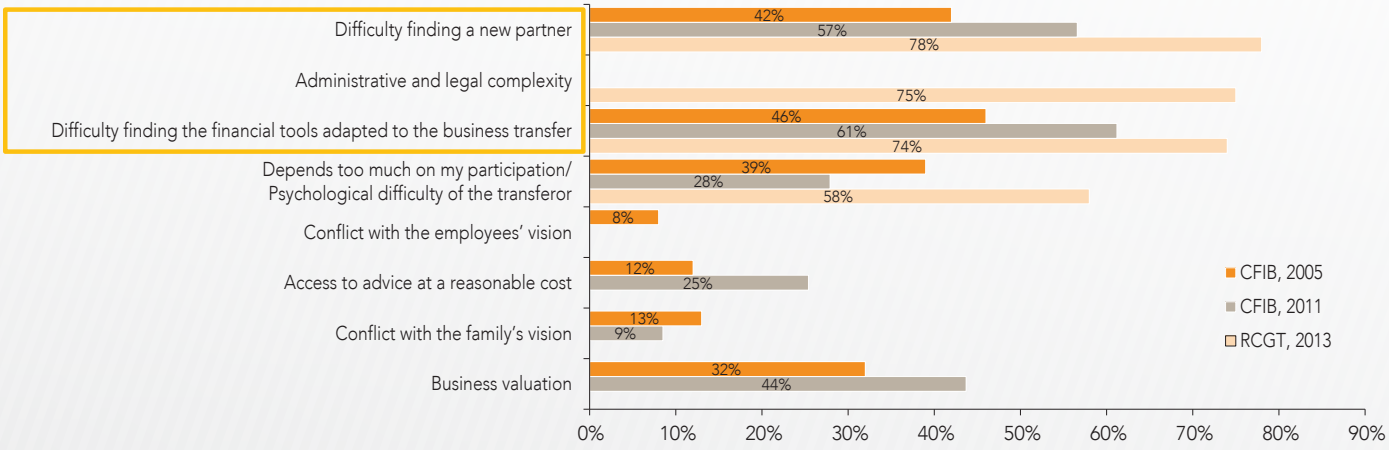
"When you leave your business, you often risk losing your identity... This is an extremely difficult question for entrepreneurs. They must redefine their role. Some go into mentoring... Others find a new reason for living, elsewhere than in their business... An entrepreneur is primarily a builder. Selling your baby is the antithesis of your primary function."

Savoir où l'on veut aller!, Desjardins, *Québec Inc. p. 18-19 [Know where you want to go]*

OBSTACLES AND PRIMARY CONSIDERATIONS FOR THE TRANSFER

Even when the owner is resolved to proceed with a business transfer, other obstacles hinder the project and contribute to drawing out the process. The following graph compiles the results of three surveys of owners' perceptions regarding the main obstacles to transferring their business.

OBSTACLES TO SUCCESSION PLANNING, ACCORDING TO THE OWNERS



[18] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future*, CROP-RCGT survey, November 2013.

Search for successors

Identifying a successor is the obstacle most frequently cited by the owners (78%), according to the most recent of these surveys. In Québec, this anticipated threat is a reality for many owners when they retire: 20% of entrepreneurs chose to close their business instead of selling it because they are unable to find a potential successor.

Owners generally try to find a buyer among the people around them. 66% of owners prefer an internal buyer (a family member or an employee),[19] justifying the transferor's wish to ensure some continuity in change. They seek to transfer their business to an individual (instead of a company), whose motivations, experience and passions are close to their own. This already preferred connection is conducive to the transferor preparing the buyer to facilitate the match (for example, a competency development plan or coaching).

Financial considerations

The other main considerations are administrative and technical. The lack of access to financing is a very widespread problem among entrepreneurs in general. Regarding succession and business transfer, this obstacle is frequently cited by potential buyers. In most cases of transfer, the absence of sufficient financial resources to pay the selling price, and the absence of assets that can be used to secure a loan, are issues once a buyer is identified.[20] There is a shortage of individuals who are well capitalized and interested in the long succession process.[21]

"When you borrow to buy a company, this money is not used for its development and growth. It is therefore necessary to maintain enough oxygen in the company's borrowing capacity so that it can develop in the long run."

Gabriel Nadon – (Le Mentor, Où est la relève?) [Where is the succession?]

But financial considerations also affect the transferors. Fewer than 60% of entrepreneurs age 55 and over wishing to sell or transfer their business know its fair market value.[22] The consequence is that often the valuation is very (even too) high, because few owners resort to business valuation services. In the case of an external transfer, the entrepreneur seeks to sell the business at the best price, as quickly as possible, to the detriment of resorting to external support to help manage the financial aspects of the transfer.

Tax considerations

Tax considerations also influence decision-making when it is time for entrepreneurs to pass the torch to a successor or a buyer. The quality of their retirement depends on it: 90% of small business owners consider the proceeds of the sale of their business, their personal savings and the capital gains deduction very important to finance their retirement.[23]

To maximize the capital gains exemption and the tax benefits from the sale of a business, an owner must prepare for at least two years. During this period, the owner may try some additional options: impose a freeze, create a family trust, optimize the selling price, reduce spending, increase earnings before interest, taxes, depreciation and amortization (EBITDA), increase sales, reduce debt, simplify organizational and legal structures, etc.[24] Moreover, for several individuals (spouse and children) to benefit from the $800,000 capital gains deduction, the company's share

[19] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future,* CROP-RCGT survey, November 2013.
[20] *Étude sur l'établissement des meilleures pratiques pour la transmission des entreprises au Québec: aspect financiers et fiscaux,* St-Cyr et al., HEC Montréal, 2005. [Study on the establishment of best practices for business transfer in Québec: financial and tax aspects]
[21] *Les centres locaux de développement et la relève dans les PME du Québec : Ébaucher des voies de solutions ensemble,* ACLDQ, 2008, p. 32. [The local development centres and the succession in Québec SMEs]
[22] *La relève est-elle au rendez-vous?,* Fondation de l'entrepreneurship, November 2010, p. 7. [Is the succession ready for action?]
[23] *Business Transfers: Problems and Suggested Solutions,* RCGT, 2010.
[24] *Business Staging,* Patrice Vachon, Fasken Martineau.

capital must be reorganized at least two years before the sale (this exemption is a key factor in the financial setup for a sale.)[25]

Finally, we should mention that it is more beneficial for tax purposes to sell to a third party than to a family member. Over 47% of entrepreneurs who want to sell to their children are ready to do so, even if it is less advantageous.[26] Adverse taxation for family transfers can contribute to the dislocation of Québec businesses or the loss of control of these businesses to the benefit of foreign interests. Fortunately, this issue is an election commitment of the Liberal Party: "A Liberal government, in particular, would exempt business and farm transfers from taxes to facilitate the succession."[27]

[25] "Le business staging", *La Presse*, May 25, 2012.
[26] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future,* CROP-RCGT survey, November 2013.
[27] "Le PLQ propose 160 millions pour aider les PME", *La Presse*, March 13, 2014. [Liberals propose $160 million to help SMEs]

4 PROGRAMS AND KEY PRACTITIONERS

To support them through their business transfer process, the owners can resort to the programs offered by many agencies and various professionals. These practitioners are closely involved with the transferors and, increasingly, with the potential buyers. The initiatives to favour business transfer in Québec must therefore account for the central role they play and include them in the search for solutions, whenever possible.

This chapter seeks to discern the role of these programs and these practitioners, explain how the transferors and buyers perceive and use their services, and identify the best practices in public and private support for business transfer. In the next chapter, some courses of action will be derived from these reflections on the current state of business transfer support services in Québec.

ENTREPRENEURIAL SUCCESSION AND BUSINESS TRANSFER SUPPORT PROGRAMS

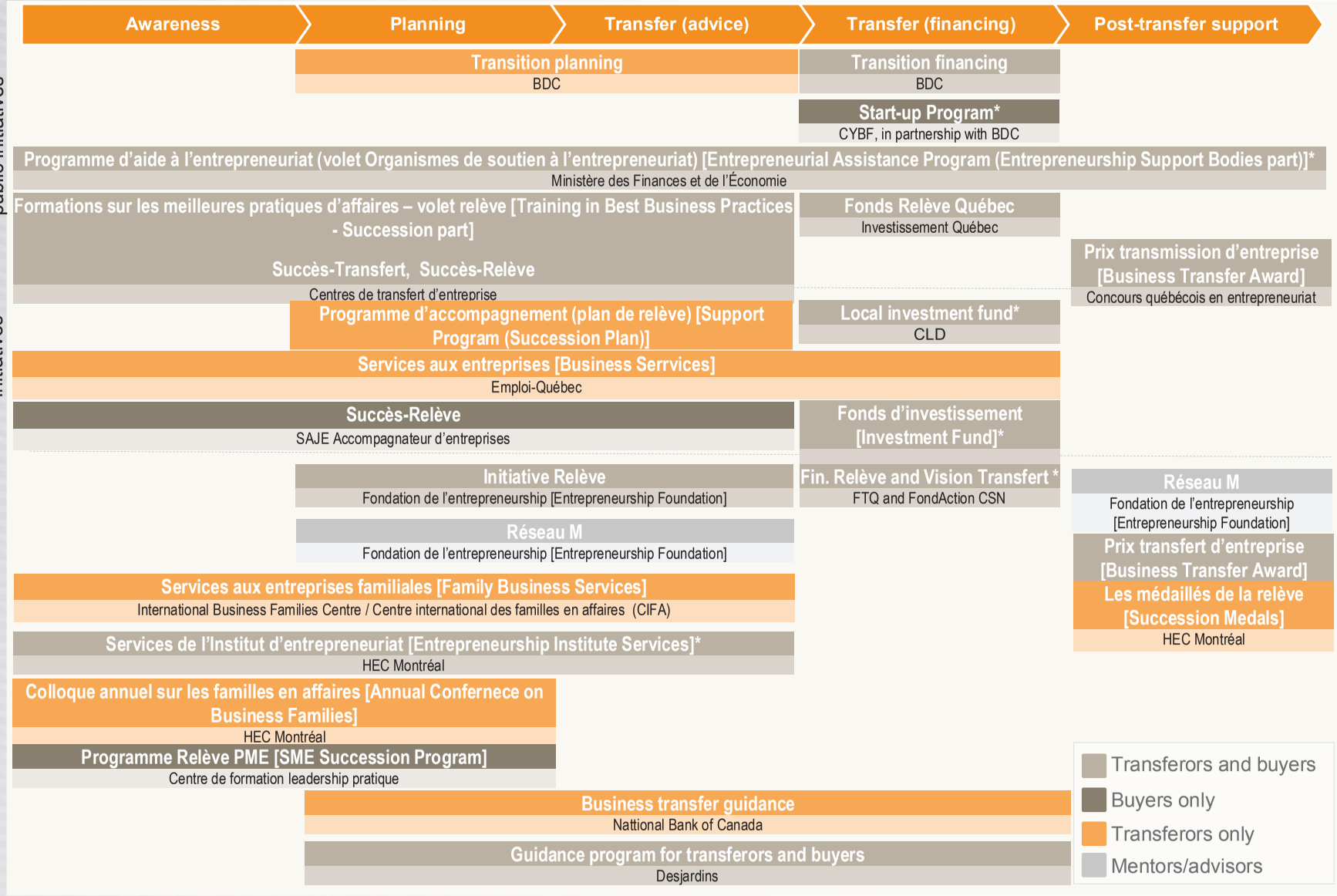
The organizations involved in entrepreneurial succession and business transfer implement programs that meet different objectives corresponding to the precise needs of the clientele transferors and buyers. We propose a classification of the programs and initiatives, based on these objectives:

- **Awareness:** Awareness programs address potential transferors to convince some of them to transfer their business instead of closing it, and to inform those who already intend to transfer about the advantages of promptly initiating a succession planning process. Other programs address potential buyers to encourage them to give more consideration to the option of buying an existing business.
- **Planning:** Rigorous succession planning is a first step toward a successful business transfer. Programs offer training and support to transferors to initiate this process.
- **Transfer support advice:** A business transfer is carried out in several steps, some of them fairly complex (see Chapter 3). The programs arising from this objective offer training for the transferors and buyers or expert support. This is a step in which intervention by mentors is particularly solicited.
- **Financing the transfer:** Financial institutions offer solutions adapted to the buyers' needs. The transferors thus can have full access to the proceeds of the sale of their business while the buyers gradually disburse the principal to the institution to repay the loan. Grants are also available to increase the buyers' financial leverage or give them greater leeway during the first few years.
- **Post-transfer support:** Some initiatives are designed to support the transfers achieved, even if they are successful. In fact, success is precisely what is put forward at this stage, to reward the efforts of the best businesses, while reinforcing the message calling for planning of the business succession.

The following graph shows a classification of several programs and initiatives regarding the five steps of support for entrepreneurial succession and business transfer. The agencies that implement them are mentioned and a colour code specifies the target clientele (transferors, buyers, and mentors and advisors). Profiles on each program are appended.

We should mention that various professionals (notaries, lawyers, financial advisors, accountants, consultants, etc.) may also intervene at certain steps. This aspect will be discussed in the following pages.

MAPPING ENTREPRENEURIAL SUCCESSION AND BUSINESS TRANSFER PROGRAMS



Highlights of interviews on the support programs

Some practitioners consider that there must be increased harmonization of all the programs and among the players in succession and business transfer in Québec, because too many independent initiatives are created:

- "The Fondation de l'entrepreneurship believes that the engagement of the business community is necessary, but this engagement is also essential between the public and private participants involved in transfers. What is heard in the field is that they work too often in isolation, and not enough in partnership. The succession and transfer issues have been on the agenda for several years, and the practitioners are organizing in this sense. While some practitioners unfortunately improvise as experts in the field, others have developed relevant expertise, in both the public and private sectors. However, very few of these practitioners are harmonized..."[28]
- Each agency establishes its own strategic priorities and its own programs:
  - The CTEs (business transfer centres) share the same mission of informing, raising awareness, training and guiding transferors and buyers in their respective transfer or takeover processes, to ensure the sustainability of business in their territory. However, they do not have a common implementation strategy, and the programs may vary from one region to another. Some choose, for example, to concentrate their offering on buyers rather than on transferors.
  - The Centres locaux de développement (CLD - local development centres) may include a succession component in their activities. Each CLD determines its own eligibility criteria and the nature of the assistance granted. The CLDs are free to offer or not to offer the transferors technical support to guide them in planning the transfer. They are also free to deliver the Succès-Relève program developed in 2006 by the young entrepreneur support organization SAJE accompagnateur d'entrepreneurs.

THE TRANSFERORS' PARADOX

The number of programs and initiatives is remarkable. We have pointed out the flaws in some of the practitioners surveyed regarding this overabundant offering, but we can affirm that succession and business transfer assistance is indeed available in Québec. Such mobilization is desirable to alleviate the difficulties encountered by transferors and buyers. However, it can lead to some confusion regarding each organization's roles and responsibilities. The transferors thus only rarely take advantage of the services intended for them. The practitioners encountered under the study almost all mentioned this: too few transferors use the business transfer support programs.

This finding is paradoxical, to say the least. Due to the paradigm of the entrepreneurial deficit, the shortage of buyers, compared to the vast number of owners reaching retirement age, should give them an incentive to seek more outside support to carry out their sale or transfer project. The complexity of the transfer process set out in the previous chapter should also lead them to seek support. This is not the case, and this contradiction induced us to put the emphasis on the transferors' behaviours and intentions when we presented the economic impact of the status quo in Chapter 2.

Fortunately, the practitioners in the field affirm that the potential buyers, even though there are still not enough of them to take over the businesses that must be transferred, are showing interest and participating in the programs offered. In 2010, the title of the FDE report on the Québec entrepreneurship index asked the following question: "La relève est-elle au rendez-vous au Québec?" [Is the succession ready for action in Québec?][29] Our answer is that the succession is ready, but that the transferors are missing the call. We will offer some possible explanations for this situation.

- **Intention to close**

  Owners who intend to liquidate the firm's assets and then shut it down when they retire account for a large proportion of owners age 65 and over. In Chapter 2, we estimated that 5,700 of them would choose this option over the next 10 years. By definition, these are not transferors, because they have no intention of transferring, unless they change their minds before proceeding

[28] *Fondation de l'entrepreneurship réagit au sondage CROP-RCGT,* December 2013. [FDE reacts to the CROP-RCGT survey]
[29] La relève est-elle au rendez-vous au Québec?, Centre de vigie et de recherche sur la culture entrepreneuriale, Fondation de l'entrepreneurship, 2010. [Is the succession ready for action in Québec?]

with the closure. Small businesses whose activities primarily depend on the CEO's know-how more often find themselves in this situation.

- **Discouragement with the complexity of the transfer and the time required**

  As we pointed out in Chapter 3, a business transfer requires time and a great deal of commitment. Many owners underestimate the additional efforts to be made before they can enjoy retirement. These owners, who initially had no intention of closing the business when they retire, become discouraged and join the ranks of those who "lock the door". They do little to seek the help of transfer support services before giving up.

- **Importance of confidentiality**

  When owners reaching retirement age intend to transfer their business in the near future, they are reluctant to announce this publicly. They may consider that announcing their business is for sale or declaring their intention to transfer it to their children or employees would make the business and the succession more vulnerable, and rightly so: the transfer to a new owner is a critical passage in a company's life, which increases uncertainty and can affect its performance. Some owners, not wanting to worry their customers or inform their competitors of this vulnerability, will avoid any steps that could publicly reveal their intentions. The portals offering transferors and potential buyers meeting and discussion tools to favour transactions, such as the CTE portals, scrupulously protect the confidentiality of the transferors who register.

- **Lack of confidence in the State and institutions**

  Some of the practitioners surveyed report that transferors simply are not accustomed to resorting to public business support services. A certain cynicism is also recognized regarding the impressive number of programs and practitioners targeting entrepreneurs. The number and great diversity of admission criteria, objectives and documents to be completed may be confusing for some. Others reject these many programs designed by the State to assist them, considering that it could start hurting them less by cutting taxes.

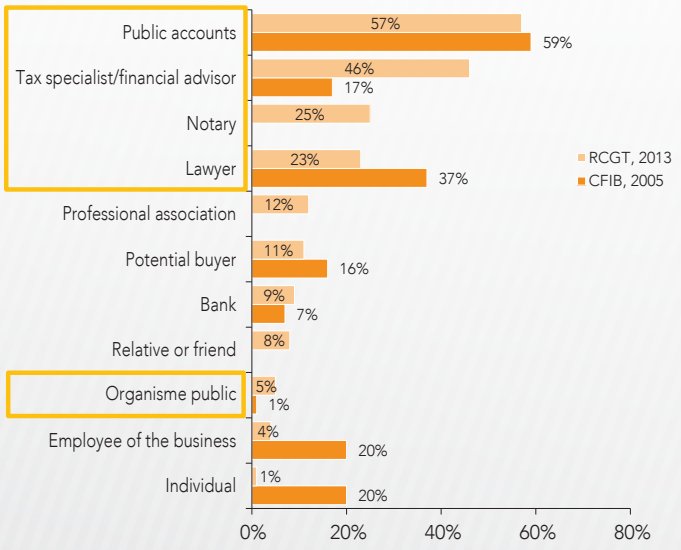
- **Less interest in external support during family transfers**

  In many cases, owners who intend to transfer to a family member believe that all the details of the transfer can easily be resolved "internally".

- **Preponderance of financial, tax and legal considerations**

  When owners consider transferring their business, they pay special attention to the transactional aspects of the operation, for which they will have to consult a professional, such as their financial advisor, an accountant or a lawyer. These professionals already deal with the owners, contrary to entrepreneurial succession and business transfer agencies. As the graph below indicates, these professions are considered much more often than the public bodies, when seeking support for a transfer.

SUPPORT CONSIDERED IN CASE OF A TRANSFER



Highlights of interviews regarding the transferors' paradox

- It seems that raising transferor awareness regarding succession planning is the solution most use to date, while raising buyer awareness is on the back burner[30].
  - More than half the initiatives address both transferors and buyers, but few programs specifically address buyers;
  - Nine practitioners offer assistance for acquisition with grants and loans;
  - Only four practitioners offer financial assistance allowing coverage of the costs associated with the production of the transfer plan (for example, reimbursement of the fees of professionals, consultants, succession specialists).
- The awareness programs have greater success with buyers.
  - Transferors do not necessarily wish to participate, because their presence indicates that their business is for sale, whereas they want to keep this confidential and do not want to tell their story to a large audience;
  - Many owners, (especially family SMEs) do not really see an interest in being supported, because they believe succession is a self-evident process, and they sometimes are suspicious of these programs.
- The initiatives to raise awareness on the theme of business transfer over the past 10 years have paid off, because a growing number of students are showing interest in business takeovers, and specific courses on this subject are being created in Québec universities.

PROFESSIONALS INVOLVED IN BUSINESS TRANSFERS

Professionals (accountants, financial advisors, notaries, lawyers) are also key participants in the business transfer process. Their intervention is indispensable in many cases. Even though they do not belong to the succession and transfer support categories, they are certainly part of the group of key players who can contribute to successful transfers. Transferors may also solicit them to help find potential buyers, plan the transfer, or advise them on the steps to take, all aspects in which the support agencies specialize. But professionals generally are poorly equipped to respond to these requests or anticipate these needs among their clients who intend to transfer their business. Experts in their specific field, they are not always trained to offer an integrated business transfer approach. In fact, few of them are at the crossroads of expertise with a credible generalist profile that integrates a tax and financial approach with a human and psychological approach, whereas 58% of owners say they have psychological difficulties during the transfer process.[31]

Considering the popularity of these professionals with transferors seeking to transfer their business, it would be opportune for them to be more aware of the emotional dimensions of this change for owners, their families, their successors and the firm's other stakeholders (employees, partners). Strengthened coordination between professionals and support agencies, which are better equipped on these aspects, should be encouraged.

"When implementing a business transition plan, most stakeholders tend to focus on technical considerations (tax and legal implications, for instance), while overlooking the non-technical or intangible issues, such as the healthy management of emotions in a business context, the conflict resolution process, the business' values and culture, or the selection of a successor. A good transition plan considers both of these aspects and reconciles the interests of both the seller and buyer."

The Entrepreneur's Guide – Business Transition, BDC.

[30] *Les centres locaux de développement et la relève dans les PME du Québec: Ébaucher des voies de solutions ensemble*, ACLDQ, 2008, p. 38. [The local development centres and the succession in Québec SMEs: Draw up potential solutions together]

[31] *Entrepreneurial Succession: a Considerable Challenge for Québec's Economic Future*, CROP-RCGT survey, November 2013.

5 RECOMMENDATIONS

In this chapter, we bring up the main issues and findings that call for lines of intervention to alleviate the problems of the entrepreneurial deficit and business transfer. Each of these recommendations breaks down into a few courses of action, presented in the following pages. They could serve as guidelines for an eventual update of the Québec Entrepreneurship Strategy which, in 2011, took on the challenge of business transfer as one of the priorities in entrepreneurship.

ISSUES AND FINDINGS	RECOMMENDATIONS
• The complexity and importance of the transfer process are often underestimated. – 83% of Québec owners estimate that it will take them less than three years to carry out their transfer, while the experts agree that an average of seven years must be expected. • Young buyers often perceive taking over a business as a less attractive path than creating a business. • The economic impacts of the business transfer process are felt immediately, particularly in terms of jobs and economic dynamism. This makes it worth considering as a priority issue.	**Stimulate entrepreneurial succession and raise owners' awareness about the issue of planning the transfer**
• 75% of entrepreneurs are worried about the consequences of disadvantageous taxation for family transfers, because this can contribute to the dislocation of businesses. • Few practitioners offer financial assistance that can cover the costs associated with the production of a transfer plan, even though professional support is critical to a successful succession or transfer.	**Take action for fairer taxation and strengthen the programs to fund transfer planning advisory services;**
• The entrepreneurial succession and business transfer agencies operate in isolation and each have their own strategic priorities. • The expertise developed both by succession professionals and by the practitioners is rarely multidisciplinary, whereas a transfer is a multidimensional process involving fax, financial and legal, as well as human and psychological issues. • The quality of the services offered by these professionals is often uneven.	**Harmonize and coordinate the programs of organizations active in entrepreneurial succession and business transfer;**
• Only 22% of farm operations have an established succession within their business. • Of the 44,000 farmers in Québec in 2011, only 11% were under age 35, while 40% were age 55 and over. The vast majority of the 17,500 farmers age 55 and over are at risk of retiring within the next 10 years. • Only 5% of the succession is under age 25, while over 40% are between ages 35 and 40. • The increase in the gap between the market value and economic value of agricultural assets makes the transfer and buy-out of farm businesses more difficult.	**Resolve issues specific to the agricultural sector**

RECOMMENDATION	**Stimulate entrepreneurial succession and raise owners' awareness about the issue of planning the transfer**
COURSES OF ACTION	Awareness campaigns Encourage alternatives to family transfers

Awareness campaigns

As we pointed out in Chapter 4, several agencies offer awareness programs on entrepreneurial succession and business transfer, intended for both buyers and transferors. These initiatives must be strengthened in light of the lessons learned from the realities in the field. Thus, we would emphasize the following aspects:

- Owners are still too unaware of the importance of planning their succession, because they are little inclined to resort to outside assistance and are reluctant to take steps that lead them to give up control of their business. An awareness campaign would seek to inform them of the importance of the question, reassure them about the confidentiality of their process, and insist without complacency on the essential nature a rigorous approach. The message should emphasize that their efforts today will have a determining impact on the succession and the province's economic future during their retirement.
- Considering the entrepreneurial deficit, it is important to improve the image of a business takeover career image with the pool of potential buyers, particularly by offering awareness campaigns at the CEGEP and university level, promoting the many forms of assistance to financing (the lack of financing is an obstacle for nine out of ten young entrepreneurs within the context of a buy-out) and stressing the fact that transferred businesses have a higher survival rate than newly created businesses.
- Industrial clusters and sector associations can be strategic relays in raising awareness. They could be empowered to share information related to transfer issues, and to direct transferors and potential buyers to the key transfer players, such as the CTEs and the CLDs.

Encourage alternatives to family transfers

- Family transfers quite often are the form of transfer "by default" considered by the owners. There are other options that are worth encouraging. For example, management buy-outs make it possible to distribute the financial burden and multiply competencies. The stakeholders may be involved several years upstream from the effective date of the transfer if this option is considered from the outset. It could be opportune to reinforce the specific assistance to internal transfers of the management buy-out type.
- Worker cooperatives are a solution well suited to the shortage of buyers. Greater promotion of this solution and better access to financing and the possibilities of capitalization would accentuate reliance on this form of management buy-out.
- When the succession is absent or no external buyer is interested, spinoffs, the creation of new businesses endowed with part of the assets and knowhow of another business, should be encouraged as a solution to maintain the competency pools present in the businesses, especially in less densely populated regions, where the activities and jobs of the businesses that will be closed are at little risk of recovery by other local businesses.

RECOMMENDATION	**Take action for fairer taxation and strengthen the programs to fund transfer planning advisory services**
COURSES OF ACTION	Encourage fairer taxation Diversify the offer of financing

Taxation should not be perceived as an obstacle to the entrepreneurial success and business transfer. On the contrary, it should be perceived as an action lever to encourage transferors to undertake the transfer process.

Encourage fairer taxation

- The tax system currently suffers from a lack of horizontal fairness regarding business transfers within the family or externally. Horizontal fairness requires that persons who are in a comparable economic situation pay the same tax. For example, it would be appropriate to simplify the tax process for transfers and amend section 84.1 of the *Income Tax Act,* particularly regarding consideration of the capital gain as a dividend when the business is sold. At this point, let us remember the

importance of acting on the commitment to exempt the transfer for business and farms from taxation in order to facilitate the succession.

- Considering that there is a potential slowing of investment as retirement age approaches, it would be appropriate to establish tax incentives intended to encourage innovation in businesses that can prove they are in the process of transfer to a successor.

Diversify the offer of financing

- The programs that offer financial assistance covering a portion of the costs associated with the production of a transfer plan must be promoted and strengthened. The standards for granting assistance to the reimbursement of fees should be simplified, made more flexible and extended to professionals specializing in succession.
- The financing assistance programs offered to buyers of small businesses are worth strengthening, for example, by offering a local (municipal) tax holiday in cases of small business transfers.

RECOMMENDATION	**Harmonize and coordinate the programs of organizations active in entrepreneurial succession and business transfer**
COURSES OF ACTION	Standardization of the approach Certification and accreditation system

Standardization of the approach

- The CTEs have developed real expertise in business transfers. They should be confirmed as the primary stakeholders in this matter. However, the Government should clarify its expectations regarding the CTEs to improve the harmonization of their programs and interventions with the clientele. All regions should have access to a CTE, which is not yet the case.
- Harmonization should also extend to the eligibility criteria of the various transfer assistance programs.
- The data and the planning assistance tools for owner-transferors and succession assistance tools for buyers are not standardized. Therefore, the support agencies' offering is very disparate. In particular, the solution could involve pooling of the regional expertise of each CTE (with a standard Internet platform that avoids the multiplication of information sources, for example), or the use of identical indicators throughout the province to allow refinement of statistical tracking of the transferred businesses.

Certification and accreditation system

- A certification program for succession support and business transfer services would make it possible to solve the problems of variability of the quality of services offered by succession professionals, because certification would encourage a certain standardization. Certain dimensions of a certification approach should be studied:
  - A "succession" accreditation of agencies working in entrepreneurial succession and business transfer;
  - Certification of the competencies of practitioners and professionals;
  - To avoid developing its own certification, it would be interesting to use existing standards, such as those of specialized institutes, like International Business Families Centre, Groupe Relève Québec, etc.
- The advisors and professionals working with transferors and buyers should master the seven steps of the business transfer process. Accredited training would reinforce this education and could emphasize the themes that are sometimes neglected (for example, the human aspect of organizational change).

RECOMMENDATION	**Resolve the issues specific to farm succession**
COURSES OF ACTION	Create legal structures favouring the gradual takeover of agricultural assets Develop training of agricultural entrepreneurs Provide better guidance for farm business transfer plans

Some of the above recommendations apply more specifically to the agricultural sector. Given that the family transfer rate is higher in the agricultural sector than in other industries, tax unfairness is more pronounced for business transfers in this sector. It therefore becomes especially important to act rapidly to ensure better tax fairness in these cases.

We have also remembered the importance of further promoting business takeovers and stimulating entrepreneurial succession in general, but it would be beneficial to promote and restore the farming profession's image to get rid of the negative perceptions of this profession and thus attract more aspiring farmers to agriculture.

Finally, few advisors and professionals involved in entrepreneurial succession specialize in the agricultural field. This is why a certification system for the competencies of these practitioners could ideally include specific certification to address farm succession challenges and issues.

In addition to adapting the above recommendations to the agricultural sector, the following three courses of action specifically address farm succession. At least they would help alleviate the impacts of the entrepreneurial deficit in this key Québec economic sector.

Create legal structures favouring the gradual takeover of agricultural assets

- New legal tools should be authorized by adaptation of the agricultural asset marketing regulations. For example, cooperatives or family trusts could be created to favour a gradual takeover and facilitate the family succession or an unrelated succession. These tools would allow a succession without enough capital to buy all the assets of a farm operation, such as land, machinery and quotas, to lease them long-term with a gradual parallel buy-out until the full transfer of farm ownership. This approach requires reconsideration of the segregation of landed capital and operating capital and the "owner-operator" model prioritized in Québec to date.
- These tools could allow greater flexibility in the subdivision of agricultural lands, so that the succession can begin by purchasing a parcel of land from a transferor. The transfer of ownership would progress as the operation developed and its profitability increased.

Develop training of agricultural entrepreneurs

- It is important to raise aspiring young farmers' awareness of the competencies and aptitudes required to become an agricultural entrepreneur and the current management issues of a farm business, which would favour enrolments in specialized agricultural training programs. Such programs are offered in ten CEGEPs in the province and at the Institut de technologie agroalimentaire.
- Further development of the entrepreneurial component of these training programs is necessary. For example, a cohort model inspired by the École d'entrepreneurship de Beauce could favour the development of an agricultural entrepreneurial elite.

Provide better guidance for farm business transfer plans

- It is relatively easy for the farm succession to obtain financing from financial institutions and government bodies, given that the banks lend and government bodies grant subsidies based on financial ratios in an industry already strongly influenced by the value of assets. However, very few bodies and institutions require a transfer plan when the succession takes over a farm operation. Such a requirement would favour planning of the transfer by transferors in the agricultural sector.
- All the transfer practitioners in the agricultural field, like the financial institutions and the government bodies active in this sector, should further encourage farmers to deploy a formal transfer plan and emphasize the importance and oversight of such a plan.

SCHEDULES

LIST OF PARTICIPANTS IN THE INTERVIEWS ON THE ISSUES AND CHALLENGES OF SUCCESSION AND BUSINESS TRANSFER

Professionals and representatives of public bodies

Martin Corbeil, Director General, CTE de Montréal

Sophie de Courval, Coordinator, Financial Management, MFEQ

Éric Fournier, Partner and Executive Producer, Moment Factory and Chair, Table d'action en entrepreneuriat de Montréal

Sylvie Lacroix, Director General, CLD Haut-Richelieu

Marc-André Messier, Director General, CTE Montérégie

Francis Nadeau, Director General, CTE de la Capitale-Nationale

Gabriel Nadon, Portfolio Manager – Business Succession, Fonds de solidarité FTQ

Patrice Vachon, Partner, Fasken Martineau

Academics

Louise Cadieux, Professor of Management, Université du Québec à Trois-Rivières and author of several books on business transfer

Luis Felipe Cisneros, Associate Professor, HEC Montréal and Director, Institut d'entrepreneuriat Banque Nationale – HEC Montréal

PROFILES OF SUCCESSION AND BUSINESS TRANSFER SUPPORT PROGRAMS

The profiles presented in the following pages identify and summarize the different programs and initiatives implemented by various government departments, agencies, bodies and financial institutions in support of the succession and business transfer. All the initiatives presented in the Chapter 4 mapping are included in these profiles.

They are classified in five categories: federal and provincial government programs, programs offered on a regional basis, independent and private initiatives, some examples of services of financial institutions intended for business transfer, and farm succession programs.

FEDERAL AND PROVINCIAL GOVERNMENT PROGRAMS	• Business Development Bank of Canada – Transition planning – Business transition financing • Canadian Youth Business Foundation – Start-up Program • Ministère des Finances et de l'Économie du Québec – Programme d'aide à l'entrepreneuriat (PAEN - Entrepreneurship Assistance Program) – Formations Meilleures pratiques d'affaires (MPA), 3 training programs in best business practices • Investissement Québec – Fonds Relève Québec
PROGRAMS OFFERED ON A REGIONAL BASIS	• Centres locaux de développement (Local development centres) – Programme Succès-Relève • Centre de transfert d'entreprise (Business transfer centre) (the programs vary by region) – Programme Succès-Transfert (Montréal and Capitale-Nationale) – Programme de sensibilisation, d'information, de formation et d'accompagnement (Montérégie - Awareness, information, training and support program) • Programme Relève (Montérégie) • Sociétés d'aide au développement de la collectivité (SADC - community development assistance corporations) – Fonds d'investissement régulier, volet Relève d'entreprise (Regular Investment Fund, Business Succession component) – Fonds d'investissement jeunesse (Youth Investment Fund) • Emploi-Québec – Services aux entreprises (Business Services) • Granby Industriel – Programme d'accompagnement personnalisé pour débuter un plan de relève (Personalized support program to start a succession plan) • Concours québécois en entrepreneuriat (Québec entrepreneurship competition)
INDEPENDENT AND PRIVATE INITIATIVES	• Fondation de l'entrepreneurship – Initiative Relève – Réseau M • Fonds de solidarité FTQ – Financement et prêt relève (Succession financing and lending) – Confédération des syndicats nationaux Programme Vision Transfert (Transfer vision program) • Centre de formation en leadership pratique (Practical leadership training centre) – Programme Relève-PME • HEC Montréal – Colloque annuel sur les familles en affaires (Annual Business Families Conference) – Les médaillés de la relève (Succession Medals) – Services of the Institut d'entrepreneuriat HEC | BNC • International Business Families Centre (CIFA) – Services to family businesses • Groupe Relève Québec – Training and certification
SERVICES BY FINANCIAL INSTITUTIONS	• Desjardins – Programme d'accompagnement pour repreneurs et cédants (Support program for buyers and transferors) – Business Ownership Transfer Award – National Bank of Canada Business transfer support
FARM SUCCESSION	• Farm Credit Canada – FCC Lending • Financière agricole du Québec (FADQ) – Programme d'appui financier à la relève agricole (Farm succession financial support program) – Programme de financement – formule vendeur-prêteur (Financing program - seller-lender formula) • Concours Tournez-vous vers l'excellence (Turn to excellence competition) • Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec – Programme levier (Leverage program) – Programme d'accompagnement appui à la relève (Succession support program) • Fonds d'investissement pour la relève agricole (FIRA - Farm succession investment fund) – Investment funds • Desjardins – Fonds coopératifs d'aide à la relève agricole (Cooperative funds for farm succession assistance)

BDC – TRANSFER PLANNING

MANAGING BODY	BUSINESS DEVELOPMENT BANK OF CANADA (BDC)
GENERAL DESCRIPTION	Enable people who want to plan their retirement or devote their time to other business projects to transition their business as smoothly as possible
OBJECTIVES	Help people plan their transition, whether this means transferring their business to a member of their family or their personnel, selling it to outside interests or finding a buyer
TARGET CLIENTELE	Transferors
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Consulting services that can also be combined with financing • The approach is based on optimization of the value of the business and the interests of the persons concerned. BDC designs, develops and implements a plan that ensures the long-term growth and success of their business.
IMPACTS AND ACHIEVEMENTS	A personalized succession plan is deployed

BDC – BUSINESS TRANSFER FINANCING

MANAGING BODY	BUSINESS DEVELOPMENT BANK OF CANADA (BDC)
GENERAL DESCRIPTION	Financing a business transition, whether it is a family transfer or a sale to persons within or outside the business
OBJECTIVES	Offer flexible financing to persons who wish to sell or transfer their business and the persons who wish to acquire it
TARGET CLIENTELE	Transferors and buyers
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Various long-term and custom financing possibilities are offered: • Long-term loan, based on the value of fixed assets (land, buildings, equipment or shares in an existing company) • Unsecured loan for intangible assets, such as intellectual property, goodwill or a customer list • Subordinated financing based on risks and profit sharing • Seller financing
IMPACTS AND ACHIEVEMENTS	Generate liquid assets, limit personal risk, repay debt as needed, etc.

CYBF – START-UP PROGRAM

MANAGING BODY	CANADIAN YOUTH BUSINESS FOUNDATION, IN PARTNERSHIP WITH BDC
GENERAL DESCRIPTION	Program to facilitate start-ups for young entrepreneurs
OBJECTIVES	Support young Canadian entrepreneurs by offering the necessary financing to launch their businesses
TARGET CLIENTELE	Young entrepreneurs (buyers) ages 18 to 39
NATURE OF THE ASSISTANCE GRANTED(*SUCCESSION COMPONENT*)	• CYBF financing up to $15,000 • Additional financing offered by BDC (if eligible) up to double the amount of the loan approved by the CYBF, to a limit of $30,000 • Repayment schedule spread over five years • In the case of a succession, the entrepreneur or entrepreneurs must acquire 51% of the voting shares before the end of the loan amortization period (5 years) to remain eligible.
IMPACTS AND ACHIEVEMENTS	The young buyers of the businesses concerned have greater financial power to undertake a succession process

Note: Program not specific to succession and transfer.

MFEQ – PROGRAMME D'AIDE À L'ENTREPRENEURIAT (ENTREPRENEURIAL ASSISTANCE PROGRAM), PAEN – VOLET ORGANISMES DE SOUTIEN À L'ENTREPRENEURIAT (ENTREPRENEURSHIP SUPPORT)

MANAGING BODY	MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE (MFEQ)
GENERAL DESCRIPTION	Main financial tool to back entrepreneurship support bodies
OBJECTIVES	• Support the efforts of bodies that intervene in the value chain of the entrepreneurial process • Prioritize projects or activities of entrepreneurship support bodies that have national scope and that seek to offer entrepreneurs more specialized financial and technical support than what is available from the CLDs, in particular
TARGET CLIENTELE	Non-profit organizations that intervene in the value chain of the entrepreneurial process, particularly in promotion, awareness and enhancement of entrepreneurship, support, and entrepreneurial success and business transfer (e.g. CLD, CTE, Fondation de l'entrepreneurship, sector associations, Entrepreneuriat Laval, chambers of commerce, etc.)
NATURE OF THE ASSISTANCE GRANTED	Non-payable contribution of up to 60% of eligible expenditures
IMPACTS AND ACHIEVEMENTS	All the succession and business transfer programs under the jurisdiction of an NPO in Québec can benefit from the PAEN. This is therefore a measure with major overall impacts

Note: Program not specific to succession and transfer.

MFEQ – FORMATION MEILLEURES PRATIQUES D'AFFAIRES (MPA) (TRAINING IN BEST BUSINESS PRACTICES): "FUTURS REPRENEURS, SOYEZ PRÉPARÉS! " (FUTURE BUYERS, BE PREPARED) (1/3)

MANAGING BODY	MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE (MFEQ)
GENERAL DESCRIPTION	Training to prepare buyers for a business transfer
OBJECTIVES	Give buyers every chance of success in their project to continue activities often initiated by the transferor
TARGET CLIENTELE	Buyers
NATURE OF THE ASSISTANCE GRANTED	• The training is divided into seven sessions to present the seven phases of acquisition of a business • The presentations are articulated around a process in which the phases are associated with practical tools. Cases of organizations that have carried out successful business transfers are also presented.
IMPACTS AND ACHIEVEMENTS	The training provides the entrepreneur with: • discussion of acquisition of a business as a buyer • means to consider to facilitate the steps that could move the acquisition and transfer process forward

MFEQ – FORMATION MEILLEURES PRATIQUES D'AFFAIRES (MPA) (TRAINING IN BEST BUSINESS PRACTICES): "RÉUSSIR SON TRANSFERT DE DIRECTION" (SUCCESSFUL MANAGEMENT TRANSFER" (2/3)

MANAGING BODY	MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE (MFEQ)
GENERAL DESCRIPTION	Training that addresses the challenges and issues of the management transfer process
OBJECTIVES	• Enable executives who want to ensure the sustainability of their business to initiate a discussion of their succession • Provide information, advice and tools to plan, accomplish and ensure the success of a management transfer
TARGET CLIENTELE	Transferors (managers, strategic workers)
NATURE OF THE ASSISTANCE GRANTED	• 4-hour training • The session is articulated around several diagnostic and planning tools related to management transfer and adapted to SMEs. Two family transfer cases are presented.
IMPACTS AND ACHIEVEMENTS	The businesses go home with concrete points for discussion, adapted to their situation. They are provided with useful tools, including a structured succession selection approach and knowledge transfer activities.

MFEQ – FORMATION MEILLEURES PRATIQUES D'AFFAIRES (MPA) (TRAINING IN BEST BUSINESS PRACTICES): "RELÈVE ENTREPRENEURIALE: EN ROUTE VERS UN TRANSFERT D'ENTREPRISE GAGNANT" (ENTREPRENEURIAL SUCCESSION: EN ROUTE TO A WINNING BUSINESS TRANSFER" (3/3)

MANAGING BODY	MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE (MFEQ)
GENERAL DESCRIPTION	Training intended to facilitate business transfer by proposing a clear approach, easy to implement.
OBJECTIVES	• Present the different transfer possibilities. • Provide information on financial strategies and products, tax issues and the main business valuation methods.
TARGET CLIENTELE	Transferors (managers, strategic workers)
NATURE OF THE ASSISTANCE GRANTED	• 4-hour training • Several tools, such as the inventory of financing sources, are provided to the participants. • The presentations are articulated around a process in which the phases are associated with practical tools. Cases of organizations that have carried out successful business transfers are also presented.
IMPACTS AND ACHIEVEMENTS	The training allows the participants to obtain: • a discussion of a particularly delicate transition period in a company's life • ways to plan the right approaches that could move the transfer process forward

INVESTISSEMENT QUÉBEC – FONDS RELÈVE QUÉBEC

MANAGING BODY	INVESTISSEMENT QUÉBEC (LIMITED PARTNERSHIP)
GENERAL DESCRIPTION	Fund created to favour the retention and continuity of existing businesses in Québec
OBJECTIVES	Offer advantageous conditions of financing to increase the capital investment necessary to favour the transfer of Québec businesses in every region of Québec, while complementing the offering of traditional financial institutions.
TARGET CLIENTELE	Buyers and transferors
NATURE OF THE ASSISTANCE GRANTED	• The Fund has $50 million of capitalization and its limited partners include Investissement Québec, Capital régional et coopératif Desjardins, FondAction CSN and Fonds de solidarité FTQ. • To benefit from the Fund, the buyer undertakes to work full-time for the business concerned and to inject at least $50,000 of capital. The Fund could grant an equivalent amount of up to $200,000, if all the eligibility parameters are respected. • More than one buyer could be eligible under an eligible succession project, and the maximum amount is set at $500,000.
(SUCCESSION COMPONENT)	The creation of Fonds Relève Québec by the Gouvernement du Québec is a direct response to the foreseeable entrepreneurial deficit, with the aim of reversing the current trend.

CLD AND CTE – SUCCÈS-RELÈVE IN COLLABORATION WITH SAJE

MANAGING BODY	TRAINING PROVIDED BY THE CLDS OR THE CTES IN COLLABORATION WITH SAJE ACCOMPAGNATEUR D'ENTREPRENEURS
GENERAL DESCRIPTION	Training allowing entrepreneurs who wish to purchase a business to prepare their transaction.
OBJECTIVES	Inform the participants about the steps of the takeover process so that they can plan the right actions.
TARGET CLIENTELE	Entrepreneurs in the process or with the intention of buying a business.
NATURE OF THE ASSISTANCE GRANTED(*SUCCESSION COMPONENT*)	• Introductory business takeover training, offering guidance in finding a business. • Training (7 courses of 3 hours) and support around several themes: legal issues, valuation, financial setup, strategic planning, human issues, tax aspect. • Meeting with professionals who can then support the buyers (lawyer, business valuator, account manager, consultant, etc.).
IMPACTS AND ACHIEVEMENTS	The program is very successful. For example, the Québec City CLD (local development centre) has offered the program 5 times in 3 years and the groups (of 12 people) are always full, and even overflowing.

Note: In Montréal, the Succès-Relève program is offered by the Montréal CTE). In the rest of Québec, any bodies, such as CLDs, that acquire a license, may deliver the program.

CLD – FONDS LOCAL D'INVESTISSEMENT (FLI – LOCAL INVESTMENT FUND) – VOLET RELÈVE (SUCCESSION COMPONENT)

MANAGING BODY	**FUNDS EARMARKED FOR FINANCING AND STARTUP OR EXPANSION OF BUSINESSES, INCLUDING SOCIAL ECONOMY ENTERPRISES.**
GENERAL DESCRIPTION	Funds earmarked for financing and startup or expansion of businesses, including social economy enterprises.
OBJECTIVES	• Provide financial assistance for business startup and expansion. • Favour succession, transfer or buyout in existing businesses.
TARGET CLIENTELE	Transferors or buyers for: • businesses during startup or expansion • social economy enterprises
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• In the form of a loan from $5,000 to $150,000, but not exceeding a certain amount from time to time (e.g. $25,000). • Loan that may be associated with a principal repayment holiday for a certain period. • An interest rate may be fixed or not. • A surety may be required or not. • Cumulative financial assistance from the provincial and federal governments and the CLD must not exceed a certain proportion of eligible expenditures.
IMPACTS AND ACHIEVEMENTS	• Contributes to creating or maintaining jobs, supporting startup or expansion of businesses, and generating investment in their respective communities. • Main financial tool of the CLDs

CTE – SUCCÈS-TRANSFERT PROGRAM

MANAGING BODY	**CENTRE DE TRANSFERT D'ENTREPRISES – MONTRÉAL IN COLLABORATION WITH SAJE ACCOMPAGNATEUR D'ENTREPRENEURS**
GENERAL DESCRIPTION	Awareness, planning and support program in the transfer process.
OBJECTIVES	Make business executives aware of the importance of good preparation for their business transfer.
TARGET CLIENTELE	Transferors
NATURE OF THE ASSISTANCE GRANTED	Range of tools and training to help the owner-entrepreneur successfully complete each stage of the transfer process: • Referral to specialized resources • Training • Support throughout the transfer process • etc.
IMPACTS AND ACHIEVEMENTS	The transferors have access to a wide range of specialized resources and have several tools in hand to make their business transfer a success.

Note: The Succès-Relève program, normally delivered by the CLDs and the CTEs in partnership with SAJE, is also offered by the Montréal CTE.

MANAGING BODY	**CENTRE DE TRANSFERT D'ENTREPRISES – CAPITALE-NATIONALE IN COLLABORATION WITH SAJE ACCOMPAGNATEUR D'ENTREPRENEURS**
GENERAL DESCRIPTION	Training and awareness program for business buyers and transferors
OBJECTIVES	Make business executives aware of the importance of good preparation for the transfer of their business.
TARGET CLIENTELE	Transferors and buyers
NATURE OF THE ASSISTANCE GRANTED	Awareness and referral: • Make the transferors and the buyers aware of the importance of planning in business transfers. • Provide information on the steps of transfer of ownership and management. • Offer a referral service to specialized resources. Training: • Organize business transfer workshops and seminars. • Deliver transfer-related events within the Capitale-Nationale region. Centre de documentation et d'échange (Documentation and discussion centre): • Offer a Web portal as place to discuss the transfer. • Manage totally confidential databases of businesses to be transferred and potential buyers. • Offer an up-to-date directory of the organizations involved in business transfers.
IMPACTS AND ACHIEVEMENTS	Over 400 professionals sensitized, most of them buyers. Approaching the transferors is difficult (taboo) and essentially is done through buyers interested in their business.

CTE – PROGRAMME DE SENSIBILISATION, D'INFORMATION, DE FORMATION ET D'ACCOMPAGNEMENT (AWARENESS, INFORMATION, TRAINING AND SUPPORT PROGRAM)

MANAGING BODY	CENTRE DE TRANSFERT D'ENTREPRISES (BUSINESS TRANSFER CENTRE) – MONTÉRÉGIE
GENERAL DESCRIPTION	Resource dedicated to the entrepreneurial succession for CEOs.
OBJECTIVES	Raise awareness, inform, train and support transferors and buyers in their business transfer and takeover steps.
TARGET CLIENTELE	Buyers and transferors
NATURE OF THE ASSISTANCE GRANTED	• Management of a database of transferors and buyers to favour networking, support and referral. • Business transfer support and consulting program (deployment next April in the form of a pilot project). • In collaboration with the 15 CLDs in the territory and Emploi Québec, three training sessions of four hours each on the best business practices developed by the MFEQ (see p.16,17,18). • The CLD of the Longueuil agglomeration also delivers the Succès-Relève program developed by the Montréal SAJE (see p. 20). • Jointly with Groupe Relève Québec, form a practice community in the Montérégie region, bringing together specialized business transfer resources, and eventually propose a form of attestation (to come in April). • Free tools and useful links on the CTE website (monitoring centre).
IMPACTS AND ACHIEVEMENTS	• Since its creation a little over a year ago, about 83 buyers and 36 transferors have been assisted by the Montérégie CTE.

CTE – PROGRAMME RELÈVE (SUCCESSION PROGRAM)

MANAGING BODY	CENTRE D'AIDE AUX ENTREPRISES (MONTÉRÉGIE : HAUTE-YAMASKA ET RÉGION)
GENERAL DESCRIPTION	Financial tool for persons wishing to acquire a business in one of the following sectors: agri-food, tourism, service business, manufacturer, distributor-wholesaler.
OBJECTIVES	Make a financial tool available to business buyers to acquire at least 10% of the shares.
TARGET CLIENTELE	Buyers whose objective is to work full-time and be part of the decision-making team of the business.
NATURE OF THE ASSISTANCE GRANTED	• Up to $500,000 of financial assistance may be granted. • The terms of repayment are adapted to the entrepreneur's needs and the interest rate is established on the basis of the file. • *Note: this is not a special fund specific to the succession, but a regular fund available both for business success and for financing for acquisition of equipment, working capital, startup, etc.*
IMPACTS AND ACHIEVEMENTS	The buyers of the businesses concerned have more financial power to undertake a succession process.

Note: Program not specific to succession and transfer.

SADC – FONDS D'INVESTISSEMENT RÉGULIER, VOLET RELÈVE D'ENTREPRISE (REGULAR INVESTMENT FUND, BUSINESS SUCCESSION COMPONENT)

MANAGING BODY	SADC NETWORK
GENERAL DESCRIPTION	Funds that can be used to provide financial support to succession and business transfer projects.
OBJECTIVES	Provide small businesses with financial assistance to help them create or maintain long-term jobs.
TARGET CLIENTELE	Transferors and buyers of small businesses (200 employees or less)
NATURE OF THE ASSISTANCE GRANTED	• The financial assistance granted by the SADC takes the form of a term loan. • The level of financing is between $5,000 and $150,000 per business. • This program is intended to complement the other sources of financing. • This program is offered, in particular, in the Montérégie (Acton). • *Note: other specific forms of assistance to the succession are offered by some SADCs, but these are not located in the regions concerned here (e.g. workshops, guidance and support (Mégantic), business transfer planning guide (Kamouraska), etc.).*
IMPACTS AND ACHIEVEMENTS	The transferors or buyers of the businesses concerned have greater financial power to undertake a succession process.

Note: Program not specific to succession and transfer.

SADC – FONDS D'INVESTISSEMENT JEUNESSE (YOUTH INVESTMENT FUND)

MANAGING BODY	SADC NETWORK (THE RATES AND THE AMOUNTS MAY VARY DEPENDING ON THE SADC).
GENERAL DESCRIPTION	Funds intended for youth who want to build a future in the region.
OBJECTIVES	Make capital available to young entrepreneurs that can be used for acquisition, startup, modernization or expansion of a business and offer them personalized follow-up in its development.
TARGET CLIENTELE	Young entrepreneurs from the community, ages 18 to 35 inclusive, who must meet the following criteria: • Be the majority owner of the business or hold the control interest in the business under the shareholder agreement and have decision-making authority, either alone or jointly with other entrepreneurs. • A maximum of two (2) entrepreneurs from the same small business may receive a loan from the Fonds d'investissement jeunesse (Youth Investment Fund).
NATURE OF THE ASSISTANCE GRANTED	• Financial assistance in the form of a personal loan, which must serve to acquire, start up, modernize or develop a business. • The financial assistance must serve as a capital investment by the entrepreneur. • The financial assistance that could be granted must not be less than $5,000 and the total amount of financial assistance may not exceed $25,000 per entrepreneur. • This program is offered, in particular, in the Montérégie (Acton).
IMPACTS AND ACHIEVEMENTS	The young buyers of the businesses concerned have greater financial power to undertake a succession process

Note: Program not specific to succession and transfer.

EMPLOI-QUÉBEC – SERVICES AUX ENTREPRISES (BUSINESS SERVICES)

MANAGING BODY	EMPLOI-QUÉBEC MONTÉRÉGIE
GENERAL DESCRIPTION	Financial support for entrepreneurs in their succession process, mainly when this involves human issues.
OBJECTIVES	Favour good succession planning.
TARGET CLIENTELE	Transferors
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Financing to cover a portion of the professional fees of a consultant (20% to 50%), for 4 components: • Business diagnosis, including a succession plan • Personalized support for management at certain stages of the process • Identification of the succession (psychometric test, if required) • Coaching the succession to assume executive office.
IMPACTS AND ACHIEVEMENTS	The transferors of the businesses concerned have greater financial power to undertake a succession process.

GRANBY INDUSTRIEL – PROGRAMME D'ACCOMPAGNEMENT PERSONNALISÉ POUR DÉBUTER UN PLAN DE RELÈVE (PERSONALIZED SUPPORT PROGRAM TO BEGIN A SUCCESSION PLAN)

MANAGING BODY	GRANBY INDUSTRIEL (MONTÉRÉGIE)
GENERAL DESCRIPTION	Support program to execute a business transfer.
OBJECTIVES	Support businesses in every stage of deployment of their succession plan.
TARGET CLIENTELE	Transferors of manufacturing businesses in Granby and its region (Haute-Yamaska).
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Financial assistance covering up to 70% of the expenses associated with a succession plan. • Individualized support adapted to the needs: – Coaching on the human, legal, tax and financial aspects involved in a succession. – Presentation of the steps to be completed. – Personalized action plan
IMPACTS AND ACHIEVEMENTS	The program began in April 2013 and two businesses have benefited from this program to date.

Note: the program is sponsored by Emploi Québec and the MFEQ.

CONCOURS QUÉBÉCOIS EN ENTREPRENEURIAT – PRIX TRANSMISSION D'ENTREPRISE (QUÉBEC ENTREPRENEURSHIP COMPETITION – BUSINESS TRANSFER AWARD)

MANAGING BODY	CONCOURS QUÉBÉCOIS EN ENTREPRENEURIAT (QUÉBEC ENTREPRENEURSHIP COMPETITION)
GENERAL DESCRIPTION	Award created to develop the entrepreneurial culture in Québec by the development and recognition of new businesses and entrepreneurial projects in the schools.
OBJECTIVES	Offer visibility and a possibility to stand out from the crowd to persons showing rigour and discipline in the development and writing of their business plan.
TARGET CLIENTELE	• Women and men age 18 and over who have taken over the succession of an existing business to continue its activities. • Eligible businesses: – Existing businesses that have changed majority owner (50% + 1) without discontinuity, over a precise period. – Inactive businesses that have been taken over by a new owner or owners (ownership of 50% + 1) over a precise period
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• At the Québec level, Desjardins Business offers a Grand Prize of $5,000 to the award-winning business, identified among the 17 regional award winners. • The award provides the winners with support, visibility and credibility. • The award is offered by Desjardins Business and the Ministère des Finances et de l'Économie (MFEQ)
IMPACTS AND ACHIEVEMENTS	The competition, which is in its 16th edition, facilitates the creation of networks among players from several sectors. These networks in turn bear fruit, often independently.

FDE – INITIATIVE RELÈVE (SUCCESSION INITIATIVE)

MANAGING BODY	FONDATION DE L'ENTREPRENEURSHIP (ENTREPRENEURSHIP FOUNDATION)
GENERAL DESCRIPTION	Support program provided by business transfer experts for transferors and buyers.
OBJECTIVES	Enable buyers and transferors who are residents of the Montréal region or the Capitale-Nationale region to have quick access to combination of resources, through a simple personalized path.
TARGET CLIENTELE	• Business owners who have initiated (or are thinking of initiating) a transfer process. • Persons who have been identified as the succession.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	The application must first follow a path: candidacy, • prequalification, • anonymous qualification, • followed by the decision that the • candidate is not qualified or qualified. A qualified candidate will have access to: • Support: The Regional Coordinator directs the candidate to the specified consultants. • Partners' consulting services: The candidate meets the specified consultants. • Program follow-up: The Regional Coordinator follows up with the qualified candidate at the end of the pilot project. An unqualified candidate will have the same right to follow-up and a support proposal.
IMPACTS AND ACHIEVEMENTS	Initiative Relève is a pilot project that ended recently in March 2014 after allowing the selection of 14 candidates. Many partners were involved in the project.

FDE – RÉSEAU M (MENTORING)

MANAGING BODY	FONDATION DE L'ENTREPRENEURSHIP (ENTREPRENEURSHIP FOUNDATION)
GENERAL DESCRIPTION	Community of interests that is mobilizing to deploy the mentoring service for entrepreneurs throughout Québec.
OBJECTIVES	• Provide the mentors with strong guidelines so that they have an overall perspective on business transfer issues and to prepare them to engage in a targeted relationship correlated to the emotions experienced by the mentored entrepreneur. • Offer all Québec entrepreneurs who want it a high-calibre support service provided by experienced business people, and thus giving the every chance of moving toward success and growth.
TARGET CLIENTELE	All Réseau M mentors
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Training on business transfer within Réseau M (3 hours): Develop an understanding and a common vision of business transfer issues for Québec's socioeconomic development and the strategic roles the mentors can play. • "Transfer mentor" certification (some certification criteria exist): Develop these mentors, who have the potential of discussing their experience for the benefit of transferors and buyers who are in the process of a business transfer.
IMPACTS AND ACHIEVEMENTS	Every year, more than 2,600 mentored entrepreneurs benefit from the support of about 1,600 accredited mentors.

FTQ – FINANCING – PRÊT RELÈVE (SUCCESSION LOAN)

MANAGING BODY	FONDS DE SOLIDARITÉ FTQ
GENERAL DESCRIPTION	Program offering financial solutions for business transferors and buyers.
OBJECTIVES	Facilitate transfer in a business with a balanced budget.
TARGET CLIENTELE	SME transferors and buyers in every sector, except biotechnology, agriculture, retail, real estate and financial services.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Financing in the form of a loan of up to $2 million: • flexible terms of repayment based on the surplus funds generated by the business • loan considered as equity by financial institutions • 10-year repayment horizon • possibility of two moratoriums of 1 year each • no personal surety or legal expenses.
IMPACTS AND ACHIEVEMENTS	The transferors and buyers of the businesses concerned have greater financial power to undertake a succession process.

CSN – "VISION TRANSFERT" (TRANSFER VISION) PROGRAM

MANAGING BODY	FONDACTION CSN
GENERAL DESCRIPTION	Financing program that offers patient capital.
OBJECTIVES	Ensure conditions that favour the competitiveness and sustainability of a business transfer (acquisition, partial or total buyout of a shareholder, purchase by management and/or employees, establishment of a shareholding workers' cooperative).
TARGET CLIENTELE	Transferors and buyers
NATURE OF THE ASSISTANCE GRANTED (SUCCESSION COMPONENT)	• Flexible financing and balanced financial setup – Loan or share capital – Starting at $500,000 – 5 - 8 years: patient capital • Balanced financial setup • Transition and development plan, as needed • Specialized support (coaching, mentoring, board of directors or advisory committee, as needed) • Access to the Fonds Relève Québec, allowing the buyer to increase his/her capital investment (see p. 12)
IMPACTS AND ACHIEVEMENTS	About 10 businesses have benefited from assistance in the past 10 years.

Note: Program not specific to succession and transfer.

CENTRE DE FORMATION LEADERSHIP PRATIQUE (PRACTICAL LEADERSHIP TRAINING CENTRE) - PROGRAMME RELÈVE-PME (SME SUCCESSION PROGRAM)

MANAGING BODY	CENTRE DE FORMATION LEADERSHIP PRATIQUE (PRACTICAL LEADERSHIP TRAINING CENTRE) (CÉGEP DE THETFORD MINES)	
GENERAL DESCRIPTION	Program for the purpose of priority development of buyers' leadership competencies and knowhow.	
OBJECTIVES	• For the buyer: develop leadership competencies, ensure that an entrepreneurial career corresponds to his/her personality and professional aspirations, focus on the strategic development and growth potential of his/her business, etc. • For the transferor: confirm the competencies of the buyer(s) identified, increase the chances of a successful transfer, secure his/her investment when he/she participates in the financing of the sale, etc.	
TARGET CLIENTELE	Potential buyers and any other person who has a business takeover project and who comes from an SME, primarily SMEs with 50 employees or less.	
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Training geared to practice, divided into 4 modules • Private coaching with an expert • Logbook • Development of a contact book	• Networking with the business community • Situational exercises • Drafting a personal competency development plan
IMPACTS AND ACHIEVEMENTS	• Solution for entrepreneurs seeking a buyer. • Enables the participants to acquire universal and transferable competencies that will serve them in their business, even if they decide not to take over the business.	

HEC MONTRÉAL – COLLOQUE ANNUEL SUR LES FAMILLES EN AFFAIRES (ANNUAL BUSINESS FAMILIES CONFERENCE)

MANAGING BODY	HEC MONTRÉAL
GENERAL DESCRIPTION	Annual event intended for business families
OBJECTIVES	• Raise awareness and inform senior executives about the importance of good succession planning by encouraging discussion and providing them with solutions. • Present cases of business transfers and relevant experiences, and for the participants, share certain concerns and provide solutions to the problems encountered.
TARGET CLIENTELE	Transferors
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Conference facilitated by business transfer experts: • Speakers • Testimonials by entrepreneurs • Panel of entrepreneurs
IMPACTS AND ACHIEVEMENTS	The conference will hold its 9th edition in 2014 and benefits from the constant support of many partners (PWC, National Bank, Family Firm Institute and Institut québécois pour les familles en affaires).

HEC MONTRÉAL – LES MÉDAILLÉS DE LA RELÈVE (SUCCESSION MEDALS)

MANAGING BODY	HEC MONTRÉAL, IN COLLABORATION WITH PWC, NATIONAL BANK AND BCF AVOCATS
GENERAL DESCRIPTION	Annual competition that rewards business succession teams.
OBJECTIVES	Recognize the successful transfer of a Québec private business by its owner to a team composed of its managers ("management buyout") and/or family members.
TARGET CLIENTELE	Transferors and buyers (at least one member of the succession must be a family member or an employee).
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Evening to honour three businesses • The winners have access to the sponsors' services. • The winners are invited to speak at the annual conference on business transfer. • Visibility in several magazines, including Journal les Affaires, for 1 year.
IMPACTS AND ACHIEVEMENTS	The competition will hold its 8th edition in 2014.

HEC MONTRÉAL – SERVICES OF THE INSTITUT D'ENTREPRENEURIAT HEC | BNC (HEC/NBC ENTREPRENEURSHIP INSTITUTE)

MANAGING BODY	HEC MONTRÉAL, IN COLLABORATION WITH THE NATIONAL BANK
GENERAL DESCRIPTION	The Institute, created in October 2013 with a $10 million donation from the National Bank, will provide services and activities dedicated to entrepreneurship, takeover and business families.
OBJECTIVES	Allow students from Montréal Campus institutions (HEC Montréal, Polytechnique Montréal and Université de Montréal) and the business community to have access to tools and attend events intended to foster and support the business creation and takeover by supporting the development of innovative entrepreneurs.
TARGET CLIENTELE	Transferors and buyers
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Educational, research, spinoff, networking and training activities based on four pillars: • An observatory of Québec entrepreneurial dynamics and best practices • An idea accelerator • A knowledge transfer and customized training centre • A networking and large-scale dissemination space
IMPACTS AND ACHIEVEMENTS	Bringing together on the same campus all the players necessary for the emergence of business creation and takeover projects.

Note: Program not specific to succession and transfer.

HEC MONTRÉAL – RESEARCH CHAIR OF SUCCESSION AND FAMILY ENTERPRISE

MANAGING BODY	HEC MONTRÉAL (*CHAIRHOLDER ISABELLE LE BRÉTON-MILLER*)
GENERAL DESCRIPTION	The Chair's mandate is to offer substantive reflection on the phenomenon of SME sustainability. This reflection is articulated around three main lines: development of SMEs, women's entrepreneurship and entrepreneurial succession.
OBJECTIVES	The Research Chair of Succession and Family Enterprise collaborates with university researchers worldwide and with representatives of government agencies and the business community, both for the empirical aspects of its research and for their practical application.
TARGET CLIENTELE	Transferors, sellers, academics and business succession professionals.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Data gathering on SME owners with the objective of identifying best management practices and management practices that can be improved, and obtaining a better understanding of the specific issues associated with preparation of the succession. The other part of the training consists of fuelling training and the dissemination of knowledge by writing business cases, developing learning materials and organizing seminars, conferences and forums.
IMPACTS AND ACHIEVEMENTS	Case studies: Préparer la Relève, Louise St-Cyr and Francine Richer Website: durevealareleve.com

CIFA – SERVICES TO FAMILY BUSINESSES

MANAGING BODY	INTERNATIONAL BUSINESS FAMILIES CENTRE / CENTRE INTERNATIONAL DES FAMILLES EN AFFAIRES, IN COLLABORATION WITH HEC MONTRÉAL AND MCGILL UNIVERSITY
GENERAL DESCRIPTION	Services deployed to meet the specific needs of family businesses.
OBJECTIVES	Favour the sustainability of family businesses so that they can build their success and continue to play a vital role in the Canadian and Québec economies.
TARGET CLIENTELE	Transferors of family businesses
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Training offered by professors and researchers, professionals (notary, lawyer, chartered accountant, financial planner) and recognized institutions, on different themes (family succession process, types of governance, conflict management, legal aspects, etc.). • Guidance services, tools, lectures, networking sessions to encourage mutual assistance and exchanges of ideas. • Confidential email system for exchanges with an expert on specific concerns experienced within the organization. • Access to an association of students who are members of business families, allowing them to meet professionals in the field, develop a contact network, and interact with resource persons who can advise and guide them.
IMPACTS AND ACHIEVEMENTS	The transferors have a range of existing tools in hand.

GROUPE RELÈVE QUÉBEC – TRAINING AND CERTIFICATION

MANAGING BODY	GROUPE RELÈVE QUÉBEC
GENERAL DESCRIPTION	Group enabling professionals from the succession to meet and exchange ideas.
OBJECTIVES	Provide tools to evolve and become better advisors, with front row seats to university knowledge sharing and familiarity with the realities in the field.
TARGET CLIENTELE	Professionals from the succession (membership)
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Three services are offered to the members: • Conference meetings (in Québec City and online): 5 times a year • Excellence circles: pilot project in 2014, four half-day workshop meetings, 8 persons maximum. • Certification: enable the members to obtain accreditation that will support their competencies and qualifications to offer their support services to transferors and buyers. Also: • Access to a global network of industry professionals open to sharing and discussion. • Access to the latest scientific studies on the subject.
IMPACTS AND ACHIEVEMENTS	The members help each other and are open to the world and science to become better leaders. They want to train and equip themselves and evolve on the complex subject of business succession. They are interested in the human aspects and all the emotions a business transfer can generate, as well as the management of this transaction and these issues.

DESJARDINS – PROGRAMME D'ACCOMPAGNEMENT POUR REPRENEURS ET CÉDANTS (SUPPORT PROGRAM FOR BUYERS AND TRANSFERORS)

MANAGING BODY	DESJARDINS
GENERAL DESCRIPTION	Desjardins experts support buyers and transferors from their first steps and guide them throughout the business transfer process.
OBJECTIVES	Create the conditions favourable to the success of their project.
TARGET CLIENTELE	Buyers and transferors
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Support by Desjardins advisors • Discussion, decision-making and action guide designed to support buyers and transferors throughout their process: – Buyer's guide / Farm succession guide – Transferor-entrepreneur's guide / Farm transferor-entrepreneur's guide
IMPACTS AND ACHIEVEMENTS	Desjardins has established the "Desjardins Business Ownership Transfer Award", which rewards businesses that have achieved a business transfer with distinction. The business must show remarkable planning of the process and preparation of an effective succession plan.

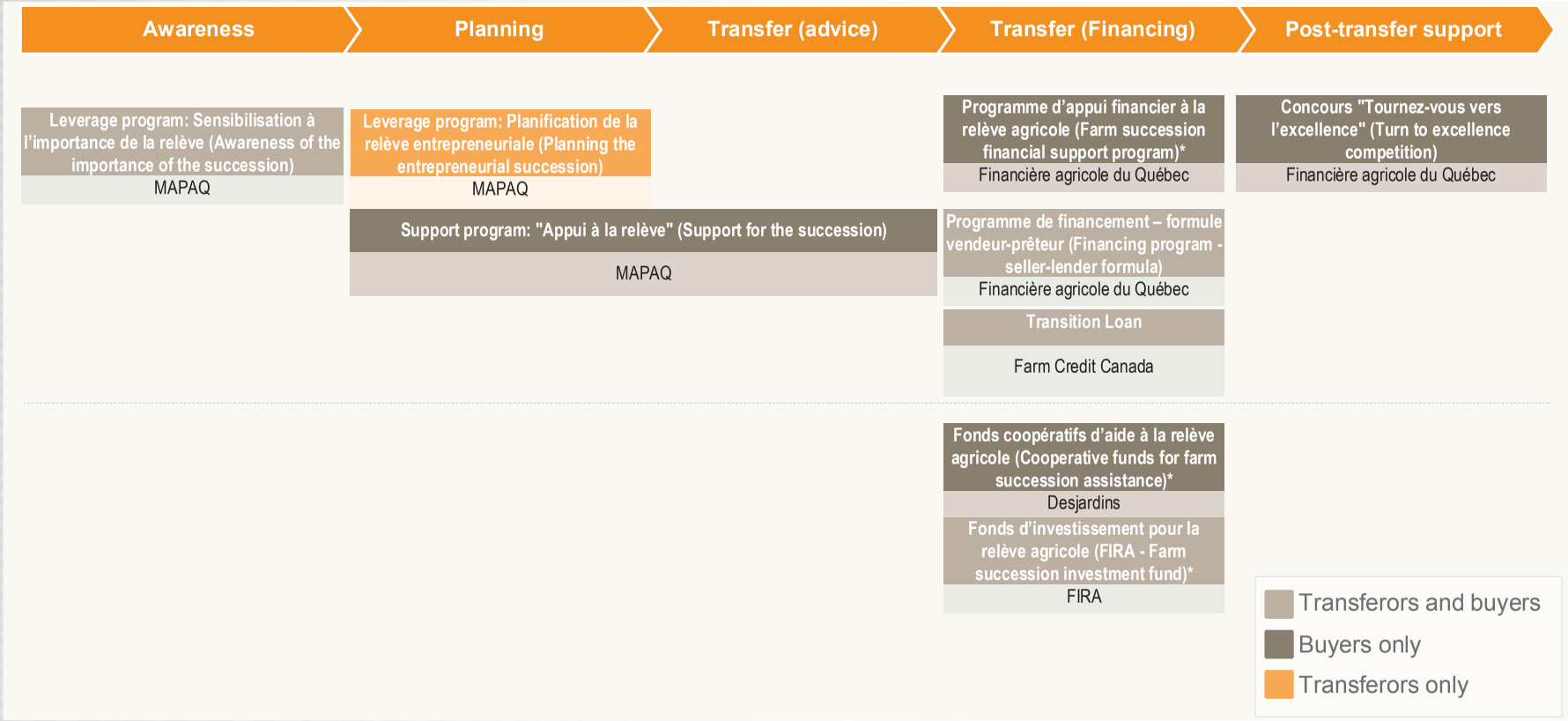
DESJARDINS – BUSINESS OWNERSHIP TRANSFER AWARD

MANAGING BODY	DESJARDINS
GENERAL DESCRIPTION	The award is presented to a business that has brilliantly achieved a business transfer, particularly due a remarkable planning process and the preparation of an effective succession plan.
OBJECTIVES	Encourage businesses that have achieved a successful business transfer and enable them to increase their business opportunities through increased visibility.
TARGET CLIENTELE	• Buyers • Eligibility business: – carried out the transfer at least 2 years ago – has its head office in Québec or Ontario – has completed at least 50% of the business transfer
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• A nomination for the Award increases the name recognition and credibility of the business, favours business development, provides access to a media podium, enhances and engages employees, etc. • A nomination as a regional winner allows the business to obtain visibility through a video created specifically for the featured business. • *Note: the Selection Committee evaluates the nominees according to the following criteria: preparation and planning of the business transfer approach, transition plan, financial health of the business, entrepreneurial profile of the succession, potential for success*
IMPACTS AND ACHIEVEMENTS	The Desjardins Entrepreneurs Awards will hold their 9th edition in 2014

NATIONAL BANK OF CANADA – BUSINESS TRANSFER SUPPORT

MANAGING BODY	NATIONAL BANK
GENERAL DESCRIPTION	Business transfer solutions, particularly for families.
OBJECTIVES	Provide the support and advice required to ensure the sustainability of businesses
TARGET CLIENTELE	Transferors
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Advice and support: a transfer manager and a business services manager advise and support the participants in the business transfer, from the idea stage to the conclusion of the transfer of ownership.
IMPACTS AND ACHIEVEMENTS	The transferors of the businesses concerned are supported in the transfer process and have greater financial power to undertake a succession process.

MAPPING OF FARM SUCCESSION PROGRAMS



Note: * Program not specific to succession and transfer.

FCC – TRANSITION LOAN

MANAGING BODY	FARM CREDIT CANADA
GENERAL DESCRIPTION	Loan program for transfer of a farm operation
OBJECTIVES	Offer special payment options that benefit both the buyer and the seller during the transfer of a farm operation
TARGET CLIENTELE	Transferors and buyers
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Loan with special payment options, such as a prolonged disbursement period.
IMPACTS AND ACHIEVEMENTS	The transferors and buyers of the businesses concerned have greater financial power to undertake a succession process.

Note: Program not specific to succession and transfer.

MAPAQ – LEVERAGE PROGRAM: PLANIFICATION DE LA RELÈVE ENTREPRENEURIALE (PLANNING THE ENTREPRENEURIAL SUCCESSION) COMPONENT

MANAGING BODY	MAPAQ
GENERAL DESCRIPTION	Financial assistance program to favour succession planning.
OBJECTIVES	Encourage succession planning, particularly projects that are part of a structured entrepreneurial succession planning approach, such as production of an entrepreneurial succession plan, and that involve an entrepreneur who plans to transfer his/her business within the next 10 years
TARGET CLIENTELE	• Transferors • Food processing businesses (and combinations): this program is intended for food processing businesses and cooperatives that are registered in the Québec Enterprise Register, mainly engaged in processing activities, and generating sales of less than $25 million.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Activities financed: expenses incurred for hiring, by contract, of an external consultant with recognized and relevant expertise. • Financial assistance: Non-repayable contribution. The financial assistance can reach 50% of the eligible expenses, up to a limit of $25,000 per category of activities.
IMPACTS AND ACHIEVEMENTS	The transferors of the businesses concerned have greater financial power to make the transfer effectively.

Within the context of support for the development of the food processing industry – Measure 1: Strategic development

MAPAQ – LEVERAGE PROGRAM - SENSIBILISATION À L'IMPORTANCE DE LA RELÈVE (AWARENESS OF THE IMPORTANCE OF THE ENTREPRENEURIAL SUCCESSION) COMPONENT

MANAGING BODY	MAPAQ
GENERAL DESCRIPTION	Financial assistance program for succession-related awareness of competency development projects
OBJECTIVES	• Support the establishment of structuring business partnerships in food processing with a view to producing a quantifiable positive effect on the economic or sustainable development of food processing sectors, in one or more Québec administrative regions. • Improve knowledge of farm business management and transfer.
TARGET CLIENTELE	• Farm succession and students (and combinations) • Food processing businesses (and combinations) • Agricultural producers' syndicates and federations (regional or specialized) are not eligible.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• The financial assistance can reach 50% of the eligible expenses, up to a limit of $15,000 per project. • Eligible: – Projects seeking the development of the competencies of young entrepreneurs in food processing, particularly developing tools and organizing conferences. – Activities to inform food processing entrepreneurs who plan to transfer their business in the next 10 years about the challenges of entrepreneurial succession.
IMPACTS AND ACHIEVEMENTS	The transferors and buyers of the businesses concerned have greater financial power to make the transfer effectively

Note: Within the context of support for the development of the food processing industry – Measure 3: Structuring business partnerships

SUPPORT PROGRAM: "APPUI À LA RELÈVE" (SUPPORT FOR THE SUCCESSION)

MANAGING BODY	MAPAQ
GENERAL DESCRIPTION	Support program for succession advisors and training for establishment projects in all regions of Québec.
OBJECTIVES	Offer a support service for the farm succession throughout Québec.
TARGET CLIENTELE	Buyers (farm succession for an establishment project).
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Individual support with a succession advisor and training: – Discuss the establishment project, its planning and the resources available to favour its achievement. – Direct the applicants to professionals who are able to assist them concerning specific points of their approach, such as technical or financial aspects. – Ensure periodic monitoring of the progress of the establishment project. • Group support by farm succession advisors.
IMPACTS AND ACHIEVEMENTS	The buyers of the businesses concerned have access to tools and resources to help them become established.

Note: The MAPAQ is also associated with the Fondation de entrepreneurship (Entrepreneurship Foundation) to offer young farmers a mentoring service adapted to their needs and to encourage experienced farmers to enhance their expertise with a young entrepreneur.

FADQ – PROGRAMME D'APPUI FINANCIER À LA RELÈVE AGRICOLE (FARM SUCCESSION FINANCIAL SUPPORT PROGRAM)

MANAGING BODY	FINANCIÈRE AGRICOLE DU QUÉBEC
GENERAL DESCRIPTION	Financial support in establishment and startup for the farm succession.
OBJECTIVES	Favour farm startups, facilitate the establishment of young farmers and encourage them to acquire adequate training by granting financial assistance to farm businesses.
TARGET CLIENTELE	Farm businesses (and groups), Farm succession and students (and combinations)
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Grant for establishment, and thus for transfer (for people for whom agriculture is the main source of income): between $20,000 and $50,000, depending on the level of education achieved by the person requesting the grant. • Startup grant (for persons engaged in agriculture on a shared-time basis): between $10,000 and $25,000, depending on the level of education achieved by the person requesting the grant.
IMPACTS AND ACHIEVEMENTS	• During the next year, 2012-2013, 281 persons benefited from the establishment grant, for a total of $7.9 million. In the previous year, 318 persons had benefited from the program, for a total of $9.2 million. • In addition, Financière agricole du Québec analyzed and submitted 13 candidates to FIRA (see p. 51).

Note: Program not specific to succession and transfer.

FADQ – PROGRAMME DE FINANCEMENT – FORMULE VENDEUR-PRÊTEUR (FINANCING PROGRAM - SELLER-LENDER FORMULA)

MANAGING BODY	FINANCIÈRE AGRICOLE DU QUÉBEC
GENERAL DESCRIPTION	Program facilitating financial transfer between transferors and buyers.
OBJECTIVES	• Allow a gradual business transfer. • Allow the seller to also become the lender.
TARGET CLIENTELE	Transferors and buyers
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• For the seller-lender: – Represents an investment 100% guaranteed by La Financière agricole. – Ensures a good return on capital. – Allows the seller-lender to receive payments as a monthly annuity. – Allows a gradual business transfer. – La Financière agricole offers support for administration of the loan. • For the borrower: – No administration fees are paid to the seller-lender for the follow-up done by La Financière agricole. – Makes it possible to obtain a better interest rate. – May be able to benefit from the Programme d'appui financier à la relève agricole (Farm succession financial support program) – Minimizes the interest rate risks by taking advantage of a ten-year term.
IMPACTS AND ACHIEVEMENTS	The transferors and buyers of the businesses concerned have greater financial power to undertake a succession process.

FADQ – CONCOURS "TOURNEZ-VOUS VERS L'EXCELLENCE" (TURN TO EXCELLENCE COMPETITION)

MANAGING BODY	FINANCIÈRE AGRICOLE DU QUÉBEC, IN COLLABORATION WITH THE CRAAQ
GENERAL DESCRIPTION	Competition with the aim of recognizing the excellence of the farm succession
OBJECTIVES	Encourage new farm entrepreneurs who, by their professional abilities and management qualities, stand out for the excellence of their profile.
TARGET CLIENTELE	• Farm succession and students (and combinations) • Be in business for two to seven years; be between ages 18 and 40; hold at least 20% of the units of the business; have received a startup or establishment grant under the Programme d'appui financier à la relève agricole (Farm succession financial support program),
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	Bursary/Award: a $5,000 bursary is offered to the winner. Two scholarships of $2,500 are awarded to the finalists.
IMPACTS AND ACHIEVEMENTS	Since its creation in 2005, 27 young farmers have received this excellence award.

Note: Program not specific to succession and transfer.

FIRA – FONDS D'INVESTISSEMENT POUR LA RELÈVE AGRICOLE (FIRA)

MANAGING BODY	FONDS D'INVESTISSEMENT POUR LA RELÈVE AGRICOLE (FIRA - FARM SUCCESSION INVESTMENT FUND) (PRIVATE BUSINESS)
GENERAL DESCRIPTION	$75 million fund intended for young farmers who want to start a new farm business or proceed with a transfer, established in 2010 by the Gouvernement du Québec, Fonds de solidarité FTQ and Capital régional et coopératif.
OBJECTIVES	• For the buyer, the financial contribution in the form of a loan, capital lease or equity in the business is intended to facilitate acquisition of a business and reduce the debt-related expense. • For the seller, this type of financing preserves the continuity of the business.
TARGET CLIENTELE	Young buyers between ages 18 and 39, holding at least 20% of the business.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Financing products: – Subordinated loan: doubles the value of the investment with an additional $50,000 to $250,000. – Capital lease of land (minimum investment of $100,000 per project). – Share capital • FIRA's investments are complementary to the guaranteed financing granted by La Financière agricole du Québec.
IMPACTS AND ACHIEVEMENTS	Supports the sustainability of farm businesses and encourages the new generation to take over.

Note: Program not specific to succession and transfer.

DESJARDINS – FONDS COOPÉRATIFS D'AIDE À LA RELÈVE AGRICOLE (COOPERATIVE FUNDS FOR FARM SUCCESSION

MANAGING BODY	DESJARDINS
GENERAL DESCRIPTION	Funds for farm succession assistance established by La Coop fédérée, agricultural cooperatives, Mouvement Desjardins and Fédération de la relève agricole du Québec (FRAQ).
OBJECTIVES	• Promote cooperation. • Develop competencies. • Contribute financially to the farm succession.
TARGET CLIENTELE	Members of a local cooperative, the FRAQ and an affiliated caisse Desjardins.
NATURE OF THE ASSISTANCE GRANTED (*SUCCESSION COMPONENT*)	• Financial assistance up to $28,400. • Block 1: managed by the member agricultural cooperatives of the La Coop network. – Financial support (up to $5,000 for the purchase of inputs). – Professional support (legal, administrative, etc.). – Sonic petroleum products (discount of 2¢/litre, up to $400/eligible product). – Competency development (training and associative activities). • Block 2: managed by Mouvement Desjardins – Establishment assistance(bursary of up to $8,300 in reduction of the debt). – Skills development – Mentoring • Block 3: managed by the member agricultural cooperatives of the La Coop network and Desjardins. – Environmental innovation
IMPACTS AND ACHIEVEMENTS	The Fund's status is reviewed every three years. It is also possible that some components will disappear and others will be added over the years.

Note: Program not specific to succession and transfer.

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