

Employee Ownership Conversion: an Option for Sustaining and Growing Maine Businesses

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The Silver Tsunami

“Trillions of dollars of business value are going to change hands in the next 10 to 20 years.”



Image: Brett Ryder, The Economist

Quote: Bob Balaban, Headwaters MB, a Denver-based investment bank

Nationally...

- The largest single source of avoidable job loss in the US is from business closings due to owner retirement.
- Over half of business closings are due to owner retirement.
- The annual rate of retirement for the next 20 years is projected to double compared to the previous 20 years

The “Silver Tsunami” in Maine...

- Oldest population in the country
- Of the 32,265 small businesses with employees, 92% have < 20 employees
- 80%+ of Maine business owners want to retire within a decade
- < 20% have concrete succession plans

CLOSING DOWN SALE
EVERYTHING MUST GO

CLOSING DOWN SALE
SALE
up to 70%
OFF

CLOSING DOWN



Employee Ownership Conversions: The Basics

- What is a worker cooperative ?
- How is it used in succession planning?
- Who is a good candidate (and why)?
- Advantages and disadvantages?
- What is the basic process for conversion to worker cooperative?

What is a Co-Op?

A Cooperative is a business jointly owned and democratically controlled by its members, and that operates for the benefit of its members, e.g.:

Consumers, workers, independent businesses, residents, producers

How is Conversion used in Business Planning?

- **Immediate exit**
- **Phased exit**
- **Restructuring for Growth**

Immediate Exit: Island Employee Cooperative



Phased Exit: Rock City Roasters and Rock City Café



Restructuring for Growth: Earth Designs Cooperative



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Who is a good candidate (and why)?

- **Stability**
- **Cash flow**
- **Leadership**
- **Legacy**

What are some of the advantages/disadvantages?

Advantages

- Flexibility
- Cost
- Direct ownership

Disadvantages

- Unfamiliarity
- Leadership needs
- Sense of Risk

Basic conversion process: A conceptual framework

3 distinct transitions:

1. Ownership transition
2. Management transition
3. Knowledge transition

Basic conversion process: A practical framework

1. Deciding to move forward
2. Getting ready: Employee training & business valuation
3. Defining structures
4. Finalize the transition
5. Follow through & monitoring

Cooperatives Build a Better Maine:

New Ideas for Economic & Community Development



Cooperatives Build a Better Maine

- A roadmap to a prosperous, equitable economy
- Profiles and case studies of co-ops and cooperative ecosystems in Maine and around the world.
- A policy agenda for building a cooperative economy in Maine.

New Ideas on Economic and Community Development

A Report by the Cooperative Development Institute



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