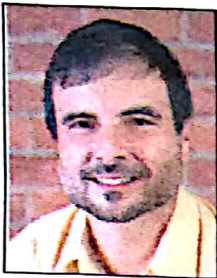


Baby-Boomer-Owned Businesses in Transition

With more than 50 percent of all businesses with employees currently in the ownership hands of the Baby Boomer Generation, our society is poised to experience one of the greatest transfers of capital ever. In New York state alone, that translates to 181,370 businesses employing 1.6 million people (according to a Project Equity report using U.S. Census, 2012 Survey of Business Owners).



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Viewpoint

Different options for sellers exist such as selling to other, younger boomers who are still the most likely demographic to buy. It may also be that these younger baby boomers are being downsized and need to "buy a job." Other options, such as selling to family members, are becoming less likely

due to smaller family sizes and the different interests of younger generations. One option not getting much publicity, yet, but which has much potential to fill in the gaps of sellers needs for buyers, is that of a purchase by current employees.

As an example locally, BizBuySell.com recently listed "One of Syracuse's most beloved restaurants.... Having won numerous awards.... their stellar reputation is well known all throughout Central New York. The same recipe has been used for their pizza in excess of 50 years." Although a buyer might be found from the general public, the fact that "the owners are getting older" and listing retirement as the reason for selling indicates time may be an important consideration. The fact that "they wish to pass the traditions while everything runs efficiently and wonderfully" would seem to speak to passing it on to those who know those traditions and efficiency the best — the employees.

Everyone from the *New York Times*, to Public Radio's Marketplace program, to *YES! Magazine*, are spreading the word about the option to convert to a worker-owned cooperative business by selling to employees. And that's with good reason. Beyond the fact that employees are a ready-made buying demographic right under the owner's nose, New York State declares as policy within Cooperative Corporation Law Article 1, Section 2, that worker ownership is a "means of improving the economic welfare of its people . . . to encourage their effective organization in cooperative associations for the rendering of mutual help and service."

Employee ownership prevents the closing of neighborhood and family businesses beyond the lifespan of the current owners, retains good jobs in a community beyond entry-level positions, and stabilizes neighborhoods by preventing vacancies and overall loss of employment.

New York State recognizes how cooperative ownership translates into greater economic stability for the communities that the business calls home, as well as stability for the worker owners as opposed to investors in traditional stock-ownership corporations. Article 5-A, Section 80 of the Cooperative Corporation Law states: "It is expected that cooperative ownership . . . will enable workers to receive the fullest economic benefits from their endeavors. It is also expected that the establishment of cooperatives under this article will . . . discourage the movement of capital and jobs out of this state."

The sale of businesses to employees should also translate into a more diverse ownership by women and minorities, which are a higher percentage of the up-and-coming business-ownership cohort. Traditionally, these types of buyers have been more likely to not possess the necessary capital for starting or buying a business, but doing so cooperatively may be more feasible with the pooling of money and capital for purchase. Also, it may be less risky for success (as opposed to new business entrepreneurship), because pre-existing businesses have client and customer bases, operating history and institutional knowledge, and working capital and assets.

We have just 10-15 years to manage and implement most of these transitions as 100 percent of baby boomers will be over 65 years of age by the year 2029 (per the U.S. Census Bureau). A high majority of businesses do not have succession plans in place, which leads to the #1 preventable cause of job loss. Our first step moving forward will be to continue to raise awareness and demystify the employee-ownership culture and process, not just for employees and business owners, but also for technical service providers. These support providers that include legal services, business planning and analysis, and financing/capital acquisition, among others, will be as necessary for conversion sales to employee-ownership as they are for any traditional business transaction. ■

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