

INTRODUCTION PACKAGE



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BACKGROUND

In the next 10 years, an estimated 700,000 small businesses are at risk of closure because they lack an adequate succession plan* (2). These transitions will be even more difficult and uncertain when considering the impacts of COVID-19 on small businesses across the country. COVID-19 not only impacts the businesses without succession plans but may fundamentally disrupt business's existing succession and transition plans.

Small and medium businesses are disproportionately being impacted as they handle major changes in every aspect of their business from consumer spending and demand, business cash flow, debt, staffing, and logistics. In some cases, owners are being forced to re-think their entire businesses. There is little to no data available on small business successions and acquisitions during COVID-19. As the immediate impacts and continued uncertainty of COVID-19 grow, owners may be forced to close permanently or continue to push off their succession planning.

KEY DEFINITIONS

Succession plan:

A transition plan that a business owner can execute depending on the kind of transition they choose/are forced into.

Business succession:

A sale of business assets or equity from one owner or group of owners to another.

WHAT L3 IS

Legacy Leadership Lab (L3) is an 18-month initiative by the Waterloo Institute for Social Innovation and Resilience, funded by the [Government of Canada's Investment Readiness Program](#). We are leading online workshops and events to help build expert-driven solutions for Canada's transitioning small business community. The L3 Community is developing and activating market interventions and prototypes that allow conventional and social finance players, business service providers, and community leaders to facilitate social acquisitions of existing businesses in their own towns and contexts.

We named the Legacy Leadership Lab for the communities we're looking to help and the people we're looking to mobilize.

Honouring and continuing the legacy of Canadian small business owners is our vision, and we're doing this by assembling the experts and leaders that will be able to make that vision a reality - while doing a little leading of our own.

L3 began in October 2019 and its funding from the Investment Readiness Program ends in March 2021. Our exit strategy will be co-created with L3 Community members. Together, we will explore potential mechanisms for knowledge, resources and networks to succeed this iteration of the L3 project.

About the Waterloo Institute for Social Innovation and Resilience (WISIR)

WISIR is a research institute at the University of Waterloo's School of Environment, Enterprise and Development committed to generating trans- and interdisciplinary knowledge about social innovations and the social innovation process (the dynamics of learning, adaptation and resilience).

Our approach is to pursue collaborative research and projects that bridge University of Waterloo departments, involve researchers from around the world, and engage those beyond academia. We seek to mobilize this knowledge through a range of new curriculum offerings and training opportunities - both within and outside of a university setting.



WHAT L3 ISN'T

What L3 does NOT do:

- Funding and enacting conversions or prototypes
- Taking ownership or delivery of any of the prototypes
- Displacing paid work that people in the L3 network can provide

L3 is not a matching platform for business buyers and sellers (but we do host a community bulletin where you can let other community members know if you are seeking something specific).

Please note:

Legacy Leadership Lab workshops are not intended to teach people how to undergo a social acquisition. Each social acquisition is different and requires a unique team of professionals that can help them through the process. Rather, the Legacy Leadership Lab's purpose is to build Canada's capacity to undertake more social acquisitions through research and awareness, and support the development of solutions that can be delivered to business owners and their successors to make social acquisitions easier, better, and more sustainable.





MISSION

To help a network of professionals and organizations create systemically designed, market-ready pilot products, services, and programs that make it easier for businesses with transitioning and exiting owners to continue on under new ownership, but as an enterprising social purpose organization. We call this process social acquisition.

Social Acquisitions for Business Recovery (SABR) is the term we use to describe the practice of transitioning ownership and converting a conventional enterprise into a co-operative or social enterprise or other social purpose form in order to revive and sustain it through an unplanned disruption like the COVID-19 crisis or a business succession/ownership transition.

SABR can encompass various types of efforts by communities, business owners and stakeholders. Efforts that include an ownership change and conversion can happen for various reasons, including:

- sustaining a valued local business through economic hardship or distress;
- reviving some or all elements of a valued failing or failed local business; or,
- sustaining, elevating, or renewing its social, environmental, cultural, and/or economic value for its owner(s) as well as its broader community of customers, clients, suppliers, employees, and other stakeholders.

VALUE OFFERING

L3 hosts regular, modular, ongoing events and working groups, where groups of professionals participate in hands-on, co-creative processes to build market-ready pilot projects and services that will support small business transitions from conventional forms in social purpose forms. L3 follows a tested “Social Innovation Lab” process that is designed to stimulate social innovation “at scale” and across scales.

In participating in a variety of ways, L3 community members learn how to design new products and services, receive support in becoming active community mobilizers around social acquisitions for business recovery within their own network, and network with professionals in the SABR ecosystem nation-wide.

The L3 team also offers ongoing and emerging insight on the structure of the social acquisition ecosystem in Canada and opportunities for immediate engagement and change. L3 hosts an open-sourced library of resources for social acquisitions on its virtual platform and collaborative learning sessions for professionals to learn from others implementing social acquisition work across the country.

Benefits of joining L3:

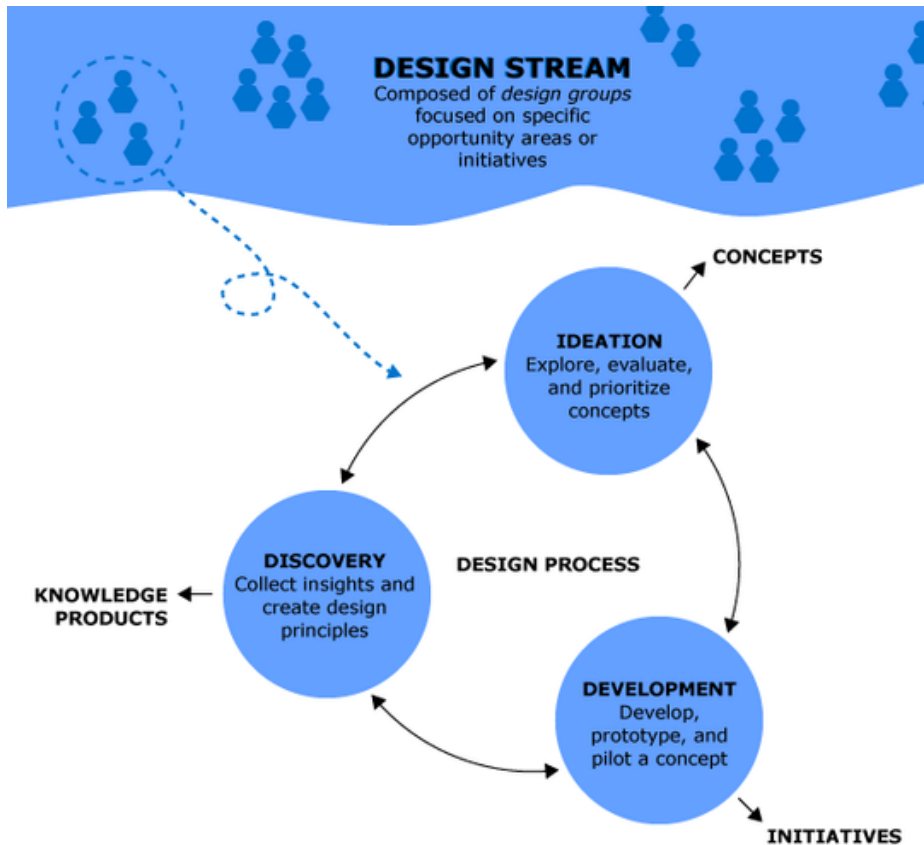
- Support your existing clients who need help during the various stages of the SABR process
- Expand your current client base to people who are looking for SABR-specific help
- Expand the decision-making power of workers within organizations
- Create new, socially responsible investment opportunities
- Many more



THE L3 SERVICE OFFERING

L3 is now operating two different Streams for L3 Community members to join when they would like to take an active role in building solutions that lead to more and better SABRs in their communities and contexts.

DESIGN STREAM



The Design Stream is the initiative-focused successor of the original five workshop series. The Design Stream will support the development of products, services, processes, or programs that contribute to building systemic support for SABRs in Canada. The Stream is composed of design groups, each with their own focus area, going through a guided virtual design process at their own pace led by the L3 team. You might join the Design Stream if...

- you or your organization would like to develop a product, service, program, or initiative
- you feel like you have valuable expertise to contribute to a Design group
- you would like to be involved in prototyping, testing, or remixing a product, service, program, or initiative.

DESIGN STREAM

Organizations can also join the Design Stream by attending a multi-day workshop that acts as an accelerator for Design ideas. These events involve convening multiple Design members and teams and leading them through structured Design activities meant to help the co-learn from one another's work while engaging deeply with their own solutions.



The first Legacy Leadership Lab workshop hosted in downtown Toronto on January 29th and 30th, 2020 was attended by 30 professionals from a wide variety of fields and sectors:

- business education
- credit unions and banking
- co-op development
- economic development
- family foundations
- co-op investment
- small business lending
- social enterprise development
- impact investing
- social venture investing
- co-operative development
- research
- labour
- small business succession
- community foundations
- federal government
- municipal government
- small business
- wealth management

The two-day event was an intensive, collaborative, co-creative process that combined short briefing presentations with varied break-out mapping, discovery and design activities. Participants were perpetually shuffled throughout the day to always ensure engaging collisions could occur.

L3 hosted a small cocktail reception on January 30th at the Riverdale Hub in Toronto, a social enterprise space run by the Riverdale Immigrant Women's Centre.

On Day 1, L3 Principal Investigator Sean Goobey and Project Manager Meg Ranson presented the overlapping problem area of business succession and opportunity area of 'social purpose conversions.' They demonstrated that a wave of retiring small business owners is threatening the long term health of small and rural economies. However, the growing interest in community-based and socially-driven enterprise

development and financing could support this wave through a just transition, in which going concerns could undergo a social purpose conversion and take on new ownership and a new social purpose form.

The first day was thus spent examining the small business succession and the business conversion processes, seeking to understand both the traditional succession process, but also what successful or unsuccessful business conversions have historically looked like. A journey mapping exercise allowed several volunteer participants present their knowledge of a particular ownership exit or business conversion. Then, participants charted these living cases along a timeline and identified the necessary features and intervention points of the case. A good number of the day's participants gathered for dinner together that night at Assembly Chef's Hall, enjoying good food, beverages, and spontaneous collaborative talks.

On day 2, participants spent the entire morning learning about one another's work and experiences. We took instant photographs of each participant and small groups created a dynamic profile of details about their current and potential future involvement around the social purpose conversion opportunity.

After lunch, participants self-organized around their shared interest areas and burning questions, finding common ground to begin thinking through where they could assist one another and what work needed to be done to see localized strategies come to fruition.



The Atlantic Online workshop was the second fully online workshop to be conducted by the Legacy Leadership Lab (L3) since COVID-19's arrival in Canada. The L3 team managed to adapt to the circumstances and deliver an entirely remote workshop over three consecutive sessions from April 21-22 with over 20 participants from across the country. The main goal of this 3-day workshop was to identify opportunity areas for intervention into the small business succession and conversion system and launch targeted working groups to develop those opportunity areas.

On day one, participants were briefed on the current situation in Canada, particularly surrounding small business. Everyone was split up into small groups to discuss how L3 could support its process in this time of crisis. After a short break, the L3 staff explained the Three Horizons framework to help scaffold participants' discussions while looking for opportunity areas for intervention into the small business system. The Three Horizons framework attempts to understand how a system can change over time. The First Horizon is the dominant system at the current moment, which can transform into a fundamentally different system in a Third Horizon. This transition occurs through the innovation activity of the Second Horizon. In our final activity of the day we did some collective visioning in breakout rooms to explore what a desired Third Horizon might look like for the small business system in Canada.

Following the introduction to the Three Horizons on day one, day two was structured around discussions of the First and Second Horizons. In small breakout rooms, we explored the dominant system, the problems it causes, what we want to phase out from it and what we would like to keep. In the Second Horizon discussion, we talked about existing and desired innovations that would help build systemic support for social acquisitions in Canada. After a short break, participants were able to propose topics of interest and self-organize into groups in a virtual unconference.

On the third day, we had Dr. Ali Asgari, an award-winning expert in disaster, emergency, and business continuity management, deliver a presentation on small business resilience in a crisis economy. What followed was a series of peer feedback rounds where participants could learn about and give input into initiatives in development by L3 participants. These rounds were followed by short presentations on the seven initiatives delivered by the workshop participants who had received feedback. In the final activity, apply called Put Your Boss Pants On, participants were split up into their chosen opportunity area working groups to discuss what the group might accomplish and what they would need from L3. At the end of the day, multiple design groups with specific purposes had been created.

LEGACY LEADERSHIP LAB



LEGACY LEADERSHIP LAB



UPCOMING DESIGN EVENTS

Click to visit registration page.

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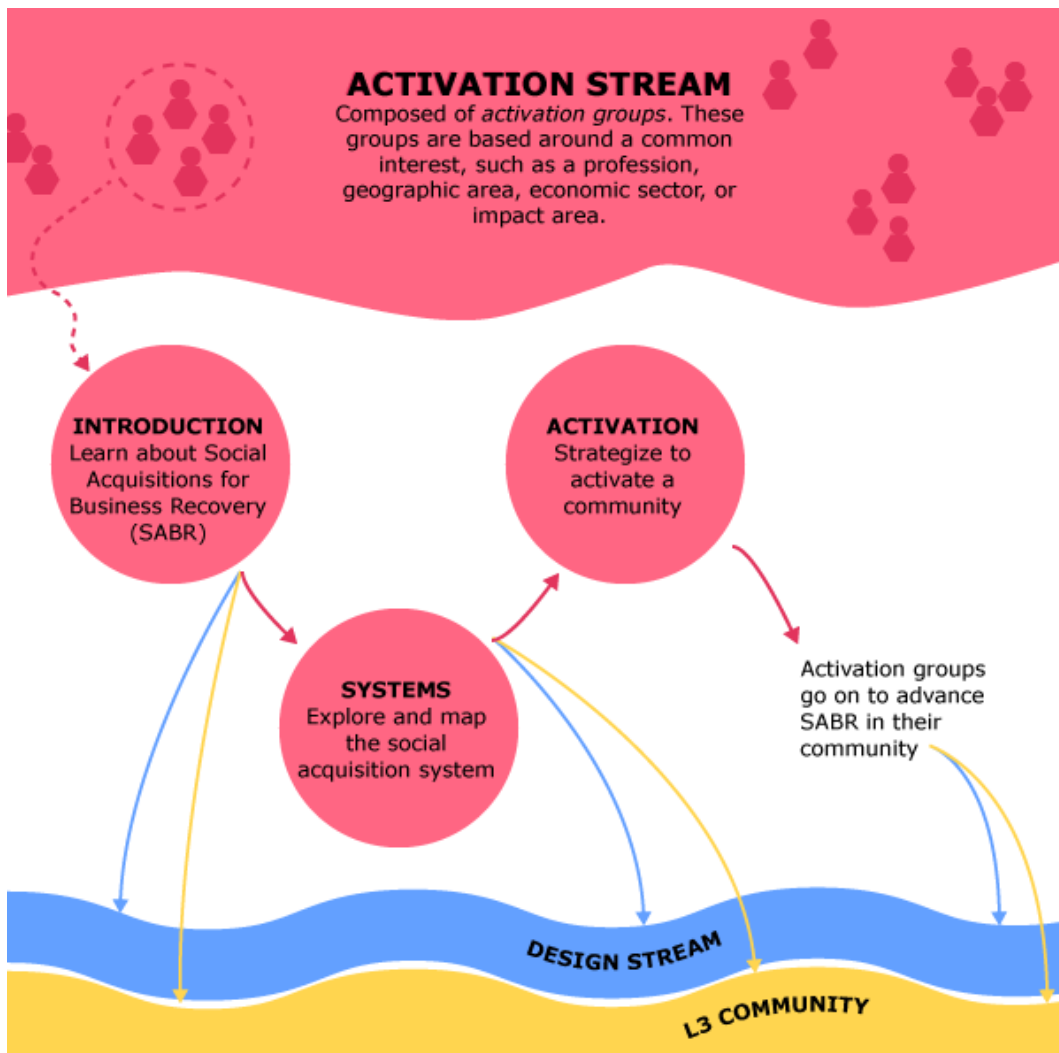
LEGACY LEADERSHIP LAB | LABO de LEADERSHIP en PATRIMOINE

LAUNCH | MONTER

5+1 HR DESIGN WORKSHOP | ATELIER DE CONCEPTION 5+1 h



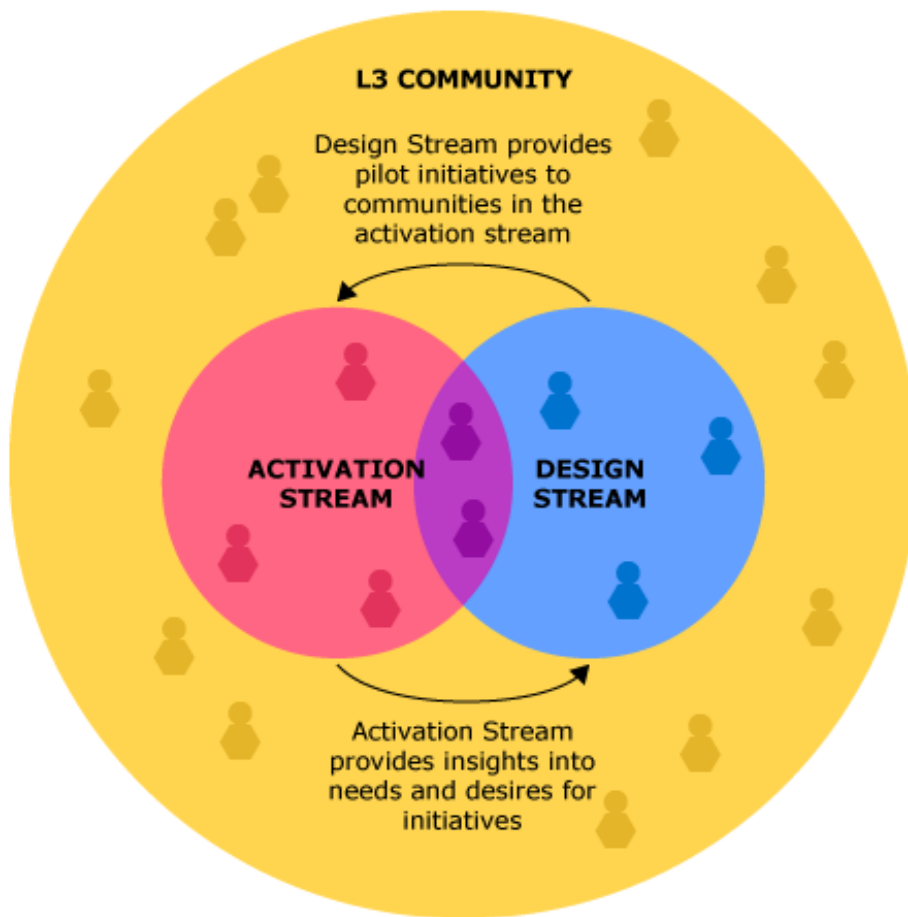
ACTIVATION STREAM



The Activation Stream is the movement-building successor of the original workshop series, with the aim of raising interest and awareness in Canada for building systemic support for social acquisitions and social purpose conversions. The Activation Stream brings potential new members in to the L3 Community and orients them to the work they can engage in within the L3 Community. You might join the Activation Stream if...

- you or your organization would like to encourage your community to embrace SABRs as a viable solution for their business sector
- you are a Design Stream member that also wants to activate a broader strategy for your community and context

L3 COMMUNITY

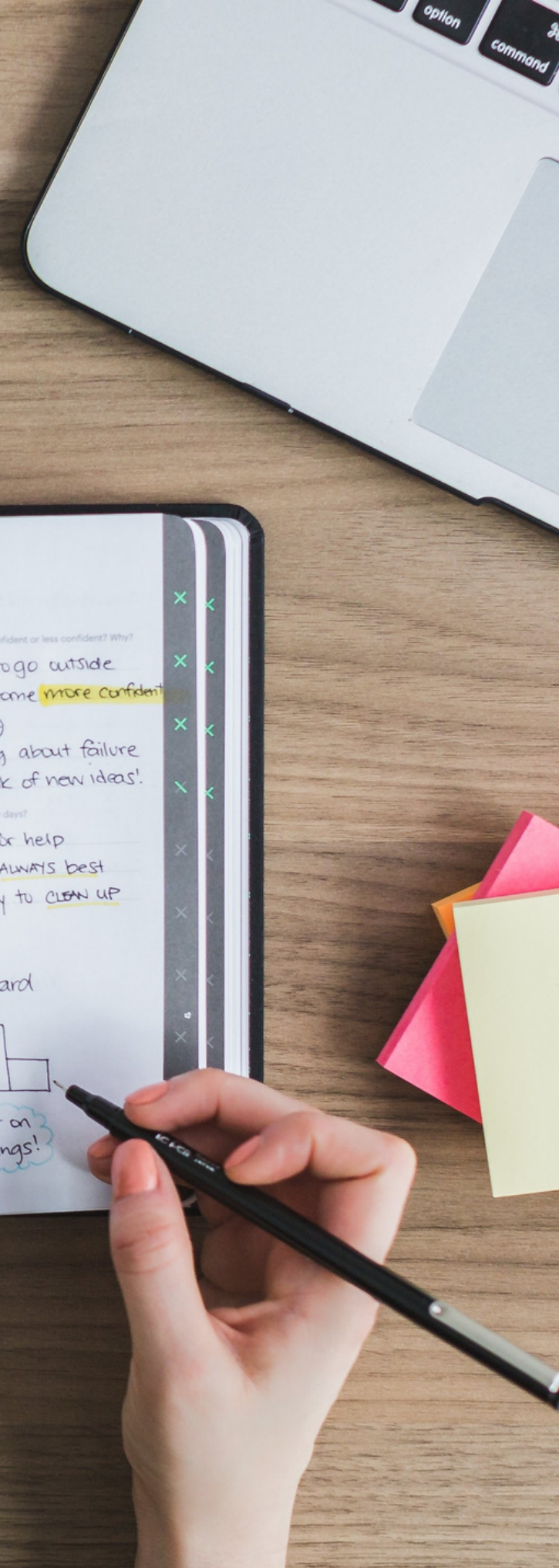


You also don't need to join a stream to be part of the **L3 Community**! You can support participants of those streams at various points in their development, attend L3 events, share your own social acquisition or social purpose resources with other L3 participants, or simply follow along with L3 and L3 members' work. Anyone who is involved with L3 is a part of the L3 Community. The L3 Community as a whole exists to assemble and activate a national community of professionals and organizations that will support and advance a systemic approach to social acquisitions as a business succession and recovery strategy in Canada.

Wondering what you'll be doing, how to participate, who else is involved? Check out the FAQ online at <https://uwaterloo.ca/legacy-leadership-lab/faq>.

TO CREATE OR JOIN A STREAM

Individuals and organizations can form their own Design or Activation groups and help L3 recruit members they need, or they can choose to join an existing Design or Activation group. Those who are interested in forming or joining a group should reach out to WISIR@uwaterloo.ca.



L3 TEAM

This project is led by Dr. Sean Geobey, Principal Investigator, and supported by a team at the Waterloo Institute for Social Innovation and Resilience. [Read our team's bio here!](#)

WHATS NEXT

You might want to...

- Find out more: Schedule a 20-minute consultation with the L3 team to chat about what Stream could be right for you!
- Take action: Map out your own ecosystem at our next Intake Workshop!

Either way, use our handy [Calendly link](#) to chat with us.

If you have questions or want to sign up for our monthly newsletter, contact L3 Project Manager Meg Ronson at mronson@uwaterloo.ca.

RESOURCE LIBRARY

L3 hosts a crowd-sourced library for small business service providers, civic organizations, public and private institutions, researchers, and specialists of all kinds working on [Social Acquisitions for Business Recovery \(SABR\)](#) ideas, products, services, and projects. Email WISIR@uwaterloo.ca to gain access.

SOURCES

1. <https://www.cfib-fcei.ca/sites/default/files/2020-06/COVID-19-survey-results-May28.pdf>
2. <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/publications/monthly-economic-letter/pages/2005.aspx>

GLOSSARY

Social acquisition

A social acquisition is the process by which a conventional enterprise is restructured into a social purpose organization. For the purposes of L3, we are specifically investigating conversions from a conventional for-profit into an investable, enterprising social purpose organization in cases that involve an ownership transition and exit (when the original owner sells the business to a new owner or new owners, such as in a cooperative or employee stock ownership plan).

A social acquisition occurs when there is:

- a change in ownership (full or partial, control or minority), and
- a change in mission towards the creation of social and/or environmental good while existing revenue generating capacity is maintained or improved.

Why social acquisition:

- 4 million Canadians are expected to apply to the Government of Canada's Canada Emergency Response Benefit (CERB) due to wage losses, according to CRA.
- We could recover that lost labour capacity and leverage it towards social (but economically viable) ends
- The government has committed \$755 million in investment to investible social purpose organizations.
- We can leverage this commitment to best serve the small business and social purpose sectors in the difficult times ahead
- Preserve important businesses in small and rural communities
- Address pressing social and environmental challenges

A social acquisition might look like a few different things:

- An employee or community buy-out (like a transition to a worker, consumer, or multi-stakeholder co-op)
- A municipal buy-out/non-profit takeover (like a vital cultural or tourism service provider getting purchased by the city and being set up with a volunteer board from the community)
- Sale to new owner(s) of an equity-seeking group, and/or who adopt and measure a social purpose as social entrepreneurs
- Partial versions of each of these (investments coming from any of the above which lead to a strategic change in an enterprise)

Business conversion

A change in organizational form from a traditional business (e.g. sole proprietorship, private corporation) to a social purpose organization, or changing the original business model to incorporate, track, and measure specific social and/or environmental performance targets. Solutions created by L3 members will focus on businesses undergoing conversions following a change in ownership structure.

Business succession

A sale or transfer of business assets or equity from one owner or group of owners to another.

Business succession plan

Lays out the strategy for business succession and considers legal and accounting details as well as post-sale involvement by the previous owner.

Social purpose organization

A social purpose organization is a social enterprise, not-for-profit corporation, cooperative, or charity, with a social and/or environmental purpose. For the purposes of L3, we are specifically investigating conversions from conventional enterprises into investable, enterprising social purpose organizations. In other words, the social purpose organization would need to be able to sell a good or service to make a profit to sustain its operations in addition to delivering a social or ecological value.



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