



Even with varying levels of contribution to a country's gross domestic product (GDP), the health and wealth of most countries is based on the collective success of their small businesses.

Globally, the ownership of small business is about to experience incredible shifts as baby boomers want to retire. This is truly going to be a test of a country's ability to evolve towards sustainability. For ISO, the confluence of these three factors is significant.

Call them what you will; baby boomers, grey-hair entrepreneurs, however you brand them, they are a growing market. As boomers age, they are going to change the shape of things to come, particularly over the next two decades. Boomers were born between 1945 and 1961; the oldest in this group is now 63 years' old, and the youngest is now 47.

Boomers are about to cause some ripples in the social fabric, in the flow of commerce and in how environmental issues are managed in our respective countries. This has implications on every aspect of life, from politics, economics, education and culture to the kinds of products, services, and processes that generates our wealth and our ability to evolve to being sustainable nations.

While demographics do not necessarily dictate destiny, they can dramatically affect



by Lynn Johannson

The confluence of small business, succession and sustainability

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it. Between now and the half century mark, population experts project a significant increase in the global population, from its current 6 643 193 734 people to a projected 9 401 550 854 by mid 2050.

Note that as this issue is unfolding so is our concern about another important issue – sustainability. The planet, as host to humans or as the marketplace in which we operate, is not going to expand its girth or suddenly increase its resource base to accommodate another 2 758 357 120 people.

Challenges

Whether the challenges to sustainability are framed as climate change, chemical management or waste, action must be taken to address the current situation, and now. Many believe the planet cannot endure additional pressure, that humankind is living on the edge now. Popping off to Mars with the overflow is not really an option at the present time, and arguably may never be.

These population numbers are global. How demographics play out in each country will not be the same; each pattern carries its own opportunities and challenges. One of the realities of this demographic transition relates to succession, a phenomenon that will impact all walks of life.

However, it is important to understand the challenges

that succession will pose specific to small business and to their respective economy; the impact that small business in this position will have on the sustainability of their respective nations; and the confluence of these three factors.

 **Small business is the foundation of most national economies**

There is an opportunity for ISO to position itself as an enabler in this transition period. Change is required. As ISO is a servant of its members, the challenge is whether its respective national member bodies are ready to learn about the needs of small business as customer and take action to meet this market opportunity.

Canada – case study

Canada offers good statistics and has a “heads up” story as a case study. As a nation, Canadians enjoy a truly beautiful terrain that contains a vast and diverse geography with a relatively small population, about 33 million, which is concentrated in a relatively narrow ribbon at the southern border.

Small business, as defined as entities with less than 100 employees, represents the greatest number of compa-

nies, as shown in **Figure 1**, scattered across the country. Collectively they account for at least 45 % of gross domestic product (GDP).

For the purposes of this article, small business is also defined as being independent, not as a subsidiary or division. Many small business owners are boomers, and as others in this age range, are having thoughts about retiring.

Succession planning, just like environmental management, is a long-term process

So what? Leaders, whether from the corporate or political world, have completely missed the importance of demographics and how it will shape the future of their own organizations, customers and constituencies. Society by and large in most countries is ill-prepared for this transition, policy makers and shapers have not planned for the reality that is to be part of the future. Equally of concern is that fact that most small business owners have not planned for this either. In Canada, only 10 % have a formal succession plan, 38 % have an informal one while the majority, 52 %, have no plans at all.

Small business “succession” involves transition of business ownership, through means such as the sale of the busi-

ness, generational succession, management/employee buy-out, realisation (liquidation) of assets and public listing. Succession will impact such factors as :

- business innovation;
- employment;
- job creation;
- economic development;
- banks and insurers (client base);
- government (tax base);
- overall economic growth;
- sustainability of the community (including their eco-prosperity).

Sixty-six percent of Canada’s small business owners intend to retire over the next 10 years. This translates into approximately 700 000 companies. Given the sheer number of companies involved in this transition, this represents a huge socio-economic upheaval.

Approximately 37 % of these SMEs want to sell their businesses on the open market and another 26 % want to sell or transfer their businesses within the family. A further 26 % have not figured out any kind of exit vision. Four per cent intend to wind down their business and the remainder is a mystery – they will do “other”. This may mean that they are buying another business or they just don’t know what’s next.

Don’t ignore the last 7 %. Over the next 10 years, that

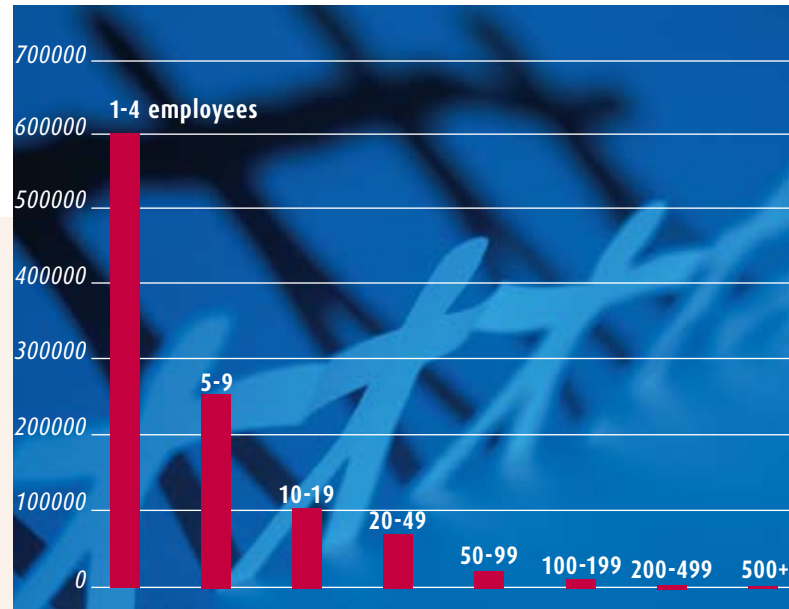


Figure 1 - Profile of employer business by numbers of employees

means 48 000 small businesses are uncertain about what to do. Uncertainty often results in inaction or lower productivity. This has an impact on jobs by itself, to say nothing of the other economic issues that Canada is facing. Compared to the total number of businesses in Canada and the GDP they represent, this could devastate a community and rock the national economic boat.

Is this just a transitional issue or is there more to it? Obviously numbers don’t explain the whole story and the devil is in the details. The intent of this article is to spur readers into looking into their own countries.

Long-term

Succession planning, just like environmental management is a long-term process; it is not a one-time event.

Formal planning as articulated in large organizations be they for profit or not is not a common activity in small business. The Canadian Federation of Independent Business and

other small business experts have noted in companies with fewer than 50 employees the reality is informal planning. The challenge this presents is that the majority of Canadian business, as in most countries, are in companies with fewer than 50 people (look at **Figure 1** again).

When succession is seen as a future event (**Figure 2**), not as a process, it is not hard to see why small business owners defer action on it and concentrate on the short term matters at hand.

The next 10 to 18 years represents a buyers’ market. In a buyers’ market, when all traditional valuation criteria are considered and offer multiple options, the perspective purchaser can ask for more.

With the awakening of the investment community and consumers to the concerns of global warming, spurred by the reaction to Al Gore’s film and book *An Inconvenient Truth*, only a fool would ignore the environmental issue in such a decision. Integration of the environment

in core business decisions is making considerable inroads as more and more large companies face the reality that ignoring the environment is not just a bad idea.

The costs may include the loss of a business, lost revenue, being shut out of markets, loss of reputation and brand trust, and in some countries burgeoning lawsuits; all impacting the ongoing revenue stream.

As investors include additional criteria into their financial analysis, the environment is transitioning inward from its position as an externality. The reason for this is clear. Regardless of how the environment card is played, how these issues tally into the business valuation are reflective of management quality.

Evidence of well managed company will include environmental management

This is a key determinant of performance in the stock market and this will filter down into small business transactions within the next few years, if not sooner. Big or small, evidence of a well managed company will include environmental management and quite possibly performance measures on a buyer's checklist.

ISO has a product in the form of ISO 14001, the most widely implemented environmental management system (EMS) standard. There is opportunity for ISO 14001 to be marketed in a coordinated manner with succession planning. However, the reader is duly warned that it is highly unlikely that traditional approaches that have established ISO 14001 as the EMS of choice with bigger companies will work with small companies.

Unaware

Why? While hard for those immersed in standards to accept, by and large, small business is still unaware of ISO 14001. This is still true in many countries, not just Canada. In a Canadian survey of small business undertaken in 2005, 70% of respondents had not heard of ISO 14001.

While more had heard of ISO 9001, the standard for quality management, there were mixed views on its value. It comes as no surprise that one of the consistent challenges

centres on certification. While certification can be a value-added option for companies, it has not proven to have resonance with small business. This is not Canada-centric.

The point is to not continue the debate about certification; it is to challenge the reader to think about the opportunity and value of addressing the needs of small business. There are 143 million reasons – the number of small businesses globally.

ISO has shown some initial effort to address this customer base. They are early stage and not without some critical hurdles to overcome. Some radical thinking within ISO is still needed.

Three things the ISO community can do to improve their odds.

1. Seek small business representatives and experts. There is a dearth in ISO activities at this time. It is unlikely that small business owners will participate, they are too busy.

2. Change how meetings for standards are held. In Canada, the majority of meetings for ISO 14001 are focused teleconferences. Also, Canada has joined others in small task groups in the promotion of free or cheap Internet telephony, such as SKYPE. This has occasional connection challenges, and for those members where this service is not yet common, there are higher call-in charges. Its two key advantages are substantial reductions in greenhouse gas emissions of these international task groups; it also forces better preparation amongst the membership.

3. Ensure that any future product that is supposed to provide specific help for small business is designed for success. If a document says it is for small business and it isn't it leaves ISO open to criticism and potential loss of brand. It also widens the gap between ISO and small business, which may open the door to competition. If the competition is cooperative in nature, fine. If it draws small business entirely in another direction, the author sees this as a travesty and a tragedy in the making, but it is something that ISO had best factor into its thoughts.

Figure 2 - Why SMEs do not have succession plans

